

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
BEMIDJI, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2020 AND 2019

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
BEMIDJI, MINNESOTA
SEPTEMBER 30, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Northern Minnesota Public Television, Inc.
Bemidji, Minnesota**

We have audited the accompanying financial statements of Northern Minnesota Public Television, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, 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 Northern Minnesota Public Television, Inc. as of September 30, 2020 and 2019, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in the fiscal year ending September 30, 2020, Northern Minnesota Public Television, Inc. adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Miller McDonald, Inc.

January 11, 2021
Bemidji, Minnesota

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 843,778	\$ 284,593
Accounts Receivable, net	5,955	2,858
Grants Receivable	92,712	113,180
Contributions Receivable, net	77,964	80,474
Prepaid Expenses	31,762	30,753
Total Current Assets	<u>1,052,171</u>	<u>511,858</u>
 <u>Property and Equipment</u>		
Land	92,754	92,754
Building and Leasehold Improvements	3,982,198	3,982,198
Antenna, Transmitter, and Other		
Broadcasting Equipment	6,315,739	6,315,739
Furniture, Fixtures, and		
Administrative Equipment	106,476	104,576
	<u>10,497,167</u>	<u>10,495,267</u>
Less: Accumulated Depreciation	6,945,763	6,746,274
Total Property and Equipment (net)	<u>3,551,404</u>	<u>3,748,993</u>
 <u>Other Assets</u>		
Contributions Receivable	2,394	6,220
Investments	987,810	890,869
Total Other Assets	<u>990,204</u>	<u>897,089</u>
 <u>Total Assets</u>	<u>\$ 5,593,779</u>	<u>\$ 5,157,940</u>

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 7,344	\$ 7,343
Accrued Payroll, Taxes, and Withholdings	61,290	54,967
Refundable Advances	58,050	443
Total Current Liabilities	<u>126,684</u>	<u>62,753</u>
<u>Long-Term Liabilities</u>		
Accrued PTO	<u>90,488</u>	<u>81,570</u>
<u>Net Assets</u>		
Without Donor Restrictions:		
Operating	1,234,476	686,012
Board Designated - Endowment	365,741	327,727
Property and Equipment	3,551,404	3,748,993
Total Net Assets Without Donor Restrictions	<u>5,151,621</u>	<u>4,762,732</u>
With Donor Restrictions	224,986	250,885
Total Net Assets	<u>5,376,607</u>	<u>5,013,617</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 5,593,779</u>	<u>\$ 5,157,940</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
<u>Changes in Net Assets Without Donor Restrictions</u>		
<u>Revenue and Gains</u>		
Contributions		
KAWE	\$ 253,057	\$ 220,624
KAWB	126,212	246,223
Other	84,110	72,178
Total Contributions	463,379	539,025
Corporation for Public Broadcasting		
Community Service Grants and Supplemental	1,060,610	814,357
Interconnect	12,479	12,515
State of Minnesota Grants	644,541	678,588
Private Foundation Grants	34,000	48,228
Other Grants	231,500	28,596
Development and Special Events	-	40,294
Donated Professional Services	5,830	4,850
Production Income	19,135	32,491
Underwriting Income	174,684	248,082
Tower Rental	78,622	73,177
Interest Income	1,998	3,642
Investment Return	92,879	41,519
Other Income	-	965
Total Revenue and Gains Without Donor Restrictions	2,819,657	2,566,329
Net Assets Released from Restrictions	53,544	76,261
Total Revenue, Gains, and Other Support Without Donor Restrictions	2,873,201	2,642,590
<u>Expenses and Losses</u>		
Program Services		
Programming and Production	1,356,809	1,346,152
Broadcasting	418,531	473,633
Public Information and Promotion	94,149	75,283
Total Program Services	1,869,489	1,895,068
Supporting Services		
Management and General	331,580	348,583
Fund-Raising and Membership Development	203,678	293,068
Underwriting and Grant Solicitation	78,944	74,449
Total Supporting Services	614,202	716,100
Total Expenses	2,483,691	2,611,168

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Loss on Asset Disposals	621	-
Total Unrestricted Expenses and Losses	<u>2,484,312</u>	<u>2,611,168</u>
<u>Change in Net Assets Without Donor Restrictions</u>	<u>388,889</u>	<u>31,422</u>
<u>Change in Net Assets With Donor Restrictions</u>		
Grants	27,645	1,772
Net Assets Released from Restriction	<u>(53,544)</u>	<u>(76,261)</u>
<u>Change in Net Assets With Donor Restrictions</u>	<u>(25,899)</u>	<u>(74,489)</u>
<u>Change in Net Assets</u>	362,990	(43,067)
<u>Net Assets at Beginning of Year</u>	<u>5,013,617</u>	<u>5,056,684</u>
<u>Net Assets at End of Year</u>	<u>\$ 5,376,607</u>	<u>\$ 5,013,617</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services			Total Program Services
	Programming and Production	Broadcasting	Public Information and Promotion	
Salaries	\$ 558,586	\$ 158,776	\$ 48,982	\$ 766,344
Salary Related Benefits	117,919	34,015	11,338	163,272
Donated Professional Services	-	-	-	-
Supplies and Postage	15,162	2,131	1,214	18,507
Telephone	8,249	1,870	1,117	11,236
Travel and Conferences	1,226	540	-	1,766
Utilities	8,828	49,954	2,337	61,119
Professional Services	13,166	7,343	4,456	24,965
Equipment Maintenance and Repair	30,777	22,374	2,242	55,393
Insurance	21,552	15,550	2,464	39,566
Printing and Publications	-	-	-	-
Membership Fees and Dues	17,959	-	-	17,959
Advertising and Promotion	-	-	9,600	9,600
Program Acquisitions	413,179	-	-	413,179
Program Production Costs	58,366	27,626	-	85,992
Office and Tower Site Rental	7,200	26,414	-	33,614
Miscellaneous	-	-	-	-
Fund-Raising Expenses	-	-	-	-
Depreciation	84,640	71,938	10,399	166,977
	<u>\$ 1,356,809</u>	<u>\$ 418,531</u>	<u>\$ 94,149</u>	<u>\$ 1,869,489</u>

Supporting Services				
Management and General	Fund-Raising and Membership Development	Underwriting and Grant Solicitation	Total Supporting Services	Total
\$ 171,071	\$ 76,113	\$ 50,827	\$ 298,011	\$ 1,064,355
36,283	15,875	11,338	63,496	226,768
5,830	-	-	5,830	5,830
9,202	17,871	62	27,135	45,642
1,286	1,117	1,286	3,689	14,925
865	336	1,610	2,811	4,577
3,116	2,857	-	5,973	67,092
16,412	-	-	16,412	41,377
10,385	2,740	2,015	15,140	70,533
4,893	2,227	2,464	9,584	49,150
-	6,185	-	6,185	6,185
43,684	-	-	43,684	61,643
-	-	-	-	9,600
-	-	-	-	413,179
-	-	-	-	85,992
4,800	-	-	4,800	38,414
5,360	239	-	5,599	5,599
-	69,612	-	69,612	69,612
18,393	8,506	9,342	36,241	203,218
<u>\$ 331,580</u>	<u>\$ 203,678</u>	<u>\$ 78,944</u>	<u>\$ 614,202</u>	<u>\$ 2,483,691</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	Program Services			Total Program Services
	Programming and Production	Broadcasting	Public Information and Promotion	
Salaries	\$ 545,303	\$ 156,380	\$ 39,099	\$ 740,782
Salary Related Benefits	121,779	35,817	9,552	167,148
Donated Professional Services	-	-	-	-
Supplies and Postage	12,632	2,611	1,345	16,588
Telephone	10,567	2,414	1,585	14,566
Travel and Conferences	2,104	1,065	-	3,169
Utilities	8,917	50,906	2,360	62,183
Professional Services	13,288	7,343	1,741	22,372
Equipment Maintenance and Repair	25,047	19,088	1,163	45,298
Insurance	18,955	19,143	1,923	40,021
Printing and Publications	-	-	-	-
Membership Fees and Dues	17,146	-	-	17,146
Advertising and Promotion	-	-	7,650	7,650
Program Acquisitions	409,749	-	-	409,749
Program Production Costs	75,651	27,478	-	103,129
Office and Tower Site Rental	7,260	25,116	-	32,376
Special Events	-	-	-	-
Miscellaneous	-	-	-	-
Fund-Raising Expenses	-	-	-	-
Subawards	-	28,596	-	28,596
Depreciation	77,754	97,676	8,865	184,295
	<u>\$ 1,346,152</u>	<u>\$ 473,633</u>	<u>\$ 75,283</u>	<u>\$ 1,895,068</u>

Supporting Services				
Management and General	Fund-Raising and Membership Development	Underwriting and Grant Solicitation	Total Supporting Services	Total
\$ 179,948	\$ 98,080	\$ 46,940	\$ 324,968	\$ 1,065,750
40,593	21,490	9,552	71,635	238,783
4,850	-	-	4,850	4,850
18,475	15,215	224	33,914	50,502
1,785	1,585	1,785	5,155	19,721
3,830	2,755	4,918	11,503	14,672
3,147	2,884	-	6,031	68,214
13,014	-	-	13,014	35,386
9,413	1,421	2,500	13,334	58,632
2,607	3,930	1,525	8,062	48,083
-	11,199	-	11,199	11,199
42,770	-	-	42,770	59,916
-	-	-	-	7,650
-	-	-	-	409,749
-	-	-	-	103,129
4,840	-	-	4,840	37,216
-	49,776	-	49,776	49,776
5,212	635	-	5,847	5,847
-	77,163	-	77,163	77,163
-	-	-	-	28,596
18,099	6,935	7,005	32,039	216,334
<u>\$ 348,583</u>	<u>\$ 293,068</u>	<u>\$ 74,449</u>	<u>\$ 716,100</u>	<u>\$ 2,611,168</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 362,990	\$ (43,067)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	203,218	216,334
(Gain) Loss on Fixed Asset Disposals	621	-
Donated Investments	(4,062)	(103,320)
(Gain) Loss on Investments	(73,257)	(21,209)
Contributions Received for Capital Project	(1,897)	(123,509)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(3,097)	(2,290)
Prepaid Expenses	(1,009)	365,719
Contributions Receivable	6,336	(17,738)
Grants Receivable	20,468	4,758
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	1	4,343
Accrued Payroll, Taxes, and Withholdings	6,323	(236)
Accrued PTO	8,918	(1,532)
Deferred Support and Revenues	-	(23,107)
Refundable Advances	57,607	(13,116)
Net Cash Provided by (Used in) Operating Activities	583,160	242,030
 <u>Cash Flows from Investing Activities</u>		
Purchases of Property and Equipment	(6,250)	(212,905)
Purchases of Investments	(413,109)	(168,663)
Proceeds from Sales of Investments	393,487	148,352
Net Cash Provided by (Used in) Investing Activities	(25,872)	(233,216)
 <u>Cash Flows from Financing Activities</u>		
Proceeds from Contributions for Capital Project	1,897	123,509
Proceeds from Line of Credit	-	75,000
Repayment of Line of Credit	-	(75,000)
Net Cash Provided by (Used in) Financing Activities	1,897	123,509
 <u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	559,185	132,323
 <u>Cash and Cash Equivalents, Beginning of Year</u>	284,593	152,270
 <u>Cash and Cash Equivalents, End of Year</u>	\$ 843,778	\$ 284,593

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash Paid for Interest	\$ -	\$ 65
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See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

1. **Summary of Significant Accounting Policies**

Organization – Northern Minnesota Public Television, Inc. (the Organization) is a nonprofit Minnesota Corporation which operates two non-commercial public television stations (KAWE and KAWB) in Bemidji and Brainerd, Minnesota. The Organization’s support comes primarily from public contributions, underwriting, and grants. Approximately 37% and 31% of the Organization’s support came from the Corporation for Public Broadcasting for the years ended September 30, 2020 and 2019, respectively. Approximately 22% and 26% of support for the years ended September 30, 2020 and 2019 came from various grants from the State of Minnesota.

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Change in Accounting Principle – On October 1, 2019, the Organization adopted FASB ASU No. 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The Organization adopted ASU 2018-08 using modified prospective application to agreements not completed as of October 1, 2019. There was no cumulative effect of a change in accounting principle recorded related to the adoption of ASU 2018-08 on October 1, 2019. The effect of adopting this standard resulted in conditional contributions not met of \$34,067 as of September 30, 2020 being excluded from revenue without donor restrictions for the year ending September 30, 2020.

New Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. As a result of public health crises due to COVID-19, the FASB issued ASU-2020-05, delaying the effective date for fiscal years beginning after December 31, 2019 for certain entities. The Organization has elected to delay implementing the standard until fiscal year 2021, and is assessing the impact it will have on its financial statements.

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

Without Donor Restrictions – Net assets not subject to donor-imposed restrictions. Items that affect this net asset category primarily consist of annual pledge contributions, certain grants, special events, underwriting and production income, tower rent, and investment income. Also includes net assets that the governing board has designated, from net assets without donor restrictions, amounts used for specific purposes.

With Donor Restrictions – Net assets subject to donor-imposed (or certain grantor) restrictions that will be met either by actions of the Organization or by the passage of time.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Items that affect this category are contributions with donor-imposed restrictions that have not yet been met in the year of receipt.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments or debt instruments purchased with a maturity of three months or less to be cash equivalents.

Revenue Recognition – Grants and other contributions of cash and other assets are reported as net assets with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. Certain grants and contracts from foundations and governmental entities are included in refundable advances due to stipulations within the agreements that contain right of return of funds and barriers (as defined by ASU 2018-08) that make these contributions conditional. These funds are recognized as eligible costs are incurred. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Donated Goods, Facilities, and Professional Services – Donated goods, facilities, and professional services are recognized as revenue without donor restrictions when received and an equal amount of expense is recognized in various expense categories on the statement of activities. Donated professional services are recorded at estimated fair value if they create or enhance a non-financial asset or require specialized skills and are performed by people with those skills and would otherwise be purchased. For the years ended September 30, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements were \$5,830 and \$4,850, respectively.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets – Capital asset purchases are capitalized at cost. It is the Organization's policy to capitalize expenditures for these items, with a \$1,500 minimum threshold. Expenditures for repairs and maintenance are expensed as incurred. Donated capital assets are recorded at fair value at the date contributed. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Income Taxes – The Organization has been classified as an other-than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on unrelated business income.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

The Organization follows the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at September 30, 2020 and 2019. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

Accounts and Contributions Receivable – Accounts and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collections efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts for the years ended September 30, 2020 and 2019 was \$12,123 and \$11,931 respectively.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Advertising – The Organization expenses advertising costs as incurred. Advertising expense for the years ended September 30, 2020 and 2019 was \$9,600 and \$7,650, respectively.

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements of the Organization report certain categories of expenses that are attributable to more than one program or supporting function. Directly identifiable expenses are charged to programs and supporting services accordingly. Salaries and benefits related to more than one function are based on estimates of time and effort. Certain shared costs are allocated based on estimates of program usage. Building depreciation is based on a square footage basis and leasehold improvements on estimates of usage.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Reclassifications – Certain amounts reported in the prior year have been reclassified to conform with the current year’s presentation with no effect on previously reported change in net assets.

Date of Management’s Review – In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through January 11, 2021, the date the financial statements were available to be issued.

2. Contributions Receivable

Contributions receivable at September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 90,087	\$ 92,405
Receivable in one to five years	<u>2,394</u>	<u>6,220</u>
Receivable before any discounts and allowance	92,481	98,625
Less allowance for uncollectible contributions	<u>(12,123)</u>	<u>(11,931)</u>
Net Contributions at September 30	<u>\$ 80,358</u>	<u>\$ 86,694</u>

Contributions receivable over one year are discounted at the mid-term applicable federal rate at year-end when material. There were no contributions discounted for the years ended September 30, 2020 and 2019.

3. Board Designated Endowment

As part of its investment portfolio, on September 22, 2004, the Board of Directors approved the formation of an endowment fund, and designated \$120,000 of net assets without donor restrictions to be transferred to the newly created fund in order to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Since the inception of the endowment fund, contributions have occasionally been added to the endowment fund. In addition, since the inception of the fund, the Board decided that the possible use of any proceeds of the endowment fund would be decided annually. To date, the Board has elected not to use any of the proceeds of the fund, but rather to re-invest 100% of any gains to provide additional real growth through investment return.

To achieve that objective, the Organization has adopted the total rate of return investment policy that emphasizes both capital appreciation and income. Consideration is also given to increasing the level of income to offset the effect of inflation. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Moderate market value volatility is expected.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Composition of and changes in endowment net assets, at fair value, for the years ended September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Endowment Net Assets, Beginning of Year	\$ 327,727	\$ 315,106
Investment Income, Net of Fees	7,479	8,295
Unrealized Gains (Losses)	29,730	2,888
Realized Gains (Losses)	805	1,438
Endowment Net Assets, End of Year	<u>\$ 365,741</u>	<u>\$ 327,727</u>

4. **Fair Value Measurements and Investments**

U.S. generally accepted accounting principles provide the framework for measuring fair value and provide a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. A three-tier fair value hierarchy is provided determined by the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets
- Level 2 – Observable inputs such as quoted prices in active markets for similar assets or other observable inputs
- Level 3 – Significant unobservable inputs

The Organization's investments consist of exchange traded funds (ETFs) and are classified as Level 1 investments where fair value is determined by quoted prices in active markets for identical assets. At September 30, 2020 and 2019, they are as follows:

<u>Investments:</u>	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
ETFs - Board Designated Endowment	\$ 287,969	\$ 365,741	\$ 279,685	\$ 327,727
ETFs	<u>555,131</u>	<u>622,069</u>	<u>531,307</u>	<u>563,142</u>
	<u>\$ 843,100</u>	<u>\$ 987,810</u>	<u>\$ 810,992</u>	<u>\$ 890,869</u>

Investment return is summarized as follows:

	<u>Without Donor Restrictions</u>	
	<u>2020</u>	<u>2019</u>
Interest, Dividends, Capital Gain Distributions	\$ 19,622	\$ 20,310
Realized Gain (Loss)	8,424	(1,258)
Unrealized Gain (Loss)	64,833	22,467
	<u>\$ 92,879</u>	<u>\$ 41,519</u>

5. **Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and deposits in excess of insured limits.

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The Organization maintains its cash in both checking and money market accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

6. Accrued Paid Time Off

Employees have a maximum amount of PTO that can be accrued and paid out to them upon separation of employment. The actual liability to the Organization is the lesser of an employee's hours actually built up, or the maximum hours that could be paid out based on the number of years employed. The PTO accrued at September 30, 2020 and 2019 was \$90,488 and \$81,570, respectively.

7. Lease Commitments and Rent Expense

The Organization entered into a five-year lease agreement with Paskvan Real Estate, LLP for tower sites at \$975 per quarter. The lease provisions provide for automatic renewal for up to three five-year terms, and can be cancelled by either party with proper written notice prior to the proposed termination date. The lease is currently in its second term. Rent expense related to the lease for each of the years ended September 30, 2020 and 2019, totaled \$3,900.

The Organization entered into a ten-year lease agreement for office space beginning April 1, 2019. Base rent is \$1,000 per month the first five years and \$900 per month the second five years, plus triple net fees based on square footage. Rent expense for the years ended September 30, 2020 and 2019 totaled \$12,000 and \$12,100, respectively.

The Organization entered into a ten-year lease agreement with the Minnesota Department of Natural Resources for a tower site beginning April 1, 2017. Rent expense for the years ended September 30, 2020 and 2019 totaled \$22,514 and \$21,216, respectively. Future minimum lease payments for years 2020-2027 will consist of an annual base fee of \$2,760 plus a 2% increase beginning in 2020, along with an annual equipment fee of \$19,754. The equipment fee is subject to change each year based on actual pieces of equipment reported.

Future minimum lease payments for the years ending September 30 are as follows:

2021	\$ 38,469
2022	38,526
2023	38,583
2024	36,092
2025	33,601
Thereafter	83,587
	<u>\$268,858</u>

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8. Property and Equipment

The estimated useful lives and accumulated depreciation balances at September 30, 2020 and 2019, are as follows:

	Estimated Useful Lives	Accumulated Depreciation	
		2020	2019
Building and Leasehold Improvements Antenna, Transmitter, and Other Broadcasting Equipment	6 to 40 Years	\$ 798,633	\$ 693,407
Furniture, Fixtures, and Administrative Equipment	5 to 15 Years	6,063,047	5,977,662
	3 to 7 Years	84,083	75,205
		<u>\$6,945,763</u>	<u>\$6,746,274</u>

9. Line of Credit

The Organization has an agreement with a bank, whereby the Organization has an available line of credit to borrow up to \$150,000 for operating capital. The current agreement expires October 21, 2020 with variable interest at 2% above the bank's base rate. The line of credit is secured by securities held in one of the Organization's brokerage accounts. The balance outstanding at September 30, 2020 and 2019 was \$0.

10. Paycheck Protection Program (PPP) Loan

The Organization has a Paycheck Protection Program (PPP) loan that was approved for up to \$231,500 in April 2020 and has a balance outstanding of \$231,500 at September 30, 2020. It is a non-revolving draw down line of credit in which all or a portion of the loan may be forgiven if the proceeds are used for payroll and other eligible expenses, along with other stipulations in accordance with the Program's provisions. Any amount not forgiven is payable over 18 monthly installments, including interest at 1% at the time of forgiveness and it is unsecured. The Organization has received notice subsequent to year-end that \$221,500 of their loan has been forgiven. Consequently, under FASB ASC 958-605, \$10,000 has been recorded as part of refundable advances in the statement of financial position and \$221,500 has been recorded in the statement of activities in revenue without donor restrictions as of and for the year ending September 30, 2020. It is the Organization's intent to repay the \$10,000 amount due within one year.

11. Nonmonetary Transactions

The Organization enters into nonmonetary trade transactions to provide program underwriting for operating expenses such as advertising and supplies. Revenue and expenses are recognized at fair value of the item or service being received, and no gain or loss is recognized. Underwriting revenue and related expenses totaled \$12,868 and \$12,850 for the years ended September 30, 2020 and 2019, respectively.

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12. Retirement Plan

The Organization maintains a defined contribution pension plan as defined under Section 401(k) of the U.S. Internal Revenue Code. The plan covers employees 18 or older. The Organization currently provides a 50% match of an employee's contribution up to 1.25%. Employees are immediately vested in both employer and employee contributions. Employer contribution expense for the years ended September 30, 2020 and 2019 totaled \$10,085 and \$10,717, respectively.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Program Future Funds	\$ 197,341	\$ 249,113
TCT Project	27,645	-
Equipment	-	1,772
	<u>\$ 224,986</u>	<u>\$ 250,885</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose for years ending September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Program Future Funds	\$ 51,772	\$ 76,261
Equipment	1,772	-
	<u>\$ 53,544</u>	<u>\$ 76,261</u>

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14. Financial Assets and Liquidity Resources

As of September 30, 2020, the financial assets and liquidity resources available within one year for general expenditures were as follows:

Financial Assets:	
Cash and Cash Equivalents	\$ 843,778
Investments	987,810
Less those unavailable for general expenditures within one year, due to restriction for purpose:	
Board Designated Endowment	(365,741)
Restricted by Donor for Purpose	(224,986)
Funds Received in Advance	<u>(58,050)</u>
Cash and Cash Equivalents and Investments Available Within One Year	1,182,811
Accounts Receivable	5,955
Grants Receivable	92,712
Contributions Receivable (current, net)	<u>77,964</u>
Total Financial Assets Available Within One Year	1,359,442
Liquidity Resources:	
Bank Line of Credit	<u>150,000</u>
Total Financial Assets and Liquidity Resources Available Within One Year	<u>\$ 1,509,442</u>

The Organization's cash flows have variations during the year attributable to the timing of grant receipts, fundraising, and pledge drive efforts. To help manage liquidity, the Organization maintains a line of credit with its bank to draw upon as needed during the year. There was no balance outstanding on this line of credit at September 30, 2020.

15. Commitments and Contingencies

The Organization participates in numerous grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at September 30, 2020 may be impaired.

During a review of one of its grants subsequent to year end, it was discovered an error had been made in charging payroll to the grant for several years. Consequently, some costs may subsequently be disallowed by the affected funding agency. The amount of costs that may subsequently be disallowed, if any, and any potential liability to the funding agency cannot be reasonably estimated at this time.

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16. Subsequent Events

Subsequent events have been evaluated through January 11, 2021, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact investment values, funding available and the ability to secure pledges and underwriting in the future. The duration, extent, and effects of COVID-19 on the Organization's financial position or result of operations is uncertain.