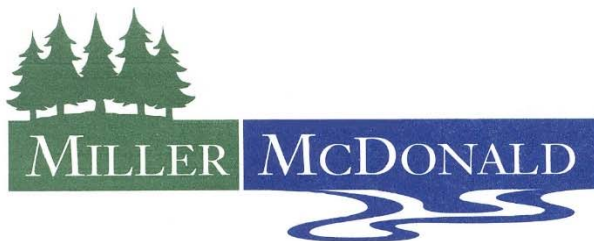


NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
BEMIDJI, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2023 AND 2022

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
BEMIDJI, MINNESOTA
SEPTEMBER 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2023 and 2022, 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, 2023 and 2022, 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, effective October 1, 2022, Northern Minnesota Public Television, Inc. adopted Accounting Standards Update (ASU) 2016-02, *Leases*. 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 8, 2024

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

ASSETS

	2023	2022
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 413,907	\$ 501,435
Certificates of Deposit	90,959	100,579
Accounts Receivable, net	7,781	7,519
Grants Receivable	104,475	495,130
Contributions Receivable, net	109,738	106,667
Prepaid Expenses	47,232	48,135
Total Current Assets	774,092	1,259,465
 <u>Property and Equipment</u>		
Land	92,754	92,754
Building and Leasehold Improvements	4,391,041	3,982,198
Antenna, Transmitter, and Other		
Broadcasting Equipment	4,734,563	5,248,922
Furniture, Fixtures, and		
Administrative Equipment	103,808	103,808
Construction In Progress	-	41,588
	9,322,166	9,469,270
Less: Accumulated Depreciation	5,429,132	5,790,051
Total Property and Equipment (net)	3,893,034	3,679,219
 <u>Other Assets</u>		
Certificates of Deposit	113,000	-
Operating Lease Right-of-Use Assets, net	138,113	-
Investments	1,425,761	1,288,975
Total Other Assets	1,676,874	1,288,975
 <u>Total Assets</u>	 \$ 6,344,000	 \$ 6,227,659

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current Liabilities</u>		
Current Portion of Operating Lease Obligations	\$ 34,589	\$ -
Accounts Payable	11,612	39,863
Accrued Payroll, Taxes, and Withholdings	43,627	50,169
Refundable Advances	37,093	334,653
Accrued PTO	<u>70,610</u>	<u>74,093</u>
Total Current Liabilities	<u>197,531</u>	<u>498,778</u>
<u>Long-Term Liabilities</u>		
Operating Lease Obligations, net of current portion	<u>103,233</u>	<u>-</u>
<u>Net Assets</u>		
Without Donor Restrictions:		
Operating	1,663,805	1,555,079
Board Designated - Endowment	450,126	397,242
Property and Equipment	<u>3,893,034</u>	<u>3,679,219</u>
Total Net Assets Without Donor Restrictions	6,006,965	5,631,540
With Donor Restrictions	<u>36,271</u>	<u>97,341</u>
Total Net Assets	<u>6,043,236</u>	<u>5,728,881</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 6,344,000</u>	<u>\$ 6,227,659</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Change in Net Assets Without Donor Restrictions</u>		
<u>Revenue and Gains</u>		
Contributions		
Pledges and Memberships	\$ 509,722	\$ 493,700
Nonfinancial Assets	19,495	23,437
Other	2,189	4,204
Total Contributions	<u>531,406</u>	<u>521,341</u>
Corporation for Public Broadcasting		
Community Service Grants and Supplemental	903,813	886,592
Interconnect	13,256	13,206
State of Minnesota Grants	1,122,237	1,111,852
Private Foundation Grants	25,000	25,000
Other Grants	5,353	13,360
Development and Special Events	-	4,760
Production Income	24,527	25,223
Underwriting Income	174,854	214,865
Tower Rental	92,140	89,474
Interest Income	11,355	3,016
Investment Return	136,786	(236,467)
Gain on Asset Disposals	4,000	-
Other Income	7,500	-
Total Revenue and Gains Without Donor Restrictions	<u>3,052,227</u>	<u>2,672,222</u>
Net Assets Released from Restrictions	<u>61,070</u>	<u>50,000</u>
Total Revenue, Gains, and Other Support Without Donor Restrictions	<u>3,113,297</u>	<u>2,722,222</u>
<u>Expenses and Losses</u>		
Program Services		
Programming and Production	1,357,921	1,368,316
Broadcasting	536,693	591,466
Public Information and Promotion	113,233	85,240
Total Program Services	<u>2,007,847</u>	<u>2,045,022</u>
Supporting Services		
Management and General	420,512	408,422
Fundraising and Membership Development	189,431	181,303
Underwriting and Grant Solicitation	120,082	146,644
Total Supporting Services	<u>730,025</u>	<u>736,369</u>
Total Expenses	<u>2,737,872</u>	<u>2,781,391</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Loss on Asset Disposals	-	38,853
Total Expenses and Losses	<u>2,737,872</u>	<u>2,820,244</u>
<u>Change in Net Assets Without Donor Restrictions</u>	375,425	(98,022)
<u>Change in Net Assets With Donor Restrictions</u>		
Net Assets Released from Restriction	<u>(61,070)</u>	<u>(50,000)</u>
<u>Change in Net Assets</u>	314,355	(148,022)
<u>Net Assets at Beginning of Year</u>	<u>5,728,881</u>	<u>5,876,903</u>
<u>Net Assets at End of Year</u>	<u>\$ 6,043,236</u>	<u>\$ 5,728,881</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023

	<u>Program Services</u>			
	<u>Programming and Production</u>	<u>Broadcasting and Engineering</u>	<u>Program Information and Promotion</u>	<u>Total Program Services</u>
Salaries	\$ 497,744	\$ 239,789	\$ 49,839	\$ 787,372
Payroll Taxes and Benefits	134,848	33,021	15,119	182,988
Supplies and Postage	11,638	5,128	3,248	20,014
Telephone	5,534	2,049	1,107	8,690
Travel and Conferences	1,524	3,819	-	5,343
Utilities	11,340	50,692	3,002	65,034
Professional Services	28,264	1,436	17,101	46,801
Repairs and Maintenance	7,149	53,474	-	60,623
Insurance	32,405	16,203	2,400	51,008
Printing and Publications	134	-	5,303	5,437
Membership Fees and Dues	22,776	-	-	22,776
Advertising and Promotion	-	-	3,497	3,497
Program Acquisitions	402,993	-	-	402,993
Program Production Costs	81,883	39,185	3,000	124,068
Office and Tower Site Rental	6,172	33,398	-	39,570
Miscellaneous	492	-	-	492
Fundraising Expenses	-	-	-	-
Depreciation	113,025	58,499	9,617	181,141
	<u>\$ 1,357,921</u>	<u>\$ 536,693</u>	<u>\$ 113,233</u>	<u>\$ 2,007,847</u>

<u>Supporting Services</u>				
<u>Management and General</u>	<u>Fundraising and Membership Development</u>	<u>Underwriting and Grant Solicitation</u>	<u>Total Supporting Services</u>	<u>Total</u>
\$ 175,287	\$ 70,704	\$ 78,994	\$ 324,985	\$ 1,112,357
46,240	11,329	15,839	73,408	256,396
16,499	20,060	29	36,588	56,602
1,419	1,107	1,421	3,947	12,637
7,259	394	-	7,653	12,996
4,002	3,669	-	7,671	72,705
52,576	7,603	-	60,179	106,980
37,236	-	138	37,374	97,997
1,801	5,401	1,800	9,002	60,010
422	3,242	-	3,664	9,101
43,155	-	3,345	46,500	69,276
2,187	-	10,075	12,262	15,759
-	-	-	-	402,993
-	-	-	-	124,068
4,114	-	-	4,114	43,684
8,728	108	-	8,836	9,328
-	59,543	1,333	60,876	60,876
19,587	6,271	7,108	32,966	214,107
<u>\$ 420,512</u>	<u>\$ 189,431</u>	<u>\$ 120,082</u>	<u>\$ 730,025</u>	<u>\$ 2,737,872</u>

See Accompanying Notes to Financial Statements.

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

	Program Services			
	Programming and Production	Broadcasting and Engineering	Program Information and Promotion	Total Program Services
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 314,355	\$ (148,022)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	214,107	189,002
(Gain) Loss on Fixed Asset Disposals	(4,000)	38,853
(Gain) Loss on Investments	(105,204)	253,910
Amortization of Right-of-Use Assets	31,978	-
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(262)	836
Prepaid Expenses	903	(21,586)
Contributions Receivable	(3,071)	(16,751)
Grants Receivable	390,655	(388,615)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(28,251)	39,863
Accrued Payroll, Taxes, and Withholdings	(6,542)	9,935
Accrued PTO	(3,483)	(19,157)
Operating Lease Liabilities	(32,269)	-
Refundable Advances	(297,560)	291,808
Net Cash Provided by (Used in) Operating Activities	<u>471,356</u>	<u>230,076</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of Property and Equipment	(427,922)	(370,095)
Proceeds from Sale of Equipment	4,000	5,995
Purchases of Certificates of Deposit	(288,959)	(100,579)
Redemption of Certificates of Deposit	185,579	-
Purchases of Investments	(273,633)	(1,781,953)
Proceeds from Sales of Investments	242,051	1,363,445
Net Cash Provided by (Used in) Investing Activities	<u>(558,884)</u>	<u>(883,187)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(87,528)	(653,111)
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>501,435</u>	<u>1,154,546</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 413,907</u>	<u>\$ 501,435</u>

See Accompanying Notes to Financial Statements.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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 29% and 33% of the Organization’s support came from the Corporation for Public Broadcasting for the years ended September 30, 2023 and 2022, respectively. Approximately 36% and 41% of support for the years ended September 30, 2023 and 2022 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.

Adoption of New Accounting Standard– Effective October 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of functional expenses. Leases with an initial term of less than 12 months are not recorded on the statement of financial position, rather the Organization has elected to expense these leases on a straight-line basis over the lease term.

The Organization elected to adopt ASU 2016-02, *Leases* using the optional transition method provided by ASU 2018-11 which allows the application of the standard at the date of adoption. As a result, comparative information for the year ending September 30, 2022 has not been restated and continues to be reported in accordance with FASB ASC 840. There was no cumulative effect of this change in accounting principle recorded related to the adoption of ASU 2016-02, *Leases* on October 1, 2022.

The Organization elected to adopt the package of practical expedients available under the transition guidance which includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

The Organization elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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. 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.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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, 2023 and 2022.

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, 2023 and 2022 was \$12,275 and \$11,823, respectively.

NORTHERN MINNESOTA PUBLIC TELEVISION, INC
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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.

Certificates of Deposit – Certificates of Deposit bear interest at rates ranging from 4.55% to 5.1%, mature in dates ranging from 2 months to 32 months after year-end, and are stated at cost which approximates market value.

Advertising – The Organization expenses advertising costs as incurred. Advertising expense for the years ended September 30, 2023 and 2022 was \$15,759 and \$19,379, 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 8, 2024, the date the financial statements were available to be issued.

2. **Contributions Receivable**

Unconditional promises to give at September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 122,013	\$ 118,490
Receivable in one to five years	-	-
Receivable before any discounts and allowance	122,013	118,490
Less allowance for uncollectible contributions	<u>(12,275)</u>	<u>(11,823)</u>
Net Contributions at September 30	<u>\$ 109,738</u>	<u>\$ 106,667</u>

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Unconditional promises to give over one year are discounted at the mid-term applicable federal rate at year-end when material. There were no multiyear contributions discounted for the years ended September 30, 2023 and 2022.

3. Contributions of Nonfinancial Assets

For the years ended September 30, 2023 and 2022, 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>2023</u>	<u>2022</u>	<u>Programs/Activities</u>	<u>Restrictions</u>	<u>and Inputs</u>
Professional Services	\$ 8,220	\$ 5,650	Management & General	None	Based on standard hourly billable rates provided by the donors.
Promotion	10,075	15,450	Underwriting	None	Based on fair market value rates charged provided by the donors.
Lodging	1,200	-	Programming	None	Based on the average daily room rate charged by the donors.
Facilities membership	-	2,337	Underwriting & Programs	None	Based on fair market value membership rates charged provided by the donors.
	<u>\$ 19,495</u>	<u>\$ 23,437</u>			

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 reinvest 100% of any gains to provide additional real growth through investment return.

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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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Endowment Net Assets, Beginning of Year	\$ 397,242	\$ 456,718
Investment Income, Net of Fees	9,613	5,812
Unrealized Gains (Losses)	42,902	(149,538)
Realized Gains (Losses)	369	84,250
Endowment Net Assets, End of Year	<u>\$ 450,126</u>	<u>\$ 397,242</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

The Organization's investments are measured at fair value as follows at September 30, 2023 and 2022:

<u>September 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Board Designated Endowment:</u>				
Equities	\$ 239,333	\$ -	\$ -	\$ 239,333
Corporate Bonds/Fixed Income	-	200,307	-	200,307
Money Market Funds	-	10,486	-	10,486
Equities	510,626	-	-	510,626
Corporate Bonds/Fixed Income	-	443,322	-	443,322
Money Market Funds	-	21,687	-	21,687
	<u>\$ 749,959</u>	<u>\$ 675,802</u>	<u>\$ -</u>	<u>\$ 1,425,761</u>

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<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/Fixed Income	-	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>

Investment return is summarized as follows:

	<u>Without Donor Restrictions</u>	
	<u>2023</u>	<u>2022</u>
Interest, Dividends, Capital Gain Distributions	\$ 31,582	\$ 17,443
Realized Gain (Loss)	3	34,023
Unrealized Gain (Loss)	105,201	(287,933)
	<u>\$ 136,786</u>	<u>\$ (236,467)</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 \$7,553 and \$5,667 at September 30, 2023 and 2022, 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.

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, 2023 and 2022 was \$70,610 and \$74,093, respectively.

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8. Lease Arrangements

Lease Expense

The Organization leases land on which one of its towers is on and office space at its Brainerd location, both of which are classified as operating leases. The lease payments are currently fixed with no variable components in the current year. Variable components of the lease payments that are not determinable at the lease commencement date are not included in the measurement of the lease assets and liabilities. The Organization uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

Lease cost is presented in the statement of functional expenses at September 30 as follows:

	<u>2023</u>
<u>Operating Lease Cost:</u>	
Office and Tower Site Rental:	
Programming and Production	\$ 6,172
Broadcasting	33,398
Management and General	4,114
	<u>\$ 43,684</u>

Lease Term and Discount Rate:

	<u>2023</u>
Weighted Average Remaining Lease Term (Years)	
Operating Leases	3.6
Weighted Average Discount Rate	
Operating Leases	7.25%

Supplemental cash flow information:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 43,975</u>	<u>\$ 43,072</u>
Lease assets obtained in exchange for lease obligations:		
Operating leases	<u>\$ 170,091</u>	<u>\$ -</u>

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Maturities of lease liabilities:

	<u>Operating</u>
Year ending September 30:	
2024	\$ 44,305
2025	44,662
2026	45,648
2027	10,800
2028	10,800
Thereafter	<u>5,400</u>
Total lease payments	161,615
Less: Interest	<u>(23,793)</u>
Present value of lease liabilities	<u>\$ 137,822</u>

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 year ending September 30, 2022 was \$12,000.

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 year ended September 30, 2022 totaled \$31,072. 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. Rent expense for the year ending September 30, 2022 was \$31,072.

Lease Income

The Organization leases tower space to various commercial, nonprofit, and governmental entities. The leases are operating leases with five-year terms with various options to cancel or renew in five-year terms at the option of the lessee under various terms contained in the leases. Certain of these leases provide for annual inflationary increases at 3% and one with an annual increase based on the GDP Implicit Price Deflator. The tower space leases do not transfer ownership and do not offer the option to purchase the tower.

Lease income is included in the statement of activities under changes in net assets without donor restrictions as follows:

	<u>2023</u>	<u>2022</u>
Tower Rent	\$ 90,928	\$ 89,145
Variable Lease Income	1,212	329
	<u>\$ 92,140</u>	<u>\$ 89,474</u>

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The following is an analysis of the maturity of the undiscounted operating lease payments for the years ending September 30:

2024	\$	92,984
2025		95,347
2026		94,174
2027		8,750
Total	\$	<u>291,255</u>

9. Property and Equipment

The estimated useful lives and accumulated depreciation balances at September 30, 2023 and 2022, are as follows:

	Estimated Useful Lives	Accumulated Depreciation	
		2023	2022
Building and Leasehold Improvements Antenna, Transmitter, and Other Broadcasting Equipment	6 to 40 Years	\$ 1,126,574	\$ 1,009,085
Furniture, Fixtures, and Administrative Equipment	5 to 15 Years	4,186,094	4,673,835
	3 to 7 Years	<u>116,464</u>	<u>107,131</u>
		<u>\$ 5,429,132</u>	<u>\$ 5,790,051</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, 2024. The outstanding balance on the line as of September 30, 2023 and 2022, was \$0.

11. 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, 2023 and 2022 totaled \$19,508 and \$22,011 respectively.

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12. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Program Future Funds	<u>\$ 36,271</u>	<u>\$ 97,341</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ending September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Program Future Funds	<u>\$ 61,070</u>	<u>\$ 50,000</u>

13. Financial Assets and Liquidity Resources

As of September 30, 2023 and 2022, the financial assets and liquidity resources available within one year for general expenditures were as follows:

Financial Assets:	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 413,907	\$ 501,435
Investments & CDs maturing within one year	1,516,720	1,389,554
Less those unavailable for general expenditures within one year, due to restriction for purpose:		
Board Designated Endowment	(450,126)	(397,242)
Restricted by Donor for Purpose	(36,271)	(97,341)
Funds Received in Advance	<u>(70,610)</u>	<u>(74,093)</u>
Cash and Cash Equivalents and		
Investments & CDs Available Within One Year	1,373,620	1,322,313
Accounts Receivable	7,781	7,519
Grants Receivable	104,475	495,130
Contributions Receivable (current, net)	<u>109,738</u>	<u>106,667</u>
Total Financial Assets Available Within One Year	1,595,614	1,931,629
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>\$ 1,745,614</u>	<u>\$ 2,081,629</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, 2023 and 2022.

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14. **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, 2023 may be impaired.