

NORTHERN COMMUNITY RADIO, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2024 AND 2023

TABLE OF CONTENTS

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



BLAKE & LIND
CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northern Community Radio, Inc.
Grand Rapids, Minnesota

Opinion

We have audited the accompanying financial statements of Northern Community Radio, Inc. (a non-profit organization), which comprise the statements of financial position as of September 30, 2024 and 2023, 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 Community Radio, Inc. as of September 30, 2024 and 2023, 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 Community Radio, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Community Radio, 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 Community Radio, 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 Community Radio, 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.

Blake & Lind CPAs, PLLC

Grand Rapids, Minnesota
February 17, 2025

NORTHERN COMMUNITY RADIO, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash & Cash Equivalents | \$ 592,299 | \$ 556,180 |
| Accounts Receivable | 20,594 | 23,089 |
| Grants Receivable | 38,311 | 21,924 |
| Pledges Receivable - net of allowance | 74,568 | 66,433 |
| Prepaid Expenses | 11,691 | 13,886 |
| Total Current Assets | <u>\$ 737,463</u> | <u>\$ 681,512</u> |
| Property & Equipment | | |
| Equipment | \$ 2,476,828 | \$ 2,205,461 |
| Leasehold Improvements | 120,488 | 119,020 |
| Building | 871,943 | 871,943 |
| Land | 329,297 | 329,297 |
| Less: Accumulated Depreciation | <u>(1,770,608)</u> | <u>(1,640,507)</u> |
| Total Property & Equipment | <u>\$ 2,027,948</u> | <u>\$ 1,885,214</u> |
| Other Assets | | |
| Intangible Costs - net of accumulated amortization | \$ 35,594 | \$ 42,735 |
| Right-of-Use Assets - net of accumulated amortization | <u>36,267</u> | <u>40,360</u> |
| Total Other Assets | <u>\$ 71,861</u> | <u>\$ 83,095</u> |
| Total Assets | <u><u>\$ 2,837,272</u></u> | <u><u>\$ 2,649,821</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts Payable | \$ 81,298 | \$ 16,307 |
| Accrued Expenses | 38,669 | 48,329 |
| Refundable Advances | 100,000 | 150,000 |
| Note Payable | 4,018 | - |
| Current Portion of Lease Obligations | 4,339 | 4,238 |
| Total Current Liabilities | <u>\$ 228,324</u> | <u>\$ 218,874</u> |
| Long-Term Liabilities | | |
| Lease Obligations - net of current portion | <u>31,928</u> | <u>36,122</u> |
| Total Liabilities | <u>\$ 260,252</u> | <u>\$ 254,996</u> |
| Net Assets | | |
| Without Donor Restrictions | \$ 2,577,020 | \$ 2,394,212 |
| With Donor Restrictions | <u>-</u> | <u>613</u> |
| Total Net Assets | <u>\$ 2,577,020</u> | <u>\$ 2,394,825</u> |
| Total Liabilities & Net Assets | <u><u>\$ 2,837,272</u></u> | <u><u>\$ 2,649,821</u></u> |

The accompanying notes are an integral part of these financial statements

NORTHERN COMMUNITY RADIO, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|--|----------------------------|----------------------------|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| Revenue & Support | | |
| Contributions | \$ 329,946 | \$ 297,979 |
| Underwriting | 187,460 | 155,575 |
| Endowment | 15,680 | 15,687 |
| Grants | 1,494,817 | 976,599 |
| Special Events | 345,292 | 490,472 |
| AMPERS | 3,353 | 7,932 |
| Interest Income | 14,264 | 289 |
| Other Income | 43,862 | 62,117 |
| Loss on Disposal of Equipment | - | (494) |
| Net Assets Released From Restrictions | 613 | - |
| Total Revenue & Support | <u>\$ 2,435,287</u> | <u>\$ 2,006,156</u> |
| Expenses | | |
| Program Services | | |
| Programming and Production | \$ 1,210,561 | \$ 987,466 |
| Engineering and Broadcasting | 92,601 | 82,718 |
| Program Information | - | 829 |
| Total Program Services | <u>\$ 1,303,162</u> | <u>\$ 1,071,013</u> |
| Support Services | | |
| Management & General | \$ 185,549 | \$ 131,375 |
| Membership and Fundraising | 752,741 | 611,475 |
| Underwriting and Grant Solicitation | 11,027 | 13,262 |
| Total Support Services | <u>\$ 949,317</u> | <u>\$ 756,112</u> |
| Total Expenses | <u>\$ 2,252,479</u> | <u>\$ 1,827,125</u> |
| Change in Net Assets Without Donor Restrictions | \$ 182,808 | \$ 179,031 |
| CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS: | | |
| Net Assets Released From Restrictions | <u>(613)</u> | <u>-</u> |
| INCREASE IN TOTAL NET ASSETS | \$ 182,195 | \$ 179,031 |
| NET ASSETS - BEGINNING OF YEAR | <u>2,394,825</u> | <u>2,215,794</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 2,577,020</u></u> | <u><u>\$ 2,394,825</u></u> |

The accompanying notes are an integral part of these financial statements

NORTHERN COMMUNITY RADIO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | 2024 | | | | | | | | |
|-------------------------------|----------------------------------|------------------------------------|------------------------|------------------------------|------------------------------|----------------------------------|---|------------------------------|---------------------|
| | Program Services | | | | Support Services | | | | |
| | Programming and Production | Engineering and Broadcasting | Program Information | Total Program Services | Management and General | Membership and Fundraising | Underwriting and Grant Solicitation | Total Support Services | Total |
| Salaries and Wages | \$ 469,279 | \$ 51,397 | \$ - | \$ 520,676 | \$ 125,404 | \$ 224,539 | \$ 7,305 | \$ 357,248 | \$ 877,924 |
| Payroll Tax Expense | 37,829 | 4,119 | - | 41,948 | 9,959 | 18,306 | 580 | 28,845 | 70,793 |
| Employee Benefits | 126,136 | 4,600 | - | 130,736 | 9,030 | 19,028 | - | 28,058 | 158,794 |
| Advertising and Promotion | 34,922 | - | - | 34,922 | - | 8,214 | 180 | 8,394 | 43,316 |
| Professional Fees | 1,177 | - | - | 1,177 | 18,494 | - | - | 18,494 | 19,671 |
| Bank & Credit Card Fees | 35 | 1 | - | 36 | 21 | 9,645 | - | 9,666 | 9,702 |
| Bad Debts | - | - | - | - | - | 665 | 890 | 1,555 | 1,555 |
| Program Acquisition | 158,385 | - | - | 158,385 | - | - | - | - | 158,385 |
| Special Project Expense | 35,499 | - | - | 35,499 | - | 247 | - | 247 | 35,746 |
| National Public Radio Expense | 67,498 | - | - | 67,498 | - | - | - | - | 67,498 |
| Repairs and Maintenance | 30,442 | 11,616 | - | 42,058 | 285 | 1,102 | - | 1,387 | 43,445 |
| Depreciation | 89,054 | 9,056 | - | 98,110 | 9,056 | 42,262 | 1,509 | 52,827 | 150,937 |
| Amortization | 4,215 | 428 | - | 4,643 | 428 | 1,999 | 71 | 2,498 | 7,141 |
| Dues and Subscriptions | 18,941 | 3,458 | - | 22,399 | 2,419 | 4,159 | 259 | 6,837 | 29,236 |
| Special Events Expense | 5,043 | - | - | 5,043 | 441 | 410,475 | - | 410,916 | 415,959 |
| Staff Development | 2,710 | 160 | - | 2,870 | 85 | 1,878 | - | 1,963 | 4,833 |
| Insurance | 23,924 | - | - | 23,924 | 3,916 | - | - | 3,916 | 27,840 |
| Miscellaneous | 593 | 302 | - | 895 | 4,261 | 61 | - | 4,322 | 5,217 |
| Postage | - | 180 | - | 180 | - | 5,489 | - | 5,489 | 5,669 |
| Rent | 6,060 | - | - | 6,060 | - | - | - | - | 6,060 |
| Supplies | 6,262 | 172 | - | 6,434 | 1,522 | 864 | - | 2,386 | 8,820 |
| Travel | 9,020 | 521 | - | 9,541 | 228 | 3,684 | 233 | 4,145 | 13,686 |
| Utilities | 83,537 | 6,591 | - | 90,128 | - | 124 | - | 124 | 90,252 |
| | <u>\$ 1,210,561</u> | <u>\$ 92,601</u> | <u>\$ -</u> | <u>\$ 1,303,162</u> | <u>\$ 185,549</u> | <u>\$ 752,741</u> | <u>\$ 11,027</u> | <u>\$ 949,317</u> | <u>\$ 2,252,479</u> |

The accompanying notes are an integral part of these financial statements

NORTHERN COMMUNITY RADIO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | 2023 | | | | | | | | |
|-------------------------------|----------------------------------|------------------------------------|------------------------|------------------------------|------------------------------|----------------------------------|---|------------------------------|---------------------|
| | Program Services | | | | Support Services | | | | |
| | Programming and Production | Engineering and Broadcasting | Program Information | Total Program Services | Management and General | Membership and Fundraising | Underwriting and Grant Solicitation | Total Support Services | Total |
| Salaries and Wages | \$ 344,953 | \$ 48,545 | \$ 771 | \$ 394,269 | \$ 98,039 | \$ 113,731 | \$ 10,899 | \$ 222,669 | \$ 616,938 |
| Payroll Tax Expense | 26,864 | 3,792 | 58 | 30,714 | 7,635 | 8,932 | 849 | 17,416 | 48,130 |
| Employee Benefits | 108,239 | - | - | 108,239 | - | - | - | - | 108,239 |
| Advertising and Promotion | 30,720 | 1,663 | - | 32,383 | - | 6,091 | 176 | 6,267 | 38,650 |
| Professional Fees | 5,408 | - | - | 5,408 | 6,531 | 37 | - | 6,568 | 11,976 |
| Bank & Credit Card Fees | 13 | 1 | - | 14 | 92 | 9,995 | - | 10,087 | 10,101 |
| Bad Debts | - | - | - | - | - | 560 | - | 560 | 560 |
| Program Acquisition | 116,424 | - | - | 116,424 | - | - | - | - | 116,424 |
| Special Project Expense | 47,067 | - | - | 47,067 | - | - | - | - | 47,067 |
| National Public Radio Expense | 54,201 | - | - | 54,201 | - | - | - | - | 54,201 |
| Repairs and Maintenance | 19,908 | 13,140 | - | 33,048 | 99 | 400 | - | 499 | 33,547 |
| Depreciation | 74,732 | 7,600 | - | 82,332 | 7,600 | 35,465 | 1,267 | 44,332 | 126,664 |
| Amortization | 4,213 | 428 | - | 4,641 | 431 | 1,998 | 71 | 2,500 | 7,141 |
| Dues and Subscriptions | 17,853 | 1,019 | - | 18,872 | 1,091 | 6,236 | - | 7,327 | 26,199 |
| Special Events Expense | 13,312 | 260 | - | 13,572 | - | 421,262 | - | 421,262 | 434,834 |
| Staff Development | 1,996 | - | - | 1,996 | 36 | 1,739 | - | 1,775 | 3,771 |
| Insurance | 20,181 | - | - | 20,181 | 1,728 | - | - | 1,728 | 21,909 |
| Miscellaneous | 2,963 | 300 | - | 3,263 | 3,780 | 311 | - | 4,091 | 7,354 |
| Postage | 88 | 309 | - | 397 | 141 | 2,673 | - | 2,814 | 3,211 |
| Rent | 6,147 | - | - | 6,147 | - | - | - | - | 6,147 |
| Supplies | 4,985 | 137 | - | 5,122 | 1,212 | 688 | - | 1,900 | 7,022 |
| Travel | 6,744 | 26 | - | 6,770 | 2,960 | 1,357 | - | 4,317 | 11,087 |
| Utilities | 80,455 | 5,498 | - | 85,953 | - | - | - | - | 85,953 |
| | <u>\$ 987,466</u> | <u>\$ 82,718</u> | <u>\$ 829</u> | <u>\$ 1,071,013</u> | <u>\$ 131,375</u> | <u>\$ 611,475</u> | <u>\$ 13,262</u> | <u>\$ 756,112</u> | <u>\$ 1,827,125</u> |

The accompanying notes are an integral part of these financial statements

NORTHERN COMMUNITY RADIO, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets | \$ 182,195 | \$ 179,031 |
| Adjustments to Reconcile Change in Net Assets to Cash Flows from Operating Activities: | | |
| Depreciation | 150,937 | 126,664 |
| Amortization | 7,141 | 7,141 |
| Loss on Disposal of Equipment | - | 494 |
| Changes in Assets & Liabilities: | | |
| (Increase) Decrease in Accounts Receivable | 2,495 | 2,790 |
| (Increase) Decrease in Grants Receivable | (16,387) | 13,760 |
| (Increase) Decrease in Pledges Receivable | (8,135) | (7,000) |
| (Increase) Decrease in Prepaid Expenses | 2,195 | (1,026) |
| Increase (Decrease) in Accounts Payable | 64,991 | 959 |
| Increase (Decrease) in Accrued Expenses | (9,660) | 16,992 |
| Increase (Decrease) in Refundable Advances | (50,000) | (102,649) |
| Net Cash Flows Provided by Operating Activities | <u>\$ 325,772</u> | <u>\$ 237,156</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Property & Equipment | \$ (293,671) | \$ (272,118) |
| Proceeds from Disposal of Equipment | - | 1,200 |
| Net Cash Used in Investing Activities | <u>\$ (293,671)</u> | <u>\$ (270,918)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from Short-Term Debt | <u>\$ 4,018</u> | <u>\$ -</u> |
| NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | \$ 36,119 | \$ (33,762) |
| Cash & Cash Equivalents, Beginning of Year | <u>556,180</u> | <u>589,942</u> |
| CASH & CASH EQUIVALENTS, END OF YEAR | <u>\$ 592,299</u> | <u>\$ 556,180</u> |

The accompanying notes are an integral part of these financial statements

NORTHERN COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Northern Community Radio, Inc. (The Organization) was incorporated on February 11, 1971 to operate a rural public radio station. Northern Community Radio, Inc. operates two unique, community-based public radio stations, KAXE and KBXE. Northern Community Radio, Inc. serves most of north central and northeastern Minnesota with station located in Grand Rapids and Bemidji, Minnesota. The main sources of revenue are community contributions, underwriting revenue, and grants.

Basis of Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for future projects.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires. When a donor imposed restriction expires, that is, when a stipulated time restriction ends, a purpose restriction is accomplished, or both, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization has elected to present restricted contributions, which are fulfilled in the same time period, with the class of net assets without donor restrictions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Cash & Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. At times, such cash balances may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits.

NORTHERN COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable consist of amounts receivable for underwriting. Accounts receivable are reported at the amount management expects to collect from outstanding balances. Accounts are monitored on an ongoing basis and significant effort is made to collect all amounts due to the Organization. After management has used reasonable collection efforts, amounts uncollected are written off as credit losses. Accounts receivable were \$20,594 and \$23,089 as of September 30, 2024 and 2023, respectively.

Management estimated an allowance for credit losses based on current economic conditions, historical trends, and current and past experience with their customer base. Management determined that no allowance was necessary as of September 30, 2024 and 2023.

Grants Receivable

Grants receivable consist of amounts due from the State of Minnesota. Management believes all amounts are collectible, therefore an allowance for uncollectible accounts has not been established. Grants receivable were \$38,311 and \$21,924 as of September 30, 2024 and 2023, respectively.

Pledges Receivable

Pledges receivable consist of amounts pledged by donors at September 30, 2024 and 2023. The total amount of pledges receivable was \$78,493 and \$69,930 at September 30, 2024 and 2023, respectively. Unconditional pledges receivable are reported at fair value and are collectible within one year of the balance sheet date.

The organization has provided for an allowance for uncollectible pledges receivable based on estimated collection rates. The allowance for uncollectible accounts was estimated at \$3,925 and \$3,497 as of September 30, 2024 and 2023, respectively.

NORTHERN COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The Organization's financial instruments consist of contributions, accounts and grants receivable, accounts payable and other accrued liabilities. It is management's opinion that the Organization is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair values of these financial instruments are the market values of these financial instruments and approximate their carrying values.

Property & Equipment

Property & Equipment additions are recorded at cost if purchased or, if donated, at fair market value at the date of the gift. The Organization generally capitalizes all expenditures for property and equipment with a useful life greater than one year or that extends the useful life of property and equipment beyond one year. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to twenty years for equipment and ten to forty years for buildings and improvements.

Functional Expenses

Expenses have been classified by specific functions where ascertainable. Those expenses which cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage.

Advertising Expense

Advertising costs are expensed as paid. Total advertising costs for the years ended September 30, 2024 and 2023 was \$43,316 and \$38,650, respectively.

Income Taxes

Northern Community Radio, Inc. is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Minnesota Statute 290.05. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Concentration of Credit Risk

The Organization maintains cash balances with qualifying financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. At times these balances may exceed federally insured limits.

NORTHERN COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain Tax Positions

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for three years for federal income tax examination.

Contributed Services

The organization receives contributed services from individuals who volunteer for program services and as board members. The Organization does not recognize contributed services as revenue unless the services received create or enhance the existing facilities or require specialized skills and are provided by individuals possessing those skills. The organization recognized contributed services and its related expenses in the amount of \$19,640 and \$- for the years ended September 30, 2024 and 2023, respectively.

During the year the organization entered into exchange transactions to provide underwriting in exchange for items such as advertising, maintenance, and supplies. Non-monetary transactions recorded as underwriting revenue and associated expenses totaled \$35,473 and \$34,519 for the years ended September 30, 2024 and 2023, respectively.

New Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This update replaced the incurred impairment loss methodology with methodology that reflects the expected credit losses using a wide range of reasonable and supportable information to inform credit loss estimates. The amendment affects trade receivables.

The Organization adopted the new standard effective October 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Effective October 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and all subsequently issued clarifying ASU's which replaced *Topic 840, Leases*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

NORTHERN COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement (continued)

The Organization adopted the leasing standards effective October 1, 2022, using the modified retrospective approach with October 1, 2022 as the initial date of application. The Organization elected to use all available practical expedients provided in the transition guidance. These allowed the Organization to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. As of October 1, 2022, adoption of Topic 842 resulted in an increase in operating lease ROU assets of \$44,336 and an increase in operating lease liabilities of \$44,336 related to lessee accounting.

Revenue Recognition

Underwriting revenues, special event sponsorship & ticket sales and other exchange transactions are reported at the amount the Organization expects to be entitled for the services or products provided. The Organization recognizes revenue from these transactions when the products or services are provided.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to producing underwritten programming and any related services, performances and other related products and services. The Organization measures the performance obligation from the time of receipt of payment to the time the service or performance is provided. The performance obligations related to the sale of products are considered satisfied at the point in time that the items are transferred to the purchaser.

Government grants and contract revenue are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Deferred revenue consists of contract revenue received but not yet expended. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made. Management believes that any disallowances, if any, would not have a significant effect on the statement of financial position.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

NORTHERN COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through February 17, 2025, the date the financial statements were available to be issued.

NOTE 2 OPERATING LEASE

The organization incurred rental expenses of \$6,060 and \$6,147 for the years ended September 30, 2024 and 2023, respectively. The Organization has leases for tower and studio space that expire September 30, 2031 and January 31, 2031, respectively.

The leases are reflected in the statement of financial position as right-of-use assets, net of accumulated amortization of \$36,267 and \$40,360 and operating lease liabilities of \$36,267 and \$40,360 as of September 30, 2024 and 2023, respectively. The lease is discounted using a rate of 5%.

Future minimum lease payments are as follows at September 30, 2024:

| <u>Year Ending September 30,</u> | |
|----------------------------------|----------------------------|
| 2025 | \$ 6,097 |
| 2026 | 6,135 |
| 2027 | 6,174 |
| 2028 | 6,213 |
| 2029 | 6,253 |
| Thereafter | <u>10,672</u> |
| | <u><u>\$ 41,544</u></u> |

NOTE 3 NET ASSETS

Net assets without donor restrictions consist of the following as of September 30:

| | <u>2024</u> | <u>2023</u> |
|---|----------------------------|----------------------------|
| Undesignated | <u>\$ 2,577,020</u> | <u>\$ 2,394,212</u> |
| Total Net Assets Without Donor Restrictions | <u><u>\$ 2,577,020</u></u> | <u><u>\$ 2,394,212</u></u> |

NORTHERN COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 3 NET ASSETS (CONTINUED)

Net assets with donor restrictions consist of the following as of September 30:

| | 2024 | 2023 |
|--|-------------|---------------|
| Net Assets Subject to Purpose Restrictions | \$ - | \$ 613 |
| Total Net Assets With Donor Restrictions | <u>\$ -</u> | <u>\$ 613</u> |

Net assets released from donor restrictions consist of the following as of September 30:

| | 2024 | 2023 |
|---|---------------|-------------|
| Satisfaction of Purpose Restriction: | \$ 613 | \$ - |
| Net Assets Released from Donor Restrictions | <u>\$ 613</u> | <u>\$ -</u> |

NOTE 4 LIQUIDITY AND AVAILABILITY

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. The organization has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

| | 2024 | 2023 |
|---|-------------------|-------------------|
| Cash & Cash Equivalents | \$ 592,299 | \$ 556,180 |
| Accounts Receivable | 20,594 | 23,089 |
| Grants Receivable | 38,311 | 21,924 |
| Pledges Receivable, Net | <u>74,568</u> | <u>66,433</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | <u>\$ 725,772</u> | <u>\$ 667,626</u> |

In addition to the financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget, which is approved by the board of directors, and anticipates collecting sufficient revenue to cover general expenditures.

NORTHERN COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 5 CONTRIBUTIONS

Contributions consist of the following for the years ended September 30:

| | 2024 | 2023 |
|---------------------|-------------------|-------------------|
| KAXE - Grand Rapids | \$ 245,583 | \$ 207,595 |
| KBXE - Bemidji | 84,363 | 90,384 |
| Total | <u>\$ 329,946</u> | <u>\$ 297,979</u> |

NOTE 6 UNDERWRITING

Underwriting consists of the following for the years ended September 30:

| | 2024 | 2023 |
|---------------------|-------------------|-------------------|
| KAXE - Grand Rapids | \$ 134,327 | \$ 113,935 |
| KBXE - Bemidji | 53,133 | 41,640 |
| Total | <u>\$ 187,460</u> | <u>\$ 155,575</u> |

NOTE 7 GRANTS

Grant revenue consists of the following for the years ended September 30:

| | 2024 | 2023 |
|-------------------------------------|---------------------|-------------------|
| State of Minnesota | | |
| Community Service | \$ 395,882 | \$ 57,882 |
| Equipment | 110,706 | 19,355 |
| Legacy | 279,143 | 206,568 |
| Environment and Natural Resource | 19,008 | 178,992 |
| McKnight Foundation | 275,000 | - |
| Corporation for Public Broadcasting | 194,096 | 170,862 |
| Blandin Foundation | 150,000 | 300,000 |
| GREDA | 70,982 | - |
| Northland Foundation | - | 25,000 |
| Itasca County | - | 7,440 |
| Walmart Foundation | - | - |
| Fresh Energy Foundation | - | 10,000 |
| Yield Giving | - | 500 |
| Total | <u>\$ 1,494,817</u> | <u>\$ 976,599</u> |

NORTHERN COMMUNITY RADIO, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 8 EMPLOYEE BENEFITS

Pension Plan

The organization has a Simplified Employee Pension/Individual Retirement Account plan for the benefit of all part-time and full-time employees. The organization contributes 5% of gross wages to each employee's plan. Total retirement expense was \$44,088 and \$32,110 for the years ended September 30, 2024 and 2023, respectively.

Compensated Absences

Permanent full-time and part-time employees are compensated for absences depending on the employee's length of service and other employment related factors. Amounts accrued for future compensated absences at September 30, 2024 and 2023 were \$26,553 and \$24,143, respectively.

NOTE 9 LOAN PAYABLE

The Organization hosts and annual a one-day music festival held in Grand Rapids, Minnesota know as Riverfest. As part of the annual festival, the Organization has been able to obtain an annual forgivable loan through the Grand Rapids Economic Development Authority and its Downtown Entertainment Loan Program. Maximum loan amounts through the program are \$75,000 and are forgivable up to a breakeven point if the recipient can provide sufficient evidence that the event did not reach the breakeven point.

While Riverfest has been profitable in previous years and has repaid past loans in full, the 2024 event did not reach the breakeven point and the loan was forgiven up to the financial loss. The financial loss for the 2024 event was \$70,982 and the remaining balance of \$4,018 is reflected as a Note Payable on the Statement of Financial Position as of September 30, 2024. The forgivable amount of \$70,982 is included in Grant Income for the year ended September 30, 2024.