

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
BEMIDJI, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2022 AND 2021

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
BEMIDJI, MINNESOTA
SEPTEMBER 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern Minnesota Public Television, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in the fiscal year ending September 30, 2022, Northern Minnesota Public Television, Inc. adopted Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Minnesota Public Television, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northern Minnesota Public Television, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Minnesota Public Television, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Miller McDonald, Inc.

Bemidji, Minnesota
January 3, 2023

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 501,435	\$ 1,154,546
Certificate of Deposit	100,579	-
Accounts Receivable, net	7,519	8,355
Grants Receivable	495,130	106,515
Contributions Receivable, net	106,667	89,916
Prepaid Expenses	48,135	26,549
Total Current Assets	<u>1,259,465</u>	<u>1,385,881</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	5,248,922	5,086,416
Furniture, Fixtures, and		
Administrative Equipment	103,808	103,808
Construction In Progress	41,588	-
	<u>9,469,270</u>	<u>9,265,176</u>
Less: Accumulated Depreciation	5,790,051	5,722,202
Total Property and Equipment (net)	<u>3,679,219</u>	<u>3,542,974</u>
 <u>Other Assets</u>		
Investments	1,288,975	1,124,377
 <u>Total Assets</u>	 <u>\$ 6,227,659</u>	 <u>\$ 6,053,232</u>

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current Liabilities</u>		
Accounts Payable	\$ 39,863	\$ -
Accrued Payroll, Taxes, and Withholdings	50,169	40,234
Refundable Advances	<u>334,653</u>	<u>42,845</u>
Total Current Liabilities	<u>424,685</u>	<u>83,079</u>
<u>Long-Term Liabilities</u>		
Accrued PTO	<u>74,093</u>	<u>93,250</u>
<u>Net Assets</u>		
Without Donor Restrictions:		
Operating	1,555,079	1,729,870
Board Designated - Endowment	397,242	456,718
Property and Equipment	<u>3,679,219</u>	<u>3,542,974</u>
Total Net Assets Without Donor Restrictions	<u>5,631,540</u>	<u>5,729,562</u>
With Donor Restrictions	<u>97,341</u>	<u>147,341</u>
Total Net Assets	<u>5,728,881</u>	<u>5,876,903</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 6,227,659</u>	<u>\$ 6,053,232</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
<u>Change in Net Assets Without Donor Restrictions</u>		
<u>Revenue and Gains</u>		
Contributions		
Pledges and Memberships - Cash	\$ 493,700	\$ 488,567
Nonfinancial Assets	23,437	18,610
Other - Cash	4,204	3,280
Total Contributions	521,341	510,457
Corporation for Public Broadcasting		
Community Service Grants and Supplemental Interconnect	886,592	1,343,238
State of Minnesota Grants	1,111,852	665,655
Private Foundation Grants	25,000	25,000
Other Grants	13,360	46,379
Development and Special Events	4,760	-
Production Income	25,223	34,654
Underwriting Income	214,865	194,951
Tower Rental	89,474	83,710
Interest Income	3,016	2,065
Investment Return	(236,467)	135,504
Other Income	-	14,288
Total Revenue and Gains Without Donor Restrictions	2,672,222	3,069,019
Net Assets Released from Restrictions	50,000	77,645
Total Revenue, Gains, and Other Support Without Donor Restrictions	2,722,222	3,146,664
<u>Expenses and Losses</u>		
Program Services		
Programming and Production	1,368,316	1,311,429
Broadcasting	591,466	416,329
Public Information and Promotion	85,240	98,640
Total Program Services	2,045,022	1,826,398
Supporting Services		
Management and General	408,422	439,960
Fund-Raising and Membership Development	181,303	189,778
Underwriting and Grant Solicitation	146,644	111,399
Total Supporting Services	736,369	741,137
Total Expenses	2,781,391	2,567,535

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Loss on Asset Disposals	38,853	1,188
Total Expenses and Losses	<u>2,820,244</u>	<u>2,568,723</u>
<u>Change in Net Assets Without Donor Restrictions</u>	(98,022)	577,941
<u>Change in Net Assets With Donor Restrictions</u>		
Net Assets Released from Restriction	<u>(50,000)</u>	<u>(77,645)</u>
<u>Change in Net Assets</u>	(148,022)	500,296
<u>Net Assets at Beginning of Year</u>	<u>5,876,903</u>	<u>5,376,607</u>
<u>Net Assets at End of Year</u>	<u>\$ 5,728,881</u>	<u>\$ 5,876,903</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Program Services			Total Program Services
	Programming and Production	Broadcasting	Public Information and Promotion	
Salaries	\$ 483,461	\$ 278,737	\$ 44,951	\$ 807,149
Payroll Taxes and Benefits	122,642	37,224	14,441	174,307
Supplies and Postage	69,069	21,360	798	91,227
Telephone	7,226	2,051	1,445	10,722
Travel and Conferences	1,293	2,475	-	3,768
Utilities	11,086	55,027	2,877	68,990
Professional Services	34,992	452	-	35,444
Repairs and Maintenance	13,428	50,164	-	63,592
Insurance	26,420	16,293	2,813	45,526
Printing and Publications	669	-	5,301	5,970
Membership Fees and Dues	21,030	-	-	21,030
Advertising and Promotion	-	-	2,689	2,689
Program Acquisitions	407,740	-	-	407,740
Program Production Costs	76,975	39,144	-	116,119
Office and Tower Site Rental	7,200	31,072	-	38,272
Special Events	-	-	-	-
Miscellaneous	624	-	-	624
Fundraising Expenses	-	-	-	-
Depreciation	84,461	57,467	9,925	151,853
	<u>\$ 1,368,316</u>	<u>\$ 591,466</u>	<u>\$ 85,240</u>	<u>\$ 2,045,022</u>

Supporting Services				
Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total Supporting Services	Total
\$ 167,207	\$ 66,342	\$ 94,578	\$ 328,127	\$ 1,135,276
65,436	12,102	19,737	97,275	271,582
20,042	11,915	587	32,544	123,771
868	1,445	1,758	4,071	14,793
1,210	2,697	257	4,164	7,932
2,351	3,517	-	5,868	74,858
27,787	7,329	-	35,116	70,560
28,409	323	-	28,732	92,324
7,148	2,456	2,603	12,207	57,733
427	7,932	-	8,359	14,329
43,388	-	3,002	46,390	67,420
-	568	16,122	16,690	19,379
-	-	-	-	407,740
-	-	-	-	116,119
4,800	-	-	4,800	43,072
-	4,736	-	4,736	4,736
17,012	-	176	17,188	17,812
-	52,953	-	52,953	52,953
<u>22,337</u>	<u>6,988</u>	<u>7,824</u>	<u>37,149</u>	<u>189,002</u>
<u>\$ 408,422</u>	<u>\$ 181,303</u>	<u>\$ 146,644</u>	<u>\$ 736,369</u>	<u>\$ 2,781,391</u>

See Accompanying Notes to Financial Statements.

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

	Program Services			
	Programming and Production	Broadcasting	Public Information and Promotion	Total Program Services
Salaries	\$ 522,316	\$ 137,017	\$ 48,219	\$ 707,552
Payroll Taxes and Benefits	118,039	31,316	9,636	158,991
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
Repairs and Maintenance	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
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
35,079	-	-	35,079	52,938
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ (148,022)	\$ 500,296
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	189,002	205,199
(Gain) Loss on Fixed Asset Disposals	38,853	1,188
Donated Investments	-	(2,104)
(Gain) Loss on Investments	253,910	(116,596)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	836	(2,400)
Prepaid Expenses	(21,586)	5,213
Contributions Receivable	(16,751)	(9,558)
Grants Receivable	(388,615)	(13,803)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	39,863	(7,344)
Accrued Payroll, Taxes, and Withholdings	9,935	(21,056)
Accrued PTO	(19,157)	2,762
Refundable Advances	291,808	(15,205)
Net Cash Provided by (Used in) Operating Activities	<u>230,076</u>	<u>526,592</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of Property and Equipment	(370,095)	(197,957)
Proceeds from Sale of Equipment	5,995	-
Purchase of Certificate of Deposit	(100,579)	-
Purchases of Investments	(1,781,953)	(149,556)
Proceeds from Sales of Investments	1,363,445	131,689
Net Cash Provided by (Used in) Investing Activities	<u>(883,187)</u>	<u>(215,824)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(653,111)	310,768
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>1,154,546</u>	<u>843,778</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 501,435</u>	<u>\$ 1,154,546</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 33% and 43% of the Organization’s support came from the Corporation for Public Broadcasting for the years ended September 30, 2022 and 2021, respectively. Approximately 41% and 21% of support for the years ended September 30, 2022 and 2021 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, 2021, the Organization adopted FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires separate line-item disclosure of non-financial assets (See Note 3). The Organization adopted ASU 2020-07 using retrospective application. There was no cumulative effect of this change in accounting principle recorded related to the adoption of ASU 2020-07 on October 1, 2021.

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 contributions, 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.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 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.

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 \$2,500 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 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, 2022 and 2021.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 or contributions receivable. The allowance for doubtful accounts for the years ended September 30, 2022 and 2021 was \$11,823 and \$11,508, 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 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, 2022 and 2021 was \$19,379 and \$19,355, 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.

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 3, 2023, the date the financial statements were available to be issued.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

2. Contributions Receivable

Unconditional promises to give at September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 118,490	\$ 101,424
Receivable in one to five years	-	-
Receivable before any discounts and allowance	118,490	101,424
Less allowance for uncollectible contributions	<u>(11,823)</u>	<u>(11,508)</u>
Net Contributions at September 30	<u>\$ 106,667</u>	<u>\$ 89,916</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, 2022 and 2021.

3. Contributions of Nonfinancial Assets

For the years ended September 30, 2022 and 2021, contributed nonfinancial assets recognized in the statement of activities included:

	<u>Revenue Recognized</u>		<u>Utilization in</u>	<u>Donor</u>	<u>Valuation Methods</u>
	<u>2022</u>	<u>2021</u>	<u>Programs/Activities</u>	<u>Restrictions</u>	<u>and Inputs</u>
Professional Services	\$ 5,650	\$ 2,160	Management & General	None	Based on standard hourly billable rates provided by the donors.
Promotion	15,450	16,450	Underwriting	None	Based on fair market value rates charged provided by the donors.
Facilities membership	2,337	-	Underwriting & Programs	None	Based on fair market value membership rates charged provided by the donors.
	<u>\$ 23,437</u>	<u>\$ 18,610</u>			

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

4. 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.

Composition of and changes in endowment net assets, at fair value, for the years ended September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Endowment Net Assets, Beginning of Year	\$ 456,718	\$ 365,741
Investment Income, Net of Fees	5,812	7,390
Unrealized Gains (Losses)	(149,538)	63,327
Realized Gains (Losses)	84,250	20,260
Endowment Net Assets, End of Year	<u>\$ 397,242</u>	<u>\$ 456,718</u>

5. 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

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The Organization's investments are measured at fair value as follows at September 30, 2022 and 2021:

<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Board Designated Endowment:</u>				
Equities	\$ 200,207	\$ -	\$ -	\$ 200,207
Corporate Bonds/Fixed Income	-	188,897	-	188,897
Money Market Funds	-	8,138	-	8,138
Equities	449,938	-	-	449,938
Corporate Bonds	-	423,156	-	423,156
Money Market Funds	-	18,639	-	18,639
	<u>\$ 650,145</u>	<u>\$ 638,830</u>	<u>\$ -</u>	<u>\$ 1,288,975</u>

<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Board Designated Endowment:</u>				
Exchange Traded Funds	\$ 456,718	\$ -	\$ -	\$ 456,718
Exchange Traded Funds	667,659	-	-	667,659
	<u>\$ 1,124,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,124,377</u>

Investment return is summarized as follows:

	<u>Without Donor Restrictions</u>	
	<u>2022</u>	<u>2021</u>
Interest, Dividends, Capital Gain Distributions	\$ 17,443	\$ 18,908
Realized Gain (Loss)	34,023	51,227
Unrealized Gain (Loss)	(287,933)	65,369
	<u>\$ (236,467)</u>	<u>\$ 135,504</u>

Investment revenues are reported net of related external and direct internal investment expenses in the statement of activities. The amount of expenses netted with revenues was \$5,667 and \$0 at September 30, 2022 and 2021, respectively.

6. 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.

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.

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7. **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, 2022 and 2021 was \$74,093 and \$93,250, respectively.

8. **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, 2022 and 2021, totaled \$0 and \$1,950, 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, 2022 and 2021 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, 2022 and 2021 totaled \$31,072 and \$29,322, 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 the sublease income the Organization receives in conjunction with its lease with a commercial entity.

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

2023	\$ 43,623
2024	43,941
2025	44,288
2026	45,263
2027	10,800
Thereafter	16,200
	<u>\$ 204,115</u>

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9. Property and Equipment

The estimated useful lives and accumulated depreciation balances at September 30, 2022 and 2021, are as follows:

	Estimated Useful Lives	Accumulated Depreciation	
		2022	2021
Building and Leasehold Improvements Antenna, Transmitter, and Other Broadcasting Equipment	6 to 40 Years	\$ 1,009,085	\$ 903,858
Furniture, Fixtures, and Administrative Equipment	5 to 15 Years	4,673,835	4,724,728
	3 to 7 Years	107,131	93,616
		<u>\$ 5,790,051</u>	<u>\$ 5,722,202</u>

10. 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 1% above the bank's base rate. The line of credit is secured by substantially all business assets. The most current agreement was renewed through November 10, 2023. The outstanding balance on the line as of September 30, 2022 and 2021, was \$0.

11. 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.

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, 2022 and 2021 totaled \$22,011 and \$10,371 respectively.

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13. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Program Future Funds	<u>\$ 97,341</u>	<u>\$ 147,341</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ending September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Program Future Funds	<u>\$ 50,000</u>	<u>\$ 50,000</u>
TPT Project	<u>-</u>	<u>27,645</u>
	<u>\$ 50,000</u>	<u>\$ 77,645</u>

14. Financial Assets and Liquidity Resources

As of September 30, 2022 and 2021, the financial assets and liquidity resources available within one year for general expenditures were as follows:

Financial Assets:	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 501,435	\$ 1,154,546
Investments & CDs	1,389,554	1,124,377
Less those unavailable for general expenditures within one year, due to restriction for purpose:		
Board Designated Endowment	(397,242)	(456,718)
Restricted by Donor for Purpose	(97,341)	(147,341)
Funds Received in Advance	<u>(334,653)</u>	<u>(42,845)</u>
Cash and Cash Equivalents and		
Investments & CDs Available Within One Year	1,061,753	1,632,019
Accounts Receivable	7,519	8,355
Grants Receivable	495,130	106,515
Contributions Receivable (current, net)	<u>106,667</u>	<u>89,916</u>
Total Financial Assets Available Within One Year	1,671,069	1,836,805
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>\$ 1,821,069</u>	<u>\$ 1,986,805</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, 2022 and 2021.

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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, 2022 may be impaired.