

**DULUTH-SUPERIOR AREA EDUCATIONAL
TELEVISION CORPORATION AND AFFILIATE**
COMBINED FINANCIAL REPORT
SEPTEMBER 30, 2022 AND 2021

DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Duluth-Superior Area Educational Television Corporation
The Beck Foundation of DSAET
Duluth, Minnesota

Opinion

We have audited the accompanying combined financial statements of Duluth-Superior Area Educational Television Corporation (a nonprofit organization) and Affiliate, which comprise the combined statement of financial position as of September 30, 2022 and 2021, and the related combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Duluth-Superior Area Educational Television Corporation and Affiliate as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Duluth-Superior Area Educational Television Corporation and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Duluth-Superior Area Educational Television Corporation and Affiliate'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 Duluth-Superior Area Educational Television Corporation and Affiliate '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 Duluth-Superior Area Educational Television Corporation and Affiliate '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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of assets, liabilities and net assets by grantee, schedule of revenues and expenses by grantee, schedules of assets, liabilities, and net assets - Beck Foundation of DSAET, and the schedules of revenues and expenses - Beck Foundation of DSAET is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Esterbrooks Certified Public Accountants, Ltd.

Duluth, Minnesota
January 30, 2023

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

**COMBINED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021**

<u>ASSETS</u>	2022	2021
CURRENT ASSETS:		
Cash	\$ 1,264,759	\$ 1,256,501
Underwriting revenue receivable	37,152	25,491
Grants receivable	285,648	330,362
Prepaid expenses	115,644	107,945
Total current assets	1,703,203	1,720,299
 PROPERTY AND EQUIPMENT:		
Land	13,863	13,863
Buildings	1,664,272	1,661,265
Broadcasting equipment	8,155,137	7,676,887
Office equipment	195,134	195,134
Vehicles	116,858	116,858
Total cost	10,145,264	9,664,007
Less: Accumulated depreciation	(8,402,934)	(8,068,442)
Net property and equipment	1,742,330	1,595,565
 OTHER ASSETS:		
Investments	15,267,428	18,817,742
Prepaid lease expense, net of amortization	3,172	9,676
Promise to give, use of facilities	49,407	-
FCC license	66,547	-
Total other assets	15,386,554	18,827,418
Total assets	\$ 18,832,087	\$ 22,143,282

<u>LIABILITIES AND NET ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 119,111	\$ 34,235
Accrued expenses	159,500	114,699
Deferred revenue	5,063	58,068
Amounts held on behalf of others	<u>14,925</u>	<u>14,925</u>
Total current liabilities	<u>298,599</u>	<u>221,927</u>
NET ASSETS:		
Without Donor Restrictions:		
Available for operations	2,180,080	2,354,561
Designated for long-term investment	<u>15,263,703</u>	<u>18,803,017</u>
Total net assets without donor restrictions	17,443,783	21,157,578
With Donor Restrictions	<u>1,089,705</u>	<u>763,777</u>
Total net assets	<u>18,533,488</u>	<u>21,921,355</u>
Total liabilities and net assets	<u>\$ 18,832,087</u>	<u>\$ 22,143,282</u>

See notes to combined financial statements.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>OPERATING</u>			
REVENUE AND OTHER SUPPORT:			
Contributions and grants	\$ 1,129,621	\$ 2,406,463	\$ 3,536,084
Legacies and bequests	50	-	50
Underwriting	361,239	-	361,239
Production and other income	47,989	-	47,989
Rental income	40,310	-	40,310
Investment income, net	428,656	-	428,656
Contributions of nonfinancial assets	109,321	-	109,321
Net assets released from restriction	<u>2,036,850</u>	<u>(2,036,850)</u>	<u>-</u>
Total revenues and other support	<u>4,154,036</u>	<u>369,613</u>	<u>4,523,649</u>
EXPENSES:			
Program services -			
Programming and production	2,081,514	-	2,081,514
Broadcasting	1,031,239	-	1,031,239
Program information	<u>598,864</u>	<u>-</u>	<u>598,864</u>
Total program services	<u>3,711,617</u>	<u>-</u>	<u>3,711,617</u>
Supporting services -			
Management and general	812,394	-	812,394
Fundraising and membership	<u>369,176</u>	<u>-</u>	<u>369,176</u>
Total supporting services	<u>1,181,570</u>	<u>-</u>	<u>1,181,570</u>
Total expenses	<u>4,893,187</u>	<u>-</u>	<u>4,893,187</u>
Change in net assets from operating activities	<u>(739,151)</u>	<u>369,613</u>	<u>(369,538)</u>
<u>NONOPERATING</u>			
Contributions and grants	-	88,972	88,972
Gains on investments	(3,107,301)	-	(3,107,301)
Gain on asset disposition	-	-	-
Net assets released from restriction	<u>132,657</u>	<u>(132,657)</u>	<u>-</u>
Change in net assets from nonoperating activities	<u>(2,974,644)</u>	<u>(43,685)</u>	<u>(3,018,329)</u>
Change in net assets	(3,713,795)	325,928	(3,387,867)
NET ASSETS:			
Beginning of year	<u>21,157,578</u>	<u>763,777</u>	<u>21,921,355</u>
End of year	<u>\$ 17,443,783</u>	<u>\$ 1,089,705</u>	<u>\$ 18,533,488</u>

2021

Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,737,723	\$ 1,206,851	\$ 3,944,574
-	-	-
372,858	-	372,858
97,693	-	97,693
43,434	-	43,434
395,238	-	395,238
38,357	-	38,357
<u>691,273</u>	<u>(691,273)</u>	<u>-</u>
<u>4,376,576</u>	<u>515,578</u>	<u>4,892,154</u>
1,608,588	-	1,608,588
843,326	-	843,326
408,315	-	408,315
<u>2,860,229</u>	<u>-</u>	<u>2,860,229</u>
606,875	-	606,875
653,942	-	653,942
<u>1,260,817</u>	<u>-</u>	<u>1,260,817</u>
<u>4,121,046</u>	<u>-</u>	<u>4,121,046</u>
<u>255,530</u>	<u>515,578</u>	<u>771,108</u>
-	45,870	45,870
3,326,537	-	3,326,537
15,143	-	15,143
43,686	(43,686)	-
<u>3,385,366</u>	<u>2,184</u>	<u>3,387,550</u>
3,640,896	517,762	4,158,658
<u>17,516,682</u>	<u>246,015</u>	<u>17,762,697</u>
<u>\$ 21,157,578</u>	<u>\$ 763,777</u>	<u>\$ 21,921,355</u>

See notes to combined financial statements.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services			Supporting Services			Total	
	Program and Production	Broadcasting	Program Information	Total Program Services	Management and General	Fundraising and Membership		Total Supporting Services
Salaries, payroll taxes and employee benefits	\$ 997,919	\$ 468,247	\$ 389,155	\$ 1,855,321	\$ 334,529	\$ 167,899	\$ 502,428	\$ 2,357,749
Professional services	60,595	36,778	5,335	102,708	201,632	21,149	222,781	325,489
Program acquisition	628,933	-	-	628,933	-	14	14	628,947
Program production	188,044	-	50,000	238,044	-	-	-	238,044
Membership	1,238	-	104	1,342	70,979	1,419	72,398	73,740
Fundraising	9,191	335	11,998	21,524	1,021	80,263	81,284	102,808
Advertising	1,574	-	132,768	134,342	-	178	178	134,520
Office, postage and printing	13,007	14,086	249	27,342	19,337	52,499	71,836	99,178
Insurance	3,000	11,967	-	14,967	92,115	-	92,115	107,082
Rent	-	70,007	-	70,007	40,912	-	40,912	110,919
Repairs and maintenance	278	62,118	1,506	63,902	1,647	18,199	19,846	83,748
Utilities	-	190,121	-	190,121	13,535	-	13,535	203,656
Travel	16,886	10,323	3,803	31,012	28,873	18,482	47,355	78,367
Miscellaneous	3,536	-	-	3,536	1,345	3,064	4,409	7,945
Depreciation and amortization	157,313	167,257	3,946	328,516	6,469	6,010	12,479	340,995
Total Expenses	\$ 2,081,514	\$ 1,031,239	\$ 598,864	\$ 3,711,617	\$ 812,394	\$ 369,176	\$ 1,181,570	\$ 4,893,187

See notes to combined financial statements.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services			Supporting Services			Total	
	Program and Production	Broadcasting	Program Information	Total Program Services	Management and General	Fundraising and Membership		Total Supporting Services
Salaries, payroll taxes and employee benefits	\$ 721,573	\$ 433,280	\$ 298,619	\$ 1,453,472	\$ 170,565	\$ 381,193	\$ 551,758	\$ 2,005,230
Professional services	29,901	1,400	605	31,906	206,570	4,250	210,820	242,726
Program acquisition	564,104	-	-	564,104	-	-	-	564,104
Program production	152,166	-	-	152,166	-	-	-	152,166
Membership	171	-	845	1,016	58,179	511	58,690	59,706
Fundraising	28	-	-	28	-	179,381	179,381	179,409
Advertising	2,196	-	95,366	97,562	373	-	373	97,935
Office, postage and printing	7,262	2,941	4,137	14,340	18,879	68,808	87,687	102,027
Insurance	-	6,291	-	6,291	81,171	-	81,171	87,462
Rent	-	45,329	-	45,329	38,357	-	38,357	83,686
Repairs and maintenance	6,875	55,450	1,305	63,630	3,564	5,784	9,348	72,978
Utilities	-	133,436	75	133,511	15,187	1	15,188	148,699
Travel	3,592	3,977	3,407	10,976	7,388	3,265	10,653	21,629
Miscellaneous	190	520	-	710	2,766	242	3,008	3,718
Depreciation and amortization	120,530	160,702	3,956	285,188	3,876	10,507	14,383	299,571
Total Expenses	\$ 1,608,588	\$ 843,326	\$ 408,315	\$ 2,860,229	\$ 606,875	\$ 653,942	\$ 1,260,817	\$ 4,121,046

See notes to combined financial statements.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (3,387,867)	\$ 4,158,658
Adjustments to reconcile to net cash provided:		
Depreciation and amortization	340,995	299,571
Gain on sale of assets	-	(15,143)
Loss (gain) on investments	3,107,301	(3,326,537)
(Increase) decrease in:		
Accounts receivable	-	9,838
Underwriting revenue receivable	(11,661)	82,421
Grants receivable	44,714	30,899
Prepaid expenses	(7,699)	(46,491)
Prepaid expenses	(49,407)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	132,636	(41,411)
Deferred revenue	(53,005)	(91,948)
Refundable advances	-	(425,445)
Net cash provided by operating activities	116,007	634,412
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(550,762)	(238,403)
Proceeds from sale of investments	4,661,462	2,737,053
Purchases of investments	(4,218,449)	(2,834,879)
Net cash used for investing activities	(107,749)	(336,229)
NET INCREASE IN CASH	8,258	298,183
CASH - Beginning of year	1,256,501	958,318
CASH - End of year	\$ 1,264,759	\$ 1,256,501
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for income tax	\$ -	\$ 6,377
Noncash investing and financing activities:		
Property and equipment included in accounts payable	\$ -	\$ 2,959

See notes to combined financial statements.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Organization -

The Duluth-Superior Area Educational Television Corporation is a non-profit Minnesota corporation which operates the non-commercial public television station WDSE in Duluth, Minnesota. The financial statements include the accounts of The Beck Foundation of DSAET, a non-profit Minnesota corporation which provides financial support for WDSE. All significant inter-organization accounts and transactions have been eliminated.

On November 30, 2021 WDSE purchased the FCC license and assets of the noncommercial educational radio station KUMD-FM from the University of Minnesota. WDSE operates this station as The North 103.3 FM.

Basis of Presentation -

The financial statements have been prepared on the accrual basis of accounting.

WDSE is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. A description of the two net asset categories follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions - Net assets 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.

Cash and Cash Equivalents -

WDSE considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents. At September 30, 2022 and 2021 WDSE had no cash equivalents.

Accounts and Underwriting Receivables -

Receivables are stated at the amount management expects to collect from outstanding balances. Based on management's assessments of the credit history with customers and others having outstanding balances, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Grants Receivable -

WDSE receives grants from federal, state, and private agencies for various programs. Grants receivable represents amounts requested from granting agencies for services performed. Grants receivable is reduced once the cash has been received from the granting agencies.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property and Equipment -

Expenditures for minor additions of equipment are charged to expense when incurred. Expenditures for land, buildings, major improvements and equipment additions are capitalized and recorded as additions to net assets without donor restrictions. Property and equipment are stated at cost, except for those assets acquired by donation, which are stated at fair value at the date of the gift. Depreciation is calculated by the straight-line method over the estimated useful lives of the depreciable assets. Depreciation recorded during the fiscal years ending September 30, 2022 and 2021 was \$334,492 and \$293,067, respectively.

Donated Equipment -

Gifts of land, buildings, and equipment are recorded as contributions at their fair value at the date of donation. Such donations are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Investments -

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values based on quoted prices in active markets (Level 1 measurements) in the statements of financial position. The net realized and unrealized gains (losses) on investments are reflected in the statements of activities.

Fair Value Measurements -

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that WDSE has the ability to access.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

FCC License -

The FCC license purchased in November 2021 for KUMD-FM is considered an indefinite-lived intangible asset and is recorded at cost. Such intangible assets are not amortized but instead are subject to annual impairment tests or more frequently if an event occurs or circumstances change that would indicate an impairment in accordance with ASC Topic 350, *Intangibles – Goodwill and Other*.

WDSE tests the license for impairment by first assessing qualitative factors to determine the existence of events and circumstances that may indicate it is more likely than not that the indefinite-lived intangible assets could be impaired. If, after assessing the totality of events and circumstances, WDSE concludes that it is not more likely than not that the indefinite-lived intangible assets are impaired, then no further action is taken. However, if WDSE concludes otherwise, then it determines the fair value of the indefinite-lived intangible assets and performs a quantitative impairment test by comparing the fair value with the carrying amount.

There were no indications of impairment noted in the annual test performed for the year ended September 30, 2022.

Pledges -

WDSE engages in fundraising campaigns manifested by offering special television programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions for enhancement of program offerings and other operating expenses. Financial contributions are frequently evidenced by pledges received from responding viewers. However, uncollected pledges that are not enforceable against contributors are not shown as assets on the statements of financial position. Contributions and collected pledges are reported as without donor restriction inasmuch as their usage is not limited to specific activities. This usage is consistent with appeals for contributions and pledges.

Revenue Recognition -

Contributions and grants are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions on which they depend have been substantially met. Contributions and grants are classified as conditional if a barrier must be overcome to be entitled to the funds or if a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. As of September 30, 2022 and 2021, WDSE has received conditional grants totaling \$2,805,222 and \$747,070, respectively, for which the conditions stipulated by the grantor have not yet been met.

WDSE reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Underwriting revenue includes amounts received in exchange for recognition within WDSE's programming. WDSE recognizes underwriting revenue as the performance obligation is satisfied over the contract period. The contract period is the timeframe in which the agreed-upon number of underwriting spots occur. Payment terms vary by contract and may be received all at once or over the term of the contract.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Revenue Recognition (continued) -

Production and other income include various production and content activities, as well as royalty payments received. Production activity is recognized as revenue as the performance obligations are satisfied over the contract period.

Deferred revenue represents revenues received in advance, which will be recognized in future periods as they are earned. Program underwriting revenues recorded as deferred revenue at September 30, 2022 and 2021 were \$5,063 and \$58,068, respectively.

Advertising Costs –

WDSE uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

Functional Expenses –

Expenses incurred for a specific function are assigned directly to that function by management. Expenses that affect more than one specific function are allocated among the functions using a reasonable basis that is consistently applied. The expenses allocated include salaries, payroll taxes and benefits which are allocated on the basis of estimates of time and effort, as well as depreciation, utilities, office expenses, and other, which are allocated on the basis of estimated usage.

Income Taxes -

WDSE is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of Minnesota statutes. However, income from certain activities not directly related to WDSE's tax-exempt purpose is subject to taxation as unrelated business income. There was no required provision for income taxes for the years ended September 30, 2022 and 2021.

Uncertain Tax Positions -

WDSE follows the recognition requirements of uncertain tax positions as required by generally accepted accounting principles. WDSE believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. WDSE is generally no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2019.

Reclassification -

Certain amounts in the 2021 financial statements have been reclassified for comparative purposes to conform with the current year financial statements. Such reclassification had no effect on net earnings or net assets as previously reported.

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operations -

WDSE has reported its activities as operating or non-operating. Operating activities are an integral part of the programs, services and mission of WDSE. Non-operating activities do not directly affect the programs and services of WDSE such as items associated with acquisition of property and equipment and gain (loss) on investments.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Subsequent Events -

In preparing these financial statements, WDSE has evaluated events and transactions for potential recognition or disclosure through January 30, 2023, which is the date the financial statements were issued.

Accounting Standards Adopted –

In October 2021, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. WDSE adopted the standard in fiscal year 2022, with no significant impact to the financial statements of the disclosures.

Pending Accounting Standards –

ASU No. 2016-02, *Leases*. This new accounting guidance was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. The ASU will be effective for WDSE beginning with its year ending September 30, 2023. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. WDSE is assessing the impact this standard will have on its financial statements.

2. FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

WDSE manages its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, as described in Note 4, WDSE may request funds for capital projects or operating expenses from the Beck Foundation, which holds a board-designated endowment of \$15,263,703 and \$18,803,017 as of September 30, 2022 and 2021, respectively.

As of September 30, 2022 and 2021, financial assets available within one year of the statement of financial position for general expenditures, such as operating expenses, are as follows:

	2022	2021
Financial assets:		
Cash	\$ 1,264,759	\$ 1,256,501
Underwriting receivable	37,152	25,491
Grants receivable	285,648	330,362
Total financial assets available within one year	1,587,559	1,612,354
Less amounts unavailable for general expenditure with one year:		
Donor-imposed restrictions	(1,089,705)	(763,777)
Amounts held on behalf of others	(14,925)	(14,925)
Financial assets available to meet cash needs		
For general expenditures within one year	\$ 482,929	\$ 833,652

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
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NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

3. INVESTMENTS:

The fair values of investments at September 30, 2022 and 2021 were as follows:

	2022	2021
Money market funds	\$ 716,961	\$ 917,346
U.S. Government and agency bonds and notes	1,003,010	914,477
Corporate bonds	817,068	1,076,213
Mutual bond funds	1,622,629	1,911,326
Real estate funds	934,086	1,257,284
Mutual stock funds	5,164,364	6,573,675
Publicly held corporate stock	3,557,503	4,714,130
Alternative investments	1,451,807	1,453,291
Totals	\$ 15,267,428	\$ 18,817,742

Investments are measured at fair value on a recurring basis using Level 1 inputs. For additional information on how WDSE measures fair value refer to Note 1.

4. BOARD-DESIGNATED ENDOWMENT:

Investment assets held by The Beck Foundation have been designated by the boards of WDSE and the Foundation to be functioning as an endowment. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Beck Foundation's investment policies for endowment assets have the following goals:

- (1) to preserve the purchasing power of the investment assets without putting the funds at imprudent risk,
- (2) to support current and future operations of WDSE through a flow of investment income, and
- (3) to provide long-term growth in principal through additional contributions and capital appreciation.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity investments to achieve its long-term return objectives within prudent risk constraints.

Duluth-Superior Area Educational Television Corporation has a policy of appropriating for distribution each year up to 10 percent of its endowment funds at value of the preceding fiscal year in which the distribution is planned. In establishing this policy, WDSE considered the long-term expected investment return on its endowment. Accordingly, over the long term, WDSE expects the current spending policy to allow its endowment funds to grow at an average of 4 percent annually. This is consistent with the WDSE's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

4. BOARD-DESIGNATED ENDOWMENT (CONTINUED):

Composition of and Changes in Endowment Net Assets for the Years Ended September 30, 2022 and 2021

	2022	2021
Board-designated endowment net assets, beginning of year	\$ 18,803,017	\$ 15,387,458
Contributions	13,092	1,000
Investment return, net	(2,678,406)	3,721,559
Appropriation of endowment assets for expenditure	(874,000)	(307,000)
Board-designated endowment net assets, end of year	\$ 15,263,703	\$ 18,803,017

5. PREPAID LEASE EXPENSE:

During the fiscal year ended September 30, 2003, WDSE entered into a lease agreement for use of fiber cables over a 20-year period. The total required payments under the lease agreement of \$130,000 were paid in full on that date. This amount is being amortized over the life of the agreement on a straight-line basis. During the years ended September 30, 2022 and 2021, amortization expense charged against this lease were \$6,504 each year. Management anticipates a charge to amortization expense of \$3,172 during the next year.

6. PAYCHECK PROTECTION PROGRAM (PPP):

WDSE was granted a \$397,800 advance under the Paycheck Protection Program (PPP) (part of the Coronavirus Aid, Relief and Economic Stability Act) administered by a Small Business Administration (SBA) approved partner. The advance was uncollateralized and was fully guaranteed by the Federal government. WDSE recognized \$397,800 of grant revenue for the year ended September 30, 2021, upon receiving full forgiveness of the loan on November 24, 2020, in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and a right to return of the PPP loan no longer existed.

7. CONTRIBUTIONS OF NONFINANCIAL ASSETS:

Contributions of nonfinancial assets included in the statement of activities are comprised of the following as of September 30, 2022 and 2021:

	2022	2021
Contributed rent valued at estimated fair value based on rates used to charge other renters of similar spaces.		
Leased land	\$ 40,912	\$ 38,357
Use of facilities, 3-year promise to give	68,409	-
Total	\$ 109,321	\$ 38,357

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
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NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

8. RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES:

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Future program activities	\$ 1,089,705	\$ 720,092
Acquisition of property and equipment	<u>-</u>	<u>43,685</u>
 Total	 <u>\$ 1,089,705</u>	 <u>\$ 763,777</u>

A portion of the net assets without donor restrictions has been designated by the Board of Directors for specific purposes, as follows:

	<u>2022</u>	<u>2021</u>
Long-term investment	<u>\$ 15,263,703</u>	<u>\$ 18,803,017</u>

9. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended September 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Operating activities -		
Program expenditures	\$ 2,036,850	\$ 691,273
Non-operating activities		
Acquisition of property and equipment	<u>132,657</u>	<u>43,686</u>
 Total	 <u>\$ 2,169,507</u>	 <u>\$ 734,959</u>

10. ARRANGEMENTS FOR LEASING TO OTHERS:

WDSE leases transmitter equipment to customers under operating leases. Equipment cost under operating leases was \$77,895 each year, respectively, and is included in broadcasting equipment in the accompanying statement of financial position. Accumulated depreciation on equipment under operating leases was \$77,895 each year at September 30, 2022 and 2021, respectively. During the years ended September 30, 2022 and 2021 rental income recognized under these agreements was \$40,310 and \$43,434, respectively.

Minimum future rental income at September 30, 2022 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 40,652
2024	41,465
2025	42,294
2026	43,140
2027	21,748

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
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NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

11. TAX DEFERRED ANNUITY RETIREMENT PLANS:

WDSE contributes to a voluntary tax-sheltered annuity plan covering participating employees meeting certain service and age requirements. Contributions to the plan of \$23,481 and \$26,612 were charged to operations for the years ended September 30, 2022 and 2021, respectively.

12. CONCENTRATION OF REVENUE:

For the years ended September 30, 2022 and 2021, approximately 33% and 30% respectively, of WDSE's operating revenue was provided by grants from the Corporation for Public Broadcasting, and approximately 20% and 14% respectively, was provided by the State of Minnesota.

13. CONCENTRATION OF CREDIT RISK:

WDSE maintains its cash balances at institutions insured by the Federal Deposit Insurance Corporation (FDIC). These cash balances, at times, may exceed federally insured limits. At September 30, 2022 and 2021 total uninsured cash balances were \$918,724 and \$755,235, respectively. WDSE has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

14. LEASE COMMITMENTS:

Lease Site for Building -

A 99-year lease was entered into on January 2, 1976 (effective February 1, 1976) between WDSE and the Regents of the University of Minnesota for a building construction site on the campus of the University of Minnesota, Duluth. The lease was made in consideration of one dollar and the recognized benefit to be derived by the University from the proximity of an educational television station.

The lease contains, among other things, various significant restrictions and requirements concerning easement rights, use of the facility, potential tax assessments, and conditions of lease termination.

The lease provision relative to default of the lease covenants provides that in the event of default in any of the covenants of the lease to be kept by WDSE, the University may terminate the lease by thirty days' notice specifying such default and, if at the end of such period such default is not cured, the lease shall terminate and the University may re-enter and take possession within a reasonable time thereafter.

During the years ended September 30, 2022 and 2021, in-kind income and rental expense recognized under this agreement were \$40,912 and \$38,357, respectively.

Use of Radio Studio Facilities -

WDSE received the free use of the radio station studios for three years as part of the purchase of KUMD-FM. Activity under this agreement are included in these financial statements for the years ending September 30, 2022 and 2021 as follows:

	2022	2021
Promise to give, use of facilities	\$ <u>49,407</u>	\$ <u>-</u>
Contributions of nonfinancial assets	\$ <u>68,409</u>	\$ <u>-</u>
Rent expense	\$ <u>19,003</u>	\$ <u>-</u>

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
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NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

14. LEASE COMMITMENTS (CONTINUED):

Lease of Tower and Building Space –

On September 2, 2008, WDSE entered into a 5-year lease with the option of one 5-year renewal of tower and building space. The lessor is WDIO-TV, LLC and the tower and building are located in Hibbing, Minnesota. The lease was amended as of September 1, 2018 for a term of 5 years with the option to renew for five additional 5-year terms. The lease agreement requires monthly payments of \$3,771 for the first year of the lease with inflation adjustments annually. The lease contains, among other things, requirements and restrictions regarding insurance, easement rights, and conditions of lease termination.

Minimum future rentals at September 30, 2022 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	44,810

15. NONMONETARY TRANSACTIONS:

WDSE enters into exchange transactions to provide program underwriting for operating expenses such as advertising and supplies. During the year ended September 30, 2022 and 2021, non-monetary transactions recorded as underwriting revenue and associated expenses totaled \$0 and \$3,950, respectively.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

SUPPLEMENTARY INFORMATION

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
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**SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS BY GRANTEE
SEPTEMBER 30, 2022**

<u>ASSETS</u>	<u>WDSE-TV</u>	<u>WDSE-FM</u>	<u>Total</u>
CURRENT ASSETS:			
Cash	\$ 1,264,759	\$ -	\$ 1,264,759
Underwriting revenue receivable	33,501	3,651	37,152
Grants receivable	268,518	17,130	285,648
Prepaid expenses	115,644	-	115,644
Due from WDSE-TV	-	151,114	151,114
Total current assets	<u>1,682,422</u>	<u>171,895</u>	<u>1,854,317</u>
PROPERTY AND EQUIPMENT:			
Land	13,863	-	13,863
Buildings	1,664,272	-	1,664,272
Broadcasting equipment	7,874,739	280,398	8,155,137
Office equipment	195,134	-	195,134
Vehicles	116,858	-	116,858
Total cost	9,864,866	280,398	10,145,264
Less: Accumulated depreciation	<u>(8,384,858)</u>	<u>(18,076)</u>	<u>(8,402,934)</u>
Net property and equipment	<u>1,480,008</u>	<u>262,322</u>	<u>1,742,330</u>
OTHER ASSETS:			
Investments	15,267,428	-	15,267,428
Prepaid lease expense, net of amortization	3,172	-	3,172
Promise to give, use of facilities	-	49,407	49,407
FCC license	-	66,547	66,547
Total other assets	<u>15,270,600</u>	<u>115,954</u>	<u>15,386,554</u>
Total assets	<u>\$ 18,433,030</u>	<u>\$ 550,171</u>	<u>\$ 18,983,201</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 119,111	\$ -	\$ 119,111
Accrued expenses	153,042	6,458	159,500
Deferred revenue	2,924	2,139	5,063
Due to WDSE-FM	151,114	-	151,114
Amounts held on behalf of others	14,925	-	14,925
Total current liabilities	<u>441,116</u>	<u>8,597</u>	<u>449,713</u>
NET ASSETS:			
Without Donor Restrictions:			
Available for operations	1,885,385	294,695	2,180,080
Designated for long-term investment	15,263,703	-	15,263,703
Total net assets without donor restrictions	17,149,088	294,695	17,443,783
With Donor Restrictions	842,826	246,879	1,089,705
Total net assets	<u>17,991,914</u>	<u>541,574</u>	<u>18,533,488</u>
Total liabilities and net assets	<u>\$ 18,433,030</u>	<u>\$ 550,171</u>	<u>\$ 18,983,201</u>

See independent auditor's report.

**DULUTH-SUPERIOR AREA EDUCATIONAL TELEVISION CORPORATION
AND AFFILIATE**

**SCHEDULE OF REVENUES AND EXPENSES BY GRANTEE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

<u>OPERATING</u>	<u>WDSE-TV</u>	<u>WDSE-FM</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT:			
Contributions and grants	\$ 2,946,000	\$ 590,084	\$ 3,536,084
Legacies and bequests	50	-	50
Underwriting	326,658	34,581	361,239
Production and other income	47,989	-	47,989
Rental income	40,310	-	40,310
Investment income, net	80,656	348,000	428,656
Contributions of nonfinancial assets	40,912	68,409	109,321
Total revenues and other support	<u>3,482,575</u>	<u>1,041,074</u>	<u>4,523,649</u>
EXPENSES:			
Program services -			
Programming and production	1,847,726	233,788	2,081,514
Broadcasting	950,110	81,128	1,031,238
Program information	580,780	18,085	598,865
Total program services	<u>3,378,616</u>	<u>333,001</u>	<u>3,711,617</u>
Supporting services -			
Management and general	656,865	155,529	812,394
Fundraising and membership	349,853	19,323	369,176
Total supporting services	<u>1,006,718</u>	<u>174,852</u>	<u>1,181,570</u>
Total expenses	<u>4,385,334</u>	<u>507,853</u>	<u>4,893,187</u>
Change in net assets from operating activities	<u>(902,759)</u>	<u>533,221</u>	<u>(369,538)</u>
<u>NONOPERATING</u>			
Contributions and grants	80,619	8,353	88,972
Gains on investments	<u>(3,107,301)</u>	<u>-</u>	<u>(3,107,301)</u>
Change in net assets from nonoperating activities	<u>(3,026,682)</u>	<u>8,353</u>	<u>(3,018,329)</u>
Change in net assets	(3,929,441)	541,574	(3,387,867)
NET ASSETS:			
Beginning of year	<u>21,921,355</u>	<u>-</u>	<u>21,921,355</u>
End of year	<u>\$ 17,991,914</u>	<u>\$ 541,574</u>	<u>\$ 18,533,488</u>

See independent auditor's report.

THE BECK FOUNDATION OF DSAET
SCHEDULES OF ASSETS, LIABILITIES AND NET ASSETS
SEPTEMBER 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Investments	\$ 15,251,929	\$ 18,802,311
Accrued investment income	<u>15,499</u>	<u>15,431</u>
Total assets	<u>\$ 15,267,428</u>	<u>\$ 18,817,742</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Due to WDSE-TV	<u>\$ 3,725</u>	<u>\$ 14,725</u>
Total liabilities	<u>3,725</u>	<u>14,725</u>
Net assets -		
Without Donor Restrictions:		
Designated for long-term investment	<u>15,263,703</u>	<u>18,803,017</u>
Total net assets	<u>15,263,703</u>	<u>18,803,017</u>
Total liabilities and net assets	<u>\$ 15,267,428</u>	<u>\$ 18,817,742</u>

See independent auditor's report.

THE BECK FOUNDATION OF DSAET
SCHEDULES OF REVENUES AND EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
REVENUE:		
Contributions and bequests	\$ 13,092	\$ 1,000
Interest	57,450	49,606
Dividends	421,284	394,680
Net gains (losses) on investments	(3,107,301)	3,326,537
Less: Investment fees	(49,839)	(49,264)
Total revenues	(2,665,314)	3,722,559
EXPENSES:		
Program services		
Grants to Duluth-Superior Area Educational Television Corporation	874,000	307,000
	874,000	307,000
Total expenses	874,000	307,000
Change in net assets	(3,539,314)	3,415,559
NET ASSETS, Beginning of year	18,803,017	15,387,458
NET ASSETS, End of year	\$ 15,263,703	\$ 18,803,017

See independent auditor's report.