

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
BEMIDJI, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2021 AND 2020

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
BEMIDJI, MINNESOTA
SEPTEMBER 30, 2021 AND 2020

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-17



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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, 2021 and 2020, 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, 2021 and 2020, 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. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Miller McDonald, Inc.

January 4, 2022
Bemidji, Minnesota

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,154,546	\$ 843,778
Accounts Receivable, net	8,355	5,955
Grants Receivable	106,515	92,712
Contributions Receivable, net	89,916	77,964
Prepaid Expenses	26,549	31,762
Total Current Assets	<u>1,385,881</u>	<u>1,052,171</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	5,086,416	6,315,739
Furniture, Fixtures, and		
Administrative Equipment	103,808	106,476
	<u>9,265,176</u>	<u>10,497,167</u>
Less: Accumulated Depreciation	5,722,202	6,945,763
Total Property and Equipment (net)	<u>3,542,974</u>	<u>3,551,404</u>
 <u>Other Assets</u>		
Contributions Receivable	-	2,394
Investments	1,124,377	987,810
Total Other Assets	<u>1,124,377</u>	<u>990,204</u>
 <u>Total Assets</u>	<u>\$ 6,053,232</u>	<u>\$ 5,593,779</u>

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ -	\$ 7,344
Accrued Payroll, Taxes, and Withholdings	40,234	61,290
Refundable Advances	42,845	58,050
Total Current Liabilities	<u>83,079</u>	<u>126,684</u>
<u>Long-Term Liabilities</u>		
Accrued PTO	<u>93,250</u>	<u>90,488</u>
<u>Net Assets</u>		
Without Donor Restrictions:		
Operating	1,729,870	1,234,476
Board Designated - Endowment	456,718	365,741
Property and Equipment	3,542,974	3,551,404
Total Net Assets Without Donor Restrictions	<u>5,729,562</u>	<u>5,151,621</u>
With Donor Restrictions	<u>147,341</u>	<u>224,986</u>
Total Net Assets	<u>5,876,903</u>	<u>5,376,607</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 6,053,232</u>	<u>\$ 5,593,779</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
<u>Changes in Net Assets Without Donor Restrictions</u>		
<u>Revenue and Gains</u>		
Contributions		
KAWE	\$ 275,153	\$ 253,057
KAWB	131,072	126,212
Other	85,622	84,110
Total Contributions	491,847	463,379
Corporation for Public Broadcasting		
Community Service Grants and Supplemental Interconnect	1,343,238	1,060,610
State of Minnesota Grants	13,118	12,479
Private Foundation Grants	665,655	644,541
Other Grants	25,000	34,000
Donated Professional Services	46,379	231,500
Production Income	2,160	5,830
Underwriting Income	34,654	19,135
Tower Rental	211,401	174,684
Interest Income	83,710	78,622
Investment Return	2,065	1,998
Other Income	135,504	92,879
Total Revenue and Gains Without Donor Restrictions	14,288	-
Net Assets Released from Restrictions	3,069,019	2,819,657
Total Revenue, Gains, and Other Support Without Donor Restrictions	77,645	53,544
	3,146,664	2,873,201
<u>Expenses and Losses</u>		
Program Services		
Programming and Production	1,311,429	1,356,809
Broadcasting	416,329	418,531
Public Information and Promotion	98,640	94,149
Total Program Services	1,826,398	1,869,489
Supporting Services		
Management and General	439,960	331,580
Fund-Raising and Membership Development	189,778	203,678
Underwriting and Grant Solicitation	111,399	78,944
Total Supporting Services	741,137	614,202
Total Expenses	2,567,535	2,483,691

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Loss on Asset Disposals	1,188	621
Total Expenses and Losses	<u>2,568,723</u>	<u>2,484,312</u>
<u>Change in Net Assets Without Donor Restrictions</u>	<u>577,941</u>	<u>388,889</u>
<u>Changes in Net Assets With Donor Restrictions</u>		
Grants	-	27,645
Net Assets Released from Restriction	<u>(77,645)</u>	<u>(53,544)</u>
<u>Change in Net Assets With Donor Restrictions</u>	<u>(77,645)</u>	<u>(25,899)</u>
<u>Change in Net Assets</u>	500,296	362,990
<u>Net Assets at Beginning of Year</u>	<u>5,376,607</u>	<u>5,013,617</u>
<u>Net Assets at End of Year</u>	<u>\$ 5,876,903</u>	<u>\$ 5,376,607</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services			Total Program Services
	Programming and Production	Broadcasting	Public Information and Promotion	
Salaries	\$ 522,316	\$ 137,017	\$ 48,219	\$ 707,552
Salary Related Benefits	118,039	31,316	9,636	158,991
Donated Professional Services	-	-	-	-
Supplies and Postage	5,800	16,002	1,261	23,063
Telephone	8,215	2,408	1,466	12,089
Travel and Conferences	890	595	-	1,485
Utilities	8,881	51,600	2,351	62,832
Professional Services	13,166	-	4,693	17,859
Equipment Maintenance and Repair	28,743	18,878	1,307	48,928
Insurance	21,643	16,118	2,483	40,244
Printing and Publications	-	-	-	-
Membership Fees and Dues	18,730	-	-	18,730
Advertising and Promotion	-	-	16,450	16,450
Program Acquisitions	408,214	-	-	408,214
Program Production Costs	66,004	38,306	-	104,310
Office and Tower Site Rental	7,200	31,272	-	38,472
Miscellaneous	-	-	-	-
Fundraising Expenses	-	-	-	-
Depreciation	83,588	72,817	10,774	167,179
	<u>\$ 1,311,429</u>	<u>\$ 416,329</u>	<u>\$ 98,640</u>	<u>\$ 1,826,398</u>

Supporting Services				
Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total Supporting Services	Total
\$ 229,649	\$ 63,340	\$ 78,603	\$ 371,592	\$ 1,079,144
50,588	14,454	16,863	81,905	240,896
2,160	-	-	2,160	2,160
5,899	13,549	119	19,567	42,630
1,586	1,466	1,586	4,638	16,727
1,352	-	-	1,352	2,837
3,134	2,873	-	6,007	68,839
32,919	-	-	32,919	50,778
8,754	1,597	2,520	12,871	61,799
2,199	4,798	2,307	9,304	49,548
-	13,724	-	13,724	13,724
43,625	-	-	43,625	62,355
-	-	-	-	16,450
-	-	-	-	408,214
-	-	-	-	104,310
4,800	-	-	4,800	43,272
33,240	32	-	33,272	33,272
-	65,381	-	65,381	65,381
20,055	8,564	9,401	38,020	205,199
<u>\$ 439,960</u>	<u>\$ 189,778</u>	<u>\$ 111,399</u>	<u>\$ 741,137</u>	<u>\$ 2,567,535</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	-	-	-	-
Fundraising 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	Fundraising 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.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 500,296	\$ 362,990
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	205,199	203,218
(Gain) Loss on Fixed Asset Disposals	1,188	621
Donated Investments	(2,104)	(4,062)
(Gain) Loss on Investments	(116,596)	(73,257)
Contributions Received for Capital Project	-	(1,897)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(2,400)	(3,097)
Prepaid Expenses	5,213	(1,009)
Contributions Receivable	(9,558)	6,336
Grants Receivable	(13,803)	20,468
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(7,344)	1
Accrued Payroll, Taxes, and Withholdings	(21,056)	6,323
Accrued PTO	2,762	8,918
Refundable Advances	(15,205)	57,607
Net Cash Provided by (Used in) Operating Activities	<u>526,592</u>	<u>583,160</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of Property and Equipment	(197,957)	(6,250)
Purchases of Investments	(149,556)	(413,109)
Proceeds from Sales of Investments	131,689	393,487
Net Cash Provided by (Used in) Investing Activities	<u>(215,824)</u>	<u>(25,872)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from Contributions for Capital Project	-	1,897
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	310,768	559,185
<u>Cash and Cash Equivalents, Beginning of Year</u>	843,778	284,593
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 1,154,546</u>	<u>\$ 843,778</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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 43% and 37% of the Organization’s support came from the Corporation for Public Broadcasting for the years ended September 30, 2021 and 2020, respectively. Approximately 21% and 22% of support for the years ended September 30, 2021 and 2020 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, 2020, the Organization adopted FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Under Topic 606, revenue is recognized when, or as, promised goods and services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. The Organization adopted Topic 606 using the modified retrospective method of transition. Based on the Organization’s review and evaluation of its revenue streams, there were no contracts in process with customers meeting the criteria. Therefore, no cumulative effect adjustment in net assets was recorded upon adoption.

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. 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

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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.

Conditional promises to give are not recognized until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value.

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, 2021 and 2020, the value of contributed services meeting the requirements for recognition in the financial statements were \$2,160 and \$5,830, 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.

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

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020. 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, 2021 and 2020 was \$11,508 and \$12,123 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, 2021 and 2020 was \$16,450 and \$9,600, 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.

Date of Management's Review – In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through January 4, 2022, the date the financial statements were available to be issued.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

2. **Contributions Receivable**

Unconditional promises to give at September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 101,424	\$ 90,087
Receivable in one to five years	-	2,394
Receivable before any discounts and allowance	101,424	92,481
Less allowance for uncollectible contributions	<u>(11,508)</u>	<u>(12,123)</u>
Net Contributions at September 30	<u>\$ 89,916</u>	<u>\$ 80,358</u>

Unconditional promises to give 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, 2021 and 2020.

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, 2021 AND 2020

Composition of and changes in endowment net assets, at fair value, for the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Endowment Net Assets, Beginning of Year	\$ 365,741	\$ 327,727
Investment Income, Net of Fees	7,390	7,479
Unrealized Gains (Losses)	63,327	29,730
Realized Gains (Losses)	20,260	805
Endowment Net Assets, End of Year	<u>\$ 456,718</u>	<u>\$ 365,741</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, 2021 and 2020, they are as follows:

<u>Investments:</u>	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
ETFs - Board Designated Endowment	\$315,619	\$ 456,718	\$ 287,969	\$365,741
ETFs	598,679	667,659	555,131	622,069
	<u>\$914,298</u>	<u>\$1,124,377</u>	<u>\$ 843,100</u>	<u>\$987,810</u>

Investment return is summarized as follows:

	<u>Without Donor Restrictions</u>	
	<u>2021</u>	<u>2020</u>
Interest, Dividends, Capital Gain Distributions	\$ 18,908	\$ 19,622
Realized Gain (Loss)	51,227	8,424
Unrealized Gain (Loss)	65,369	64,833
	<u>\$ 135,504</u>	<u>\$ 92,879</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.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020 was \$93,250 and \$90,488, 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 for up to three terms. During the year ending September 30, 2021, the two parties elected to terminate the lease, and no future commitment exists. Rent expense related to the lease for each of the years ended September 30, 2021 and 2020, totaled \$1,950 and \$3,900, respectively.

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, 2021 and 2020 was \$12,000 per year.

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, 2021 and 2020 totaled \$29,322 and \$22,514, respectively. Future minimum lease payments for years 2020-2027 consist of an annual base fee of \$2,760 plus a 2% increase beginning in 2020, and beginning in 2022 one half of any sublease income the Organization receives in conjunction with this lease.

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

2022	\$ 43,072
2023	43,975
2024	44,304
2025	44,663
2026	45,648
Thereafter	27,000
	<u>\$ 248,662</u>

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

8. Property and Equipment

The estimated useful lives and accumulated depreciation balances at September 30, 2021 and 2020, are as follows:

	Estimated Useful Lives	Accumulated Depreciation	
		2021	2020
Building and Leasehold Improvements Antenna, Transmitter, and Other Broadcasting Equipment	6 to 40 Years	\$ 903,858	\$ 798,633
Furniture, Fixtures, and Administrative Equipment	5 to 15 Years	4,724,728	6,063,047
	3 to 7 Years	93,616	84,083
		<u>\$5,722,202</u>	<u>\$6,945,763</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 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 agreement expired October 21, 2020, but was renewed subsequent to year-end with similar terms.

10. Paycheck Protection Program (PPP) Loan

The Organization had a Paycheck Protection Program (PPP) loan that was approved for up to \$231,500 in April 2020. At September 30, 2020, in accordance with FASB ASC 958-605 and the provisions of the program at that time, the Organization recognized \$221,500 as revenue without donor restrictions in the statement of activities, and \$10,000 was recorded as part of refundable advances in the statement of financial position. During the year ended September 30, 2021, Congress amended the provisions of the program to forgive the remaining \$10,000 portion of the Organization's PPP loan. Consequently, the remaining amount of the refundable advance is \$0 and \$10,000 has been recognized as revenue without donor restrictions as of and for the year ended September 30, 2021.

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 \$16,450 and \$12,868 for the years ended September 30, 2021 and 2020, respectively.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 and 2020 totaled \$10,371 and \$10,085, respectively.

13. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Program Future Funds	\$ 147,341	\$ 197,341
TPT Project	-	27,645
	<u>\$ 147,341</u>	<u>\$ 224,986</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose for years ending September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Program Future Funds	\$ 50,000	\$ 51,772
TPT Project	27,645	-
Equipment	-	1,772
	<u>\$ 77,645</u>	<u>\$ 53,544</u>

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

14. Financial Assets and Liquidity Resources

As of September 30, 2021 and 2020, the financial assets and liquidity resources available within one year for general expenditures were as follows:

Financial Assets:	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,154,546	\$ 843,778
Investments	1,124,377	987,810
Less those unavailable for general expenditures within one year, due to restriction for purpose:		
Board Designated Endowment	(456,718)	(365,741)
Restricted by Donor for Purpose	(147,341)	(224,986)
Funds Received in Advance	<u>(42,845)</u>	<u>(58,050)</u>
Cash and Cash Equivalents and Investments Available Within One Year	1,632,019	1,182,811
Accounts Receivable	8,355	5,955
Grants Receivable	106,515	92,712
Contributions Receivable (current, net)	<u>89,916</u>	<u>77,964</u>
Total Financial Assets Available Within One Year	1,836,805	1,359,442
Liquidity Resources:		
Bank Line of Credit	<u>150,000</u>	<u>150,000</u>
Total Financial Assets and Liquidity Resources Available Within One Year	<u>\$ 1,986,805</u>	<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, 2021 and 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, 2021 may be impaired.