

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
JUNE 30, 2019



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
JUNE 30, 2019

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Organization	
INDEPENDENT AUDITORS' REPORT	1 - 3
FINANCIAL SECTION	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Cash Flows	6 - 7
Statement of Functional Expenses	8 - 9
Notes to Consolidated Financial Statements	10 - 26
SUPPLEMENTAL INFORMATION	
Schedule of CPB and State Assistance	27
Consolidated Schedule of Revenues, Budget and Actual	28
Schedule of Expenses, Budget and Actual	29
ADDITIONAL REPORTS REQUIRED BY GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30 - 31

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
ORGANIZATION
YEAR ENDED JUNE 30, 2019

<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
	<u>SEPTEMBER 30,</u>
Pat Kubly – Chairperson	2021
Chuck Grussing– First Vice Chairperson	2021
Julie Rath – Second Vice Chairperson	2020
Mark Olson – Secretary/Treasurer	2021
Paul Raymo	2019
Andy Lopez	2019
Dec Economou	2019
Linda Wing	2020
Loy Woelber	2021
La Mont Jacobson	2021
<u>PRESIDENT/GENERAL MANAGER</u>	
Les Heen – appointed/ex-officio	



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
West Central Minnesota Educational Television Company
Granite Falls, Minnesota

Report of the Financial Statements

We have audited the accompanying consolidated financial statements of West Central Minnesota Educational Television Company (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of West Central Minnesota Educational Television Company as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited West Central Minnesota Educational Television Company's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information on pages 27 through 29 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2019, on our consideration of West Central Minnesota Educational Television Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of West Central Minnesota Educational Television Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West

Central Minnesota Educational Television Company's internal control over financial reporting and compliance.

Montevideo, Minnesota
September 6, 2019

Dana F. Cole & Company, LLP

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
ASSETS				
ASSETS				
Cash	91,262	1,002,930	1,094,192	398,528
Accounts receivable	33,902		33,902	48,099
Contracts receivable	18,513		18,513	13,817
Grants receivable	270,237		270,237	201,094
Pledges receivable (net allowance)	95,105	95,352	190,457	161,613
Prepaid expenses	38,496		38,496	26,812
Investments	153,525	383,176	536,701	552,715
Investment - Appleton Tower LLC	104,883		104,883	103,911
Land	214,886		214,886	214,886
Well	5,406		5,406	5,406
Buildings	7,320,991		7,320,991	7,128,765
Equipment and vehicles	10,076,870		10,076,870	9,735,876
Construction in progress	60,644		60,644	45,806
Less accumulated depreciation	(7,728,038)		(7,728,038)	(6,922,557)
TOTAL ASSETS	<u>10,756,682</u>	<u>1,481,458</u>	<u>12,238,140</u>	<u>11,714,771</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Deferred revenue	23,468		23,468	54,848
Accounts payable	27,057		27,057	46,862
Accrued vacation and benefits	67,859		67,859	44,446
Accrued pension	23,063		23,063	21,282
Operating line of credit	705,112		705,112	
Total Liabilities	<u>846,559</u>		<u>846,559</u>	<u>167,438</u>
NET ASSETS				
Net assets - operations	9,854,712		9,854,712	10,103,527
Endowment fund/foundation	55,411	20,331	75,742	70,622
Net assets with donor restrictions				
Restricted by purpose or time		1,461,127	1,461,127	1,373,184
Total Net Assets	<u>9,910,123</u>	<u>1,481,458</u>	<u>11,391,581</u>	<u>11,547,333</u>
TOTAL LIABILITIES AND NET ASSETS	<u>10,756,682</u>	<u>1,481,458</u>	<u>12,238,140</u>	<u>11,714,771</u>

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUES				
Contributions	391,120	3,132	394,252	455,048
Planned giving	33,768		33,768	
Capital campaign		176,570	176,570	430,300
Donated services and materials	43,435		43,435	43,435
Contracts/tower rental	154,693		154,693	152,674
Underwriting	286,732		286,732	237,239
CPB grants	881,140		881,140	778,345
State operating grant	258,333		258,333	258,333
State equipment grants		400,435	400,435	681,120
Legacy grants	352,129		352,129	332,426
MAC-P grant		160,000	160,000	300,000
Other grants	166,146	151,396	317,542	185,305
MPTA and other contract services	69,778		69,778	83,816
Miscellaneous reimbursements	35,460		35,460	17,457
Net investment income (loss)	36,628		36,628	23,313
Gain (loss) in LLC, equity method	972		972	(1,173)
	<u>2,710,334</u>	<u>891,533</u>	<u>3,601,867</u>	<u>3,977,638</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>808,559</u>	<u>(808,559)</u>		
Total support and revenues	<u>3,518,893</u>	<u>82,974</u>	<u>3,601,867</u>	<u>3,977,638</u>
EXPENSES				
Program services	2,187,380		2,187,380	1,968,127
Administration management	393,973		393,973	404,976
Services development	363,183		363,183	372,175
Depreciation	813,083		813,083	610,536
Income taxes paid				15,783
Loss on disposal				770
Total	<u>3,757,619</u>		<u>3,757,619</u>	<u>3,372,367</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(238,726)</u>	<u>82,974</u>	<u>(155,752)</u>	<u>605,271</u>
NET ASSETS, beginning of year	<u>10,148,849</u>	<u>1,398,484</u>	<u>11,547,333</u>	<u>10,942,062</u>
NET ASSETS, end of year	<u><u>9,910,123</u></u>	<u><u>1,481,458</u></u>	<u><u>11,391,581</u></u>	<u><u>11,547,333</u></u>

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	<u>(155,752)</u>	<u>605,271</u>
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation/amortization	813,083	610,536
(Gain) loss on disposal		770
(Gain) loss in LLC, equity method	(972)	1,173
Unrealized (gain) loss on investments	(16,817)	(2,275)
(Increase) decrease in:		
Accounts receivable	14,197	(30,220)
Contracts receivable	(4,696)	14,057
Pledges receivable	(28,844)	26,404
Grants receivable	(69,143)	(60,720)
Prepaid expenses	(11,684)	(24,250)
Increase (decrease) in:		
Accounts payable	(19,805)	(15,682)
Deferred revenue	(31,380)	11,985
Accrued liabilities	23,413	4,283
Accrued pension	1,781	(1,481)
Contributions restricted for capital acquisition	<u>(577,004)</u>	<u>(1,111,420)</u>
Total adjustments	<u>92,129</u>	<u>(576,840)</u>
Net cash from operating activities	<u>(63,623)</u>	<u>28,431</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	47,200	
Purchase of investments	(14,368)	(11,199)
Purchase of property and equipment	<u>(555,661)</u>	<u>(732,350)</u>
Net cash from investing activities	<u>(522,829)</u>	<u>(743,549)</u>

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (repayments) on operating line of credit	705,112	
Contributions restricted for capital acquisition	<u>577,004</u>	<u>1,111,420</u>
Net cash from financing activities	<u>1,282,116</u>	<u>1,111,420</u>
NET CHANGE IN CASH	695,664	396,302
CASH, beginning of year	<u>398,528</u>	<u>2,226</u>
CASH, end of year	<u><u>1,094,192</u></u>	<u><u>398,528</u></u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>112</u>	<u>5,150</u>
Income taxes paid	<u><u> </u></u>	<u><u>15,783</u></u>

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019				2018
	Services Development	Administration Management	Program Services	Total	Total
Salaries/Commissions	151,287	158,010	709,950	1,019,247	981,808
Payroll tax	11,292	11,144	51,317	73,753	72,436
Employee benefits	35,610	34,149	121,071	190,830	182,271
In kind professional services			31,210	31,210	31,210
Donated materials			12,225	12,225	12,225
Professional services	17,633	53,579	168,546	239,758	224,256
Training and conferences	4,302	15	5,988	10,305	6,669
Travel	4,235	2,888	41,861	48,984	31,917
Supplies	4,361	12,821	23,366	40,548	61,330
Telephone/Interconnect	758	1,734	106,299	108,791	118,634
Postage and shipping	28,329	958	1,238	30,525	30,004
Ads and promotions	8,268	804	76,378	85,450	53,361
Premium items	45,225			45,225	54,246
Printing and publishing	27,425	706	1,059	29,190	23,786
Dues and program acquisition	14,447	18,601	637,400	670,448	562,414
Utilities			128,253	128,253	130,737
Maintenance - building			1,670	1,670	1,719

See accompanying notes to financial statements.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019				2018
	Services Development	Administration Management	Program Services	Total	Total
CONTINUED					
Insurance		72,645	15,123	87,768	97,951
Vehicle expense		5,643		5,643	4,788
Miscellaneous expense					2,706
Leases and rentals		828	6,939	7,767	4,676
Maintenance - equipment		10,627	47,487	58,114	30,919
Bank/credit card fees	10,011	3,268		13,279	15,166
Property taxes		5,441		5,441	4,898
Interest		112		112	5,150
TOTAL EXPENSES	<u>363,183</u>	<u>393,973</u>	<u>2,187,380</u>	<u>2,944,536</u>	<u>2,745,277</u>

See accompanying notes to financial statements.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

West Central Minnesota Educational Television Company (the Organization) is a nonprofit organization. The Company, also known as Pioneer Public Television (PPTV), operates as a commercial free public television station KWCM-TV in Appleton, Minnesota, KSMN-TV in Worthington, Minnesota, and K08-QED-TV in Fergus Falls, Minnesota, serving west central and central Minnesota, northern Iowa and eastern South Dakota. In fiscal year 2019, the Organization continued their relocation to a new facility in Granite Falls, Minnesota, with approximately 90% of the staff working there daily. The mission of Pioneer Public TV is to promote economic development, facilitate educational growth, support cultural opportunities, and enhance the quality of life in the broadcast area. There will be a continuous effort to meet the telecommunications and information needs of the area.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of West Central Minnesota Educational Television Company and its wholly owned affiliate, West Central Minnesota Public Television Foundation. All significant inter-company transactions and balances have been eliminated in consolidation.

New Accounting Pronouncement

Effective July 1, 2018, the Organization adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as provide information regarding liquidity, financial performance, and cash flows. The provisions of ASU 2016-14 that significantly change the Organization's financial statements are as follows:

- Revises the net assets classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes;
- Enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions; and
- Requires quantitative and qualitative disclosures on liquidity and the availability of resources to fund operations.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement (Continued)

The financial statements for the year ended June 30, 2018 have been retrospectively restated for the effects of the adoption of ASU 2016-14, which resulted in temporarily and permanently restricted net assets being reported as net assets with donor restrictions, and unrestricted net assets being reported as net assets without donor restrictions. There was no change in total net assets, nor was there an effect on the change in net assets in the accompanying statements of activities for the year ended June 30, 2018

Financial Statement Presentation

The consolidated financial statements report amounts by class of net assets, as required by ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The governing board has designated from net assets without donor restrictions, net assets for an operating reserve, as well as net assets for endowments.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization utilizes FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with their operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2019, the Organization had no cash equivalents.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges

The Organization engages fund-raising campaigns manifested by offering special television programs and on-air and mail fund-raising appeals from viewers in Minnesota and surrounding states. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the public broadcaster for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. Contributions and collected pledges are components of the unrestricted operating fund inasmuch as their usage is not limited to specific activities of the public broadcaster. This usage is consistent with appeals for contributions and pledges. These pledges to give are considered collectible within one year.

In fiscal year 2017, the Organization officially commenced the comprehensive campaign, "Coming into View", to provide support in the following core areas: Infrastructure, Equipment, Programming, and Dedicated Reserves. These pledges are considered donor restricted and are recorded as such in the Organization's financial statements.

Allowance for Uncollectible Pledges

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable.

Accounts and Contracts Receivable

Accounts and contracts receivable represent amounts that have been billed for services provided, but not collected as of the date of the consolidated financial statements. Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. As of June 30, 2019, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Investments

The Organization has adopted Statement of FASB ASC 958-320 "Not-for-Profit Entities, Investments – Debt and Equity Securities." FASB ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by nonprofit organizations.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values. All other investments are recorded at cost or if received by gift at fair value or appraised value at date of receipt.

Property and Equipment

Property and Equipment are stated at cost, if purchased or fair value, if donated. Major expenditures for property and those which substantially increase useful lives, in excess of \$1,000 are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Organization provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives which range from 3 to 33 years.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization utilizes the provisions of FASB ASC 740-10, "Accounting for Uncertain Tax Positions". The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the consolidated financial statements.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees' vacation benefits are recognized in the period earned.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$85,450 for the year ended June 30, 2019.

Community Service Grants

The Corporation for Public Broadcasting is a private, nonprofit grant making organization responsible for funding more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public telecommunications entities. CSGs are used to augment the financial resources of public broadcasting stations and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two federal fiscal years as described in the Communications Act, 47 United States Code Annotated Section 396(k)(7), (1983) Supplement. In any event, each grant must be expended within two years of the initial grant authorization. According to the Communications Act, funds may be used at the discretion of the recipients. Community Service Grant expenditures must fit one of the five following categories: programming and production; transmission and distribution; development and promotion; equipment and capital; and administration and related activities.

The grants are reported on the accompanying financial statements as operating funds without donor restrictions; however, certain guidelines must be satisfied in connection with application for and use of the grants to maintain eligibility and compliance requirements. These guidelines pertain to the use of grant funds, record keeping, audits, financial reporting, transparency, and licensee status with the Federal Communications Commission.

Revenue Recognition

Grant amounts awarded, but not received, are reported as receivables. Grant revenue is recognized in the period the grant is awarded, provided it is unconditional, and is recorded as revenue in net assets with or without donor restrictions, depending on the grantor's intent. Unrestricted grant program revenues represent grant dollars received which were either not restricted by the donor, or for which restrictions were met in the year received. Conditional grants are recognized as revenue is earned.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. The majority of the Organization's costs are direct expenses to the program or activity areas. The Legacy Grant allows for an administrative allocation based on a percentage of operating costs, as well as an equipment charge based on depreciation. Accordingly, costs have either been directly charged or allocated among programs and supporting services benefited.

Deferred Revenue

Deferred revenue represents insurance proceeds from storm damage, to be repaired in the next fiscal year.

NOTE 2. CONCENTRATION OF RISK

The Organization receives a substantial portion of its funding from the Corporation for Public Broadcasting (CPB) and the State of Minnesota Operating Grant. A significant reduction of this support would likely mean a change of program services offered by the Organization.

The Organization had deposits in one financial institution in excess of the \$250,000 federally insured limit by the Federal Deposit Insurance Corporation. At June 30, 2019, the amount of deposits not covered was \$650,004.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of promises to give receivables and grants receivable from several grantors. Such credit risk with respect to promises receivable are limited due to the large number of contributions comprising the Organization's contributor base and their dispersion across different industries and geographic areas. Grant receivable credit risk is considered by the Organization to be limited due to commitment of the grantor, their financial resources and their support of the program for which the grant is intended. As of June 30, 2019 the Organization had no significant concentrations of credit risk.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. INVESTMENT IN APPLETON TOWER LLC - AT EQUITY (RELATED PARTY)

On April 18, 2001, the Organization formed Appleton Tower LLC along with Minnesota Public Radio (MPR), each holding a 50% membership interest in the LLC.

The following is a summary of financial position and results of operations of the Appleton Tower, LLC as of June 30, 2019:

Assets	
Cash	55,674
Property and equipment, net	172,685
Total assets	<u>228,359</u>
Liabilities	
Due to related party	18,594
Total liabilities	18,594
Equity	209,765
Total liabilities and equity	<u>228,359</u>

The LLC had a net gain of \$1,945 for the year ended June 30, 2019.

NOTE 4. MARKETABLE SECURITIES

The Organization purchases securities for the purpose of selling them, but not in the near term, thus they are classified as available for sale securities.

The Organization has adopted FASB ASC 820-10, "Fair Value Measurements", which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. MARKETABLE SECURITIES (Continued)

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the fiscal year ended June 30, 2019, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities

The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair values of assets measured at June 30, 2019 are as follows:

Recurring Fair Value Measurements

	2019			
	Total	Level 1	Level 2	Level 3
Bond Mutual Funds	228,484	228,484		
Stock Mutual Funds	308,217	308,217		
Total	536,701	536,701		

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. MARKETABLE SECURITIES (Continued)

The carrying amounts, market value, unrealized gains and unrealized losses of the Level 1 marketable securities at June 30, 2019 are as follows:

	2019		
	Cost	Unrealized Gain (Loss)	Market Value
Bond Mutual Funds	224,047	4,437	228,484
Stock Mutual Funds	296,928	11,289	308,217
	<u>520,975</u>	<u>15,726</u>	<u>536,701</u>

Gains and losses (realized and unrealized) included in net assets for the year are reported in investment income as follows:

Total gains included in unrestricted net assets for the year	<u>5,400</u>
Change in unrealized gains relating to assets still held at year end	<u>16,817</u>

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

Investment income is composed of the following for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	16,470		16,470
Net realized gain (loss)	5,400		5,400
Net unrealized gain (loss)	16,817		16,817
Investment expenses	(2,059)		(2,059)
	<u>36,628</u>	<u></u>	<u>36,628</u>

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. PLEDGES RECEIVABLE

Promises to give and the related allowance for doubtful accounts, are due to be collected as follows:

	Comprehensive Campaign	Membership	Total
Gross amount due in			
One year or less	75,685	110,257	185,942
One to five years	22,580		22,580
	98,265	110,257	208,522
Less allowance for doubtful accounts	(2,913)	(15,152)	(18,065)
	95,352	95,105	190,457

The discount to present value was calculated on the pledges receivable, but was deemed not material to the financial statements, so was not recorded.

NOTE 6. CONSTRUCTION IN PROGRESS

During FY18, the Organization received a grant, to be used towards the construction of a new facility and costs for equipment and furnishings of the facility located in Granite Falls, Minnesota. Construction in progress balance relates to items that were in the process of being completed at year end.

NOTE 7. PENSION PLAN

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization. According to the plan, the Organization can make a discretionary contribution up to 5% of eligible wages. In fiscal year 2019, the Organization elected to contribute 3% of eligible wages. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code. Plan expenses were \$23,063 for the year ended June 30, 2019.

NOTE 8. FUNDRAISING

Fundraising costs are costs incurred to solicit donations of money, service or materials. These costs are entitled Services Development Expenses by the Organization and amounted to \$363,183 for the year ended June 30, 2019.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. LINE OF CREDIT

The Organization has a \$700,000 operating line of credit, which bears a variable interest rate. The rate at June 30, 2019 was 5.25%. This note matures on December 31, 2019. The line of credit is collateralized by a security interest in accounts receivable, equipment, inventory and certain other assets. The balance on the line of credit was \$640,112 as of June 30, 2019.

The Organization also has a \$750,000 operating line of credit, which bears a variable interest rate. The rate at June 30, 2019 was 5.25%. This note matures on December 31, 2019. The line of credit is collateralized by a security interest in accounts receivable, equipment, inventory and certain other assets. The balance on the line of credit was \$65,000 as of June 30, 2019.

NOTE 10. COMMITMENTS AND CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

The Federal Government has a priority lien against certain facilities and equipment acquired by the Organization with federal funds. Federal regulations require that proceeds from the disposal of assets, previously acquired with federal funds, be remitted to the federal government based on their percentage participation, until any applicable lien period expires. The federal government helped fund the PTFP Studio Equipment, with a lien expiration of fiscal year 2022. The federal government also helped fund the PTFP Microwave Equipment, however the lien expired in fiscal year 2019.

The Organization is committed the construction of 195' tower in Granite Falls and a relay tower between Granite Falls and Appleton and the construction and relocation of the main studio headquarters with an anticipated move date during fiscal year 2020.

NOTE 11. OPERATING LEASE INCOME ON TOWERS

As of June 30, 2019 the Organization leases tower space to fourteen tenants under non-cancelable operating leases. These agreements have varying terms and termination dates. One lessee pays a portion of the total lease obligation in cash and \$1,600 per month is waived in return for advertising. During fiscal year 2019, twelve months of income and advertising expense were recognized, which amounted to \$19,200. The following schedule summarizes the Organization's investment in property used for leasing:

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. OPERATING LEASE INCOME ON TOWERS (Continued)

Towers	1,962,650
Less Accumulated Depreciation	<u>(1,336,912)</u>
Net Towers Used for Leasing	<u><u>625,738</u></u>

The following is a schedule by years of future minimum rentals under the leases at June 30, 2019:

2020	78,414
2021	79,608
2022	68,399
2023	31,711
2024	<u>21,110</u>
Total	<u><u>279,242</u></u>

NOTE 12. NET ASSETS

Grant programs reflected as with donor restrictions consist of grant dollars received, which have been restricted by the grantor for specific purposes. Unrestricted grant program revenues represent grant dollars received which were either not restricted by the donor, or for which restrictions were met in the year received. In addition, membership dues received in advance of the fiscal year 2019 due date are recorded as net assets with donor restrictions.

Comprehensive campaign revenues are reflected as net assets with donor restrictions until used for the purposes specified by the donors. The Organization also receives Planned Giving gifts, which are at times restricted by the donors. Therefore, Planned Giving gifts are recorded as either net assets with or without donor restrictions, as determined by the donors' requests.

Endowment funds reflected as net assets with donor restrictions represent donations received by the organization, for which the gifts must be held in perpetuity.

Net assets with donor restrictions are reflected as cash, investments, and pledges receivable on the consolidated statement of financial position.

Board Designated net assets represent donations received by the Organization that the board has decided to set aside for endowment purposes. These donations were given to the Organization with no restrictions.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. NET ASSETS (Continued)

Net assets with donor restrictions are as follows as of June 30, 2019:

Net assets with donor restrictions:

Subject to the passage of time:

Membership contributions for subsequent year	3,132
--	-------

Subject to expenditure for specified purpose:

MAC-P grant	237,310
T-Mobile grant	1,943
Country music grant	7,250
Comprehensive campaign	848,647
Planned giving	362,845
Subtotal	<u>1,457,995</u>

Endowments:

Subject to restriction in perpetuity:

Original gift amounts	<u>20,331</u>
-----------------------	---------------

Total net assets with donor restrictions	<u><u>1,481,458</u></u>
--	-------------------------

Net assets released from restriction in fiscal year 2019 were as follows:

Operating	4,969
State equipment grants	418,386
MAC-P grant	166,528
T-Mobile grant	141,953
Country music grant	250
Comprehensive campaign	76,473
Total	<u><u>808,559</u></u>

NOTE 13. ENDOWMENTS

The Organization's endowment consists of one fund and includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. ENDOWMENTS (Continued)

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institution Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions, to be held in perpetuity: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions, to be held in perpetuity, are classified as net assets with donor restrictions until those amounts are appropriate for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies.

The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The Organization's policy is to target a payout amount equal to 5% of the previous three years annual moving average of the account's market value. However, in any given year, the Board may vary the target amount. In fiscal year 2019, the Board elected no payout.

Endowment Net Asset Composition by Type of Fund as of June 30, 2019 is as follows:

	Without donor restrictions	With Donor Restrictions			Total Funds
		Amount to be held perpetuity	Accumulated gains (losses) and other	Total with donor restrictions	
Donor-restricted endowment funds		20,331		20,331	20,331
Board-designated endowment funds	55,411				55,411
Total endowment funds	<u>55,411</u>	<u>20,331</u>		<u>20,331</u>	<u>75,742</u>

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. ENDOWMENTS (Continued)

Changes in endowment net assets as of June 30, 2019 are as follows:

		With Donor Restrictions			
	Without donor restrictions	Original gift amount	Accumulated gains (losses) and other	Total with donor restrictions	Total Funds
Endowment net assets, beginning of year	50,291	20,331		20,331	70,622
Net appreciation in value	5,120				5,120
Endowment net assets, end of year	55,411	20,331		20,331	75,742

NOTE 14. LIQUIDITY OF RESOURCES

The Organization's financial assets available to meet cash needs for general expenditures within one year of the balance sheet date are as follows:

Cash	91,262
Accounts receivables	33,902
Contracts receivable	18,513
Grants receivable	270,237
Pledges receivable	95,105
	<u>509,019</u>

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of \$1,450,000, which can be drawn upon. As of June 30, 2019, the Organization has drawn down \$705,112 on these lines of credit.

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. SUBSEQUENT EVENTS

In preparing the financial statements, the West Central Minnesota Educational Television Company has evaluated events and transactions for potential recognition or disclosure through September 6, 2019, the date the financial statements were available to be issued.

Subsequent to year end, the Organization received a donation from an estate, with \$33,768 for planned giving and \$40,000 for the "Coming into View" campaign. This donation was recorded as a revenue and receivable at June 30, 2019.

SUPPLEMENTAL INFORMATION

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
SCHEDULE OF CPB AND STATE ASSISTANCE
YEAR ENDED JUNE 30, 2019

	<u>Grant Period</u>	<u>Award</u>	<u>Expenditures</u>
<u>CORPORATION FOR PUBLIC BROADCASTING</u>			
Community Service Grant	7/1/18 - 6/30/19	754,065	754,065
Universal Service Support Grant	7/1/18 - 6/30/19	112,716	112,716
Interconnect Grant	7/1/18 - 6/30/19	14,359	14,359
Totals		<u>881,140</u>	<u>881,140</u>
<u>STATE OF MINNESOTA</u>			
State Operating Grant	8/30/17 - 6/30/19	258,333	258,333
State Equipment Grant	8/30/17 - 6/30/19	71,462	53,682
State Equipment Grant - Granite Falls	8/15/17 - 12/30/20	1,950,000	364,704
Legacy Funds	7/1/17 - 6/30/19	352,129	352,129
Legislative - Citizen Commission on Minnesota Resources	7/1/18 - 6/30/20	300,000	165,146
Totals		<u>2,931,924</u>	<u>1,193,994</u>

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
CONSOLIDATED SCHEDULE OF REVENUES, BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018	
		Without Donor Restrictions	With Donor Restrictions	Total	Total
CONTRIBUTIONS	Budget				
Individual	624,000	424,888	179,702	604,590	885,348
Total Contributions	624,000	424,888	179,702	604,590	885,348
DONATED SERVICES/MATERIALS		43,435		43,435	43,435
CONTRACTS (RENTALS)	154,692	154,693		154,693	152,674
UNDERWRITING	268,225	286,732		286,732	237,239
GRANTS					
CPB grants	863,709	881,140		881,140	778,345
State operating grant	258,333	258,333		258,333	258,333
State equipment grants			400,435	400,435	681,120
Legacy funds	349,259	352,129		352,129	332,426
MAC-P grant	171,841		160,000	160,000	300,000
Other grants	155,000	166,146	151,396	317,542	185,305
Total Grants	1,798,142	1,657,748	711,831	2,369,579	2,535,529
CONTRACT SERVICES					
MPTA and other contract services	101,545	69,778		69,778	83,816
Total contract services	101,545	69,778		69,778	83,816
MISCELLANEOUS REVENUES					
Miscellaneous reimbursements	30,000	35,460		35,460	17,457
Gain (loss) in LLC, equity method		972		972	(1,173)
Total miscellaneous revenues	30,000	36,432		36,432	16,284
INVESTMENT INCOME (LOSS)		36,628		36,628	23,313
TOTAL SUPPORT AND REVENUES	2,976,604	2,710,334	891,533	3,601,867	3,977,638

WEST CENTRAL MINNESOTA EDUCATIONAL TELEVISION COMPANY
SCHEDULE OF EXPENSES, BUDGET AND ACTUAL
OPERATING FUND
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019			2018
	Budget	Actual	Variance	Total
Salaries/Commissions	1,086,761	1,019,247	67,514	981,808
Employee benefits & payroll taxes	311,427	264,583	46,844	254,707
In kind professional services		31,210	(31,210)	31,210
Donated materials		12,225	(12,225)	12,225
Professional services	250,570	239,758	10,812	224,256
Training and conferences	7,900	10,305	(2,405)	6,669
Travel	42,350	48,984	(6,634)	31,917
Office supplies	41,400	40,548	852	61,330
Telephone/Interconnect	120,552	108,791	11,761	118,634
Postage and shipping	37,810	30,525	7,285	30,004
Ads and promotions	47,007	85,450	(38,443)	53,361
Premium items	57,000	45,225	11,775	54,246
Printing and publishing	31,700	29,190	2,510	23,786
Dues and program acquisition	671,729	670,448	1,281	562,414
Utilities	137,540	128,253	9,287	130,737
Maintenance - building		1,670	(1,670)	1,719
Insurance	103,051	87,768	15,283	97,951
Vehicle expense	7,000	5,643	1,357	4,788
Leases and rentals	5,400	7,767	(2,367)	4,676
Maintenance - equipment	40,700	58,114	(17,414)	30,919
Miscellaneous	2,600		2,600	2,706
Bank/credit card fees	14,500	13,279	1,221	15,166
Real estate taxes	19,684	5,441	14,243	4,898
Interest	1,600	112	1,488	5,150
TOTAL EXPENSES	<u>3,038,281</u>	<u>2,944,536</u>	<u>93,745</u>	<u>2,745,277</u>

ADDITIONAL REPORTS REQUIRED BY GENERALLY
ACCEPTED GOVERNMENT AUDITING STANDARDS



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
West Central Minnesota Educational Television Company
Granite Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of West Central Minnesota Educational Television Company (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered West Central Minnesota Educational Television Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Central Minnesota Educational Television Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Central Minnesota Educational Television Company's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Montevideo, Minnesota
September 6, 2019

Dana F. Cole & Company, LLP