



**MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL
AND AFFILIATE**

COMBINED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**JMM & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS**

**MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL
AND AFFILIATE**

COMBINED FINANCIAL STATEMENTS

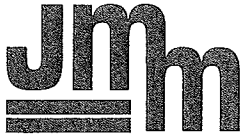
JUNE 30, 2019 AND 2018

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mountain Lake Telecommunications Council and Affiliate
One Sesame Street
Plattsburgh, New York

We have audited the accompanying combined financial statements of Mountain Lake Public Telecommunications Council (a New York Nonprofit Corporation) and Affiliate, which comprise the combined statements of financial position as of June 30, 2019 and 2018, the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of Canadian Friends of WCFE-TV 57, an affiliate, which statements reflect total assets constituting \$30,569 and \$31,702 as of June 30, 2019 and 2018, respectively, and revenues constituting \$286,094 and \$342,604, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Canadian Friends of WCFE-TV 57, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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, based on our audits and the reports of other auditors, the combined financial statements referred to above present fairly, in all material respects, the financial position of Mountain Lake Public Telecommunications Council and Affiliate as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jmm & Associates

October 23, 2019

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 93,766	\$ 82,354
Pledges receivable, net	15,637	8,314
Grants receivable	5,000	1,000
Other receivables	81,587	50,876
Prepaid expenses	44,263	55,750
Broadcast contract rights, net	<u>29,789</u>	<u>32,152</u>
TOTAL CURRENT ASSETS	<u>270,042</u>	<u>230,446</u>
PROPERTY AND EQUIPMENT, net	<u>1,854,808</u>	<u>1,927,425</u>
OTHER ASSETS		
Beneficial interest with Adirondack Foundation	78,767	75,956
Investment in Centralcast, LLC	<u>453,895</u>	<u>488,389</u>
TOTAL OTHER ASSETS	<u>532,662</u>	<u>564,345</u>
TOTAL ASSETS	<u>\$ 2,657,512</u>	<u>\$ 2,722,216</u>

See accompanying notes.

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 27,000	\$ 28,000
Line of credit	210,000	203,000
Accounts payable	257,349	284,772
Accrued payroll and related expenses	30,952	28,194
Accrued compensated absences	63,269	52,990
Deferred revenue	7,544	9,338
	596,114	606,294
 TOTAL CURRENT LIABILITIES	 596,114	 606,294
 LONG-TERM DEBT, net of current portion	 743,333	 767,780
	743,333	767,780
 TOTAL LIABILITIES	 1,339,447	 1,374,074
	1,339,447	1,374,074
 NET ASSETS		
Net assets without donor restrictions:		
Net investment in property and equipment	1,084,475	1,131,645
Other	(335,235)	(234,996)
Total net assets without donor restrictions	749,240	896,649
Net assets with donor restrictions:		
Restricted for future periods	548,412	441,680
Restricted in perpetuity	20,413	9,813
Total net assets with donor restrictions	568,825	451,493
 TOTAL NET ASSETS	 1,318,065	 1,348,142
	1,318,065	1,348,142
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,657,512	 \$ 2,722,216
	\$ 2,657,512	\$ 2,722,216

See accompanying notes.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Government grants - operating	\$ 1,400,821	\$ 1,419,555
Program grants	54,684	63,333
Miscellaneous grants	7,912	31,736
Local program underwriting	55,015	43,350
Local community support	520,965	636,255
Underwriting and other support	125,553	79,061
Rental income	130,669	137,095
In-kind revenue	89,105	82,756
Miscellaneous income	39,338	27,201
Production services	2,500	-
Loss on foreign exchange	(685)	(1,423)
	<u>2,425,877</u>	<u>2,518,919</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>2,425,877</u>	<u>2,518,919</u>
EXPENSES		
Program services:		
Programming	882,485	900,385
Production	341,599	344,571
Educational services	107,270	95,601
Broadcast engineering	324,678	313,765
Public information	122,008	127,620
Total program services	<u>1,778,040</u>	<u>1,781,942</u>
Support services:		
General and administrative	352,018	371,683
Development	445,709	491,541
Total support services	<u>797,727</u>	<u>863,224</u>
TOTAL EXPENSES	<u>2,575,767</u>	<u>2,645,166</u>
OPERATING LOSS	<u>(149,890)</u>	<u>(126,247)</u>
NON-OPERATING INCOME		
Unrealized gain on investments	2,481	4,222
TOTAL NON-OPERATING INCOME	<u>2,481</u>	<u>4,222</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS (forward)	<u>\$ (147,409)</u>	<u>\$ (122,025)</u>

See accompanying notes.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS (forwarded)	\$ (147,409)	\$ (122,025)
BEGINNING NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>896,649</u>	<u>1,018,674</u>
ENDING NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 749,240</u>	<u>\$ 896,649</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Contributions	\$ 10,600	\$ 600
Capital grant	140,685	-
Income (loss) on investment in Centralcast, LLC	(34,494)	7,953
Net gain on endowment fund	541	1,050
Net assets released from restrictions	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>117,332</u>	<u>9,603</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	117,332	9,603
BEGINNING NET ASSETS WITH DONOR RESTRICTIONS	<u>451,493</u>	<u>441,890</u>
ENDING NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 568,825</u>	<u>\$ 451,493</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ (30,077)</u>	<u>\$ (112,422)</u>

See accompanying notes.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	<u>Programming</u>	<u>Production</u>	<u>Educational Services</u>	<u>Broadcast Engineering</u>	<u>Public Information</u>
Salaries and wages	\$ 126,130	\$ 147,560	\$ 44,718	\$ 75,784	\$ 67,817
Payroll taxes and benefits	31,819	39,028	6,961	21,807	14,533
Subtotal - Personnel	157,949	186,588	51,679	97,591	82,350
Program acquisition	507,972	-	-	-	-
Depreciation and amortization	8,827	84,440	2,942	107,617	4,200
Contracted services	144,594	14,960	34,667	-	-
Donated in-kind	602	11,406	163	3,762	19,227
Interest expense	13,780	13,780	4,593	4,593	6,562
Insurance - general	-	-	-	-	-
Repairs and maintenance	-	-	-	43,269	-
Occupancy	11,663	11,872	3,864	4,794	5,548
Telephone	763	1,445	572	18,910	572
Premium expense	-	-	-	-	-
Postage and shipping	-	223	531	16	-
Dues and subscriptions	123	1,162	-	-	1,265
Legal and accounting	-	-	-	-	-
Equipment rental	-	7,777	-	16,718	-
Infrastructure fees	25,000	-	-	-	-
Travel and conferences	2,450	5,145	3,504	2,937	274
Electric and utilities	-	-	-	23,852	-
Bank fees	-	5	-	-	-
Bad debt expense	-	-	-	-	-
Miscellaneous	8,615	234	-	619	-
Supplies	147	2,550	4,645	-	99
Underwriting expense	-	-	-	-	-
Advertising	-	12	-	-	1,610
Printing	-	-	110	-	301
TOTAL EXPENSES	\$ 882,485	\$ 341,599	\$ 107,270	\$ 324,678	\$ 122,008

See accompanying notes.

	<u>Total Program Services</u>	<u>General & Administrative</u>	<u>Development</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries and wages	\$ 462,009	\$ 144,440	\$ 134,752	\$ 741,201	\$ 716,395
Payroll taxes and benefits	114,148	28,133	30,868	173,149	158,001
Subtotal - Personnel	576,157	172,573	165,620	914,350	874,396
Program acquisition	507,972	-	-	507,972	532,168
Depreciation and amortization	208,026	7,346	7,146	222,518	248,804
Contracted services	194,221	8,008	8,969	211,198	232,524
Donated in-kind	35,160	609	53,336	89,105	82,757
Interest expense	43,308	11,155	11,155	65,618	75,066
Insurance - general	-	61,202	-	61,202	63,905
Repairs and maintenance	43,269	9,006	7,637	59,912	50,294
Occupancy	37,741	9,519	9,714	56,974	60,862
Telephone	22,262	763	25,077	48,102	51,869
Premium expense	-	-	47,945	47,945	66,974
Postage and shipping	770	909	44,576	46,255	56,636
Dues and subscriptions	2,550	31,481	547	34,578	35,348
Legal and accounting	-	31,459	-	31,459	35,785
Equipment rental	24,495	577	1,277	26,349	21,542
Infrastructure fees	25,000	-	-	25,000	25,000
Travel and conferences	14,310	3,579	6,798	24,687	18,902
Electric and utilities	23,852	-	-	23,852	24,841
Bank fees	5	1,501	19,211	20,717	24,654
Bad debt expense	-	-	18,822	18,822	37,390
Miscellaneous	9,468	1,383	4,225	15,076	12,413
Supplies	7,441	948	3,979	12,368	8,964
Underwriting expense	-	-	8,977	8,977	130
Advertising	1,622	-	-	1,622	867
Printing	411	-	698	1,109	3,075
TOTAL EXPENSES	<u>\$ 1,778,040</u>	<u>\$ 352,018</u>	<u>\$ 445,709</u>	<u>\$ 2,575,767</u>	<u>\$ 2,645,166</u>

See accompanying notes.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Programming</u>	<u>Production</u>	<u>Educational Services</u>	<u>Broadcast Engineering</u>	<u>Public Information</u>
Salaries and wages	\$ 120,279	\$ 144,941	\$ 40,348	\$ 56,700	\$ 67,643
Payroll taxes and benefits	30,754	35,827	5,769	18,430	13,470
Subtotal - Personnel	151,033	180,768	46,117	75,130	81,113
Program acquisition	532,168	-	-	-	-
Depreciation and amortization	11,917	91,525	1,788	113,491	5,958
Contracted services	144,479	29,943	34,667	8,193	-
Donated in-kind	1,175	1,299	410	4,280	22,942
Interest expense	14,263	15,765	4,504	8,258	6,756
Premium expense	-	-	-	-	-
Insurance - general	-	-	-	-	-
Occupancy	11,469	12,690	3,618	7,110	5,432
Postage and shipping	-	182	-	605	-
Telephone	899	1,823	581	20,042	615
Repairs and maintenance	-	-	-	33,273	-
Bad debt expense	-	-	-	-	-
Legal and accounting	-	-	-	-	-
Dues and subscriptions	13	857	25	-	1,679
Infrastructure fees	25,000	-	-	-	-
Electric and utilities	-	-	-	24,841	-
Bank fees	-	-	-	-	-
Equipment rental	-	2,471	-	16,372	-
Travel and conferences	1,696	4,213	338	1,585	367
Miscellaneous	6,250	427	-	585	-
Supplies	23	2,608	3,373	-	-
Printing	-	-	160	-	1,911
Advertising	-	-	20	-	847
Underwriting expense	-	-	-	-	-
TOTAL EXPENSES	<u>\$ 900,385</u>	<u>\$ 344,571</u>	<u>\$ 95,601</u>	<u>\$ 313,765</u>	<u>\$ 127,620</u>

See accompanying notes.

	<u>Total Program Services</u>	<u>General & Administrative</u>	<u>Development</u>	<u>2018 Total</u>
Salaries and wages	\$ 429,911	\$ 144,735	\$ 141,749	\$ 716,395
Payroll taxes and benefits	104,250	28,100	25,651	158,001
Subtotal - Personnel	534,161	172,835	167,400	874,396
Program acquisition	532,168	-	-	532,168
Depreciation and amortization	224,679	12,208	11,917	248,804
Contracted services	217,282	9,602	5,640	232,524
Donated in-kind	30,106	2,205	50,446	82,757
Interest expense	49,546	12,008	13,512	75,066
Premium expense	-	-	66,974	66,974
Insurance - general	-	63,905	-	63,905
Occupancy	40,319	9,661	10,882	60,862
Postage and shipping	787	752	55,097	56,636
Telephone	23,960	870	27,039	51,869
Repairs and maintenance	33,273	9,384	7,637	50,294
Bad debt expense	-	-	37,390	37,390
Legal and accounting	-	35,785	-	35,785
Dues and subscriptions	2,574	31,961	813	35,348
Infrastructure fees	25,000	-	-	25,000
Electric and utilities	24,841	-	-	24,841
Bank fees	-	1,814	22,840	24,654
Equipment rental	18,843	1,372	1,327	21,542
Travel and conferences	8,199	4,716	5,987	18,902
Miscellaneous	7,262	1,708	3,443	12,413
Supplies	6,004	887	2,073	8,964
Printing	2,071	10	994	3,075
Advertising	867	-	-	867
Underwriting expense	-	-	130	130
TOTAL EXPENSES	<u>\$ 1,781,942</u>	<u>\$ 371,683</u>	<u>\$ 491,541</u>	<u>\$ 2,645,166</u>

See accompanying notes.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 1,512,638	\$ 1,557,012
Cash received from contributions	639,195	738,372
Other operating receipts	141,111	186,198
Cash paid for salaries and benefits	(901,313)	(868,512)
Cash paid to suppliers for goods and services	(1,297,749)	(1,460,671)
Cash paid for interest	(65,618)	(75,066)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>28,264</u>	<u>77,333</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(149,090)	(43,775)
Increase in long-term investment	(600)	(15,720)
NET CASH USED BY INVESTING ACTIVITIES	<u>(149,690)</u>	<u>(59,495)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Endowment gifts received	10,600	600
Capital grants	140,685	-
Net increase (decrease) in line of credit	7,000	(2,000)
Principal payments on long-term debt	(25,447)	(23,445)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>132,838</u>	<u>(24,845)</u>
INCREASE (DECREASE) IN CASH	11,412	(7,007)
BEGINNING CASH AND CASH EQUIVALENTS	<u>82,354</u>	<u>89,361</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 93,766</u>	<u>\$ 82,354</u>

See accompanying notes.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Summary of operations

Mountain Lake Public Telecommunications Council and Affiliate (the Council), formerly known as Northeast New York Public Telecommunications Council, Inc., is a nonprofit corporation organized under the Education Law of the State of New York for the purpose of providing educational services. The Council obtains its revenue principally from federal and state grants, public contributions and underwriting contracts with area businesses.

Principles of combination

The combined financial statements include the accounts of Mountain Lake Public Telecommunications Council and its affiliated friends organization, Canadian Friends of WCFE-TV 57. All significant intercompany accounts and transactions have been eliminated in consolidation.

Change in accounting principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Council adopted ASU 2016-14 as of July 1, 2018 and has adjusted the presentation in these financial statements accordingly.

Basis of presentation

With the adoption of ASU 2016-14, the Council reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and cash equivalents

For purposes of reporting the Statements of Cash Flows, the Council considers all highly-liquid investments purchased with a maturity of three months or less to be cash equivalents.

The Council maintains its cash and investments in banks and investment firms. Accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Amounts on deposit in excess of the FDIC limit were \$0 as of June 30, 2019 and 2018.

Recognition of donor restrictions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, 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.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Translation of Canadian currency amounts for the Canadian affiliate that operates in a local currency environment is performed as follows: assets and liabilities are translated to U.S. dollars at year-end exchange rates. Income and expense items are translated at average rates of exchange prevailing during the year. Translation gain or loss is included in the Statements of Activities.

Fair value measurements

Generally accepted accounting principles for fair value measurements emphasize a market-based approach to fair market value, and require disclosures about valuation techniques used in the preparation of financial statements. The framework establishes a hierarchy that prioritizes the inputs used in measuring fair value (with Level 1 given the highest priority and Level 3 the lowest):

- Level 1 inputs are quoted prices available in active markets.
- Level 2 inputs are other than quoted prices in active markets which are "observable" as of the reporting date (such as published life expectancy tables used for valuing an annuity).
- Level 3 measurements use "significant unobservable inputs" and include net present value calculations of estimated future cash flows.

The investment in Centralcast LLC, as shown in Note 7 is valued using member's equity share which approximates fair value in accordance with the definition of Level 3 inputs as described above.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the Organization management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property and equipment

Property and equipment is stated at cost. Donations of property and equipment received without stipulations about how long the donated asset must be used are recorded as revenue without donor restrictions at their estimated fair value. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are initially recorded as donor restricted support and will be released from restrictions by reclassifying net assets with donor restrictions to net assets without donor restrictions when the asset is placed in service, unless the donor also placed a time restriction on the use of the long-lived asset, in which case the release occurs over the life of the time restriction.

The cost of maintenance and repairs is charged to expense as incurred; renewals and betterments costing greater than \$1,000 are capitalized. Donated furniture and equipment with a fair value greater than \$1,000 at the date of the gift is similarly capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the underlying asset.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Council is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Council's tax-exempt purpose is subject to taxation as unrelated business income, as defined by Section 509(a)(1) of the Code. The Council generates unrelated business tax from the net income of certain production services and tower rental activities. The Council has available a net operating loss carryforward of \$24,913 as of June 30, 2019 to offset future unrelated business taxable income.

The Council does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any tax liability for unrecognized tax benefits.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas. Indirect salaries have been allocated to the various program based on estimated time spent by each person. Other indirect costs are allocated based on percentages of persons working in each functional area.

Use of 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.

Accounts and pledges receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Council provides for losses on accounts receivable using the allowance method. The allowance method is based on experience, third-party contracts and other circumstances which may affect the ability of third parties to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with contractual terms. It is the Council's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Effective for 2017, the Council changed its policy for recognition of sustaining membership revenue. Previously, sustaining membership revenue was amortized over a 12-month period. Under the new policy, the Council recognizes sustaining membership revenue on a cash basis.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1) SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain amounts in the financial statements for 2018 have been restated to provide an improved comparison to 2019.

Advertising

The Council expenses advertising costs as they are incurred.

Donated services and materials

The Council receives noncash contributions in the form of volunteers performing duties to support activities. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services.

In-kind donations are recorded as revenue and expense in the accompanying Statements of Activities or as additions to assets in the Statements of Financial Position.

Broadcast contract rights

Broadcast contract rights relate to programs that will be aired principally in the next fiscal year. Broadcast contract rights purchased by the Council are amortized on a straight-line method over the periods of their expected usage. Unexpired broadcast contract rights were \$60,804 and \$45,844 at June 30, 2019 and 2018, respectively, with accumulated amortization of \$31,015 and \$13,692 for those respective years. Amortization is recorded in program acquisition expense.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

2) LIQUIDITY

The Council's financial assets at June 30, 2019 are as follows:

Cash and cash equivalents	\$ 93,766
Pledges receivable	15,637
Grants receivable	5,000
Other receivables	81,587
Beneficial interest with Adirondack Foundation	78,767
Investment in Centralcast, LLC	<u>453,895</u>
 Total financial assets	 <u>728,652</u>
 Less amounts not available to meet general expenditures:	
Beneficial interest with Adirondack Foundation	(78,767)
Investment in Centralcast, LLC	<u>(453,895)</u>
	<u>(532,662)</u>
 Financial assets available to meet general expenditures over the next 12 months	 <u>\$ 195,990</u>

In addition to these financial assets available for general expenditures, a significant portion of the Council's annual expenditures will be funded by regular Federal and State grant payments which are deposited in the Council's accounts at multiple points during the course of the year, along with member support, underwriting fees, and other revenues. In the event of an unanticipated liquidity need, the Council could draw upon an available \$230,000 line of credit. Although the Council does not intend to use such funds outside of their designation, a portion of its endowment and board-designated financial assets with the Adirondack Foundation could be made available if necessary.

3) PLEDGES RECEIVABLE

Unconditional promises to give are as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Pledges receivable within one year	\$ 19,395	\$ 14,334
Less allowance for uncollectible pledges	<u>(3,758)</u>	<u>(6,020)</u>
	<u>\$ 15,637</u>	<u>\$ 8,314</u>

Bad debt expenses related to pledges receivable were \$18,822 and \$37,390 for the years ended June 30, 2019 and 2018, respectively.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

4) OTHER RECEIVABLES

Other receivables consisted of amounts due for underwriting, rent and other items as of June 30:

	<u>2019</u>	<u>2018</u>
Other receivables	<u>\$ 81,587</u>	<u>\$ 50,876</u>

Due to the underlying amounts, no allowance for uncollectible accounts is considered necessary.

5) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 53,511	\$ 53,511
Land improvements	109,373	109,373
Studio building	1,472,345	1,472,345
Antenna, tower and power lines	1,808,362	1,808,362
Transmitter building	57,678	57,678
Transmitter and equipment	842,119	842,119
Studio and technical equipment	2,854,634	2,877,093
Vehicles	121,037	121,037
Information systems	51,417	51,948
Translator	105,106	102,573
Furniture and fixtures	249,106	252,865
Construction in progress	142,351	-
	<u>7,867,039</u>	<u>7,748,904</u>
Less accumulated depreciation	<u>(6,012,231)</u>	<u>(5,821,479)</u>
	<u>\$ 1,854,808</u>	<u>\$ 1,927,425</u>

6) BENEFICIAL INTEREST WITH ADIRONDACK FOUNDATION

The Council has placed its endowment and other Board-designated financial assets with the Adirondack Foundation (formerly Adirondack Community Trust) and has granted variance power to the Adirondack Foundation. The Board of Trustees of the Adirondack Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served. As the beneficiary, the Council will receive distributions of income from the funds, subject to the Adirondack Foundation's investment spending policy. The Adirondack Foundation holds endowment funds for the benefit of the Council with fair values totaling \$78,767 and \$75,956 at June 30, 2019 and 2018, respectively.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

7) LONG-TERM INVESTMENT IN CENTRALCAST, LLC

In 2012, the Council made capital contributions of \$65,102 to Centralcast, LLC, a New York limited liability company established to provide joint master control services to eight New York public television stations. Of the initial \$65,102 investment, \$20,257 was provided through a grant from the State of New York, and the remainder was paid from the Council's unrestricted resources. The Council's investment in Centralcast, LLC is recorded using the equity method and, as such, the Council records its share of the net income or loss of Centralcast, LLC according to its member's equity share (10.04% as of June 30, 2019 and 2018). For the years ended June 30, 2019 and 2018, the Council's shares of Centralcast, LLC's net income (loss) were \$(34,494) and \$7,953, respectively, which has been recorded as an increase (decrease) in net assets with donor restrictions.

8) DEFINED CONTRIBUTION RETIREMENT PLAN

Many of the Council's employees participate in a defined contribution retirement plan administered by the Teachers Insurance Annuity Association (TIAA) and College Retirement Equities Fund (CREF). Eligible employees may begin participation on a voluntary basis after completing two years of service, with executive staff eligible after one year and some staff eligible immediately. The Council contributes, on a matching basis, an amount equal to 7% of each participant's gross wages. The Council's contributions totaled \$37,166 and \$37,416 for the years ended June 30, 2019 and 2018, respectively.

9) DEFERRED REVENUE

Deferred revenue consists of unspent grant funds and prepaid rent amounts. Deferred revenues were \$7,544 and \$9,338 at June 30, 2019 and 2018, respectively.

10) LINE OF CREDIT

The Council has a line of credit agreement with Champlain National Bank. The amount available to the Council was \$230,000 as of June 30, 2019 and 2018. The line of credit bears interest at the Wall Street Journal Prime Rate plus 2% (7.5% and 7% as of June 30, 2019 and 2018, respectively). Under the terms of the agreement, the Council's assets are pledged as collateral and the line of credit is cross-collateralized with the Council's long-term debt. There was \$210,000 and \$203,000 outstanding on the current line of credit as of June 30, 2019 and 2018, respectively.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

11) LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Champlain National Bank:		
Mortgage note payable in monthly installments of \$6,041, including interest at 5.95%, collateralized by the Council's assets, balloon payment due August 2026	\$ 770,333	\$ 795,780
Less current portion	<u>(27,000)</u>	<u>(28,000)</u>
	<u>\$ 743,333</u>	<u>\$ 767,780</u>

Future maturities of long-term debt for the years ending June 30 are as follows:

2020	\$ 27,000
2021	29,000
2022	31,000
2023	33,000
2024	35,000
Thereafter	<u>615,333</u>
	<u>\$ 770,333</u>

Monthly installments on the Champlain National Bank mortgage are subject to change as of August 2021 due to variable interest rates based on the five-year Federal Home Loan Bank of New York Rate index. The loan carries a prepayment penalty of 3% to 5% of the outstanding balance within the first five years of the loan term.

12) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Restricted to time or purpose:		
Investment in Centralcast, LLC (grant-funded)	\$ 398,871	\$ 433,365
Restricted for capital purchases	140,685	-
Unappropriated earnings on endowment funds	<u>8,856</u>	<u>8,315</u>
Subtotal - restricted to time or purpose	548,412	441,680
Restricted in perpetuity:		
Donor restricted endowment	<u>20,413</u>	<u>9,813</u>
	<u>\$ 568,825</u>	<u>\$ 451,493</u>

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

13) LEASES

The Council leases tower space to third parties on an annual basis. The primary purpose of these towers is for the broadcasting of the television station operated by the Council. The Council also leases a portion of their studio building to third parties. A portion of the Council's third-party rental income is considered unrelated to the Council's primary exempt purpose and, as such, is subject to unrelated business tax on the net income. Total rental income for the years ended June 30, 2019 and 2018 was \$130,669 and \$137,095, respectively.

The Council has noncancelable operating leases for office equipment that expire at various dates through May 2021. Lease payments were \$14,823 for the years ended June 30, 2019 and 2018.

Future minimum lease commitments under operating leases as of June 30, 2019 are as follows for the years ending June 30:

2020	\$ 11,000
2021	<u>7,000</u>
	<u>\$ 18,000</u>

14) ENDOWMENT FUNDS

Interpretation of Relevant Law

The Council follows the New York Prudent Management of Institutional Funds Act (NYPMIFA) and its own governing documents. The Council's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds. The Board of Directors, on the advice of legal counsel, has determined that the majority of the Council's contributions are subject to the terms of its governing documents. Certain contributions received are subject to specific agreements with the Council. Under the terms of the Council's governing documents, the Board of Directors has the ability to distribute so much of the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as donor restricted are classified as net assets without donor restrictions for financial statement purposes.

Endowment Investment and Spending Policies

The Council has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long term. The Council's spending and investment policies work together to achieve this objective. The investment policy has provided variance power to Adirondack Community Trust to invest endowment assets in order to achieve this objective.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

14) ENDOWMENT FUNDS (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Council 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 Council targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending policy calculates the amount of money available annually for distribution from the Council's various endowment funds in support of programs. The current spending policy is to distribute an amount at least equal to 4% of a moving four-year average of the fair value of the endowment funds. Accordingly, over the long term, the Council expects its current spending policy to allow its endowment assets to grow. This is consistent with the Council's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Funds With Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Council complies with NYPMIFA and has interpreted NYPMIFA to permit spending from underwater endowment funds in accordance with prudent measures required under the law. There were no such deficiencies at June 30, 2019 or 2018.

Endowment net asset composition was as follows as of:

	<u>Net Assets with Donor Restrictions</u>			<u>Total</u>
	<u>Appropriated Earnings</u>	<u>Un-Appropriated Earnings</u>	<u>To Be Held in Perpetuity</u>	
<u>June 30, 2019</u>				
Board-designated endowment funds	\$ 59,498	\$ -	\$ -	\$ 59,498
Donor-restricted endowment funds	-	8,856	20,413	29,269
	<u>\$ 59,498</u>	<u>\$ 8,856</u>	<u>\$ 20,413</u>	<u>\$ 88,767</u>
<u>June 30, 2018</u>				
Board-designated endowment funds	\$ 57,828	\$ -	\$ -	\$ 57,828
Donor-restricted endowment funds	-	8,315	9,813	18,128
	<u>\$ 57,828</u>	<u>\$ 8,315</u>	<u>\$ 9,813</u>	<u>\$ 75,956</u>

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

14) ENDOWMENT FUNDS (continued)

Changes in endowment net assets were as follows for the years ended June 30, 2018 and 2019:

	<u>Net Assets with Donor Restrictions</u>			<u>Total</u>
	<u>Appropriated Earnings</u>	<u>Un- Appropriated Earnings</u>	<u>To Be Held in Perpetuity</u>	
Endowment net assets, July 1, 2017	\$ 39,357	\$ 7,265	\$ 9,213	\$ 55,835
Additional designations/ gifts	15,120	-	600	15,720
Investment return	3,351	1,050	-	4,401
Endowment net assets, June 30, 2018	<u>\$ 57,828</u>	<u>\$ 8,315</u>	<u>\$ 9,813</u>	<u>\$ 75,956</u>
Endowment net assets, July 1, 2018	\$ 57,828	\$ 8,315	\$ 9,813	\$ 75,956
Additional designations/ gifts	-	-	10,600	10,600
Investment return	1,670	541	-	2,211
Endowment net assets, June 30, 2019	<u>\$ 59,498</u>	<u>\$ 8,856</u>	<u>\$ 20,413</u>	<u>\$ 88,767</u>

15) COMMITMENTS AND CONTINGENCIES

As part of the Council's investment in Centralcast, LLC (the Company), the Council is required to make ongoing infrastructure payments in accordance with the Company's annual budget. The Council was liable for infrastructure payments of \$25,000 for the years ended June 30, 2019 and 2018.

Grants and contracts require the fulfillment of certain conditions as set forth in the instrument of the grant or contract. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, management deems the contingency remote since by accepting the awards and their terms, it has accommodated the objectives of the Organization to the provisions of the grant.

16) RELATED PARTY TRANSACTIONS

The Council has a member equity share in Centralcast, LLC of 10.04%. The Council paid Centralcast, LLC infrastructure fees of \$25,000 for the years ended June 30, 2019 and 2018.

The combined financial statements include the activity and balances of the Council's affiliated friends organization, Canadian Friends of WCFE-TV 57.

MOUNTAIN LAKE PUBLIC TELECOMMUNICATIONS COUNCIL AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

17) FINANCIAL STABILITY

The Council has experienced significant operating losses in recent years, which has significantly reduced the Organization's liquidity. In order to reduce the impact, the Council refinanced its outstanding debt agreements and increased its working line of credit. The Council has also increased its mortgage loan by \$700,000 in recent years. Management continues to review its operations for opportunities to reduce the operating losses in future years.

Mountain Lake Public Telecommunications Council's Affiliate, Canadian Friends of WCFE-TV 57 (Affiliate), was recently audited by the Canada Revenue Agency (CRA). The audit examined the Affiliate's operations during the 2011 fiscal year. In the opinion of the CRA, the audit raised concerns about the purposes and activities of the Affiliate which, if proven, would not satisfy the registration requirements under the Income Tax Act and lead to the issuance of a Notice of Annulment of Registration. The Affiliate, with the assistance of its legal counsel, has responded to the issues raised by the CRA and is of the opinion that their conclusions are unfounded. On August 20, 2015, the CRA reached a conclusion and issued a "Notice of Annulment of Registration", thereby annulling the Affiliate's charitable status. Accordingly, as of August 20, 2015, the Affiliate did not qualify as a charity under the Income Tax Act and is not permitted to issue donation receipts. During 2017, subsequent to the Canadian Friend's contestation, the CRA reversed its prior decision and reinstated the Organization's charitable status retroactive to August 20, 2015. In August of 2017, Canadian Friends was notified that the CRA was attempting to revoke its exempt status. Canadian Friends filed a response in September of 2017.

On November 8, 2017, the CRA issued a "Notice of Intention to Revoke" the charitable registration of the Canadian Friends. In response, the Canadian Friends has filed a "Notice of Objection" and is disputing the conclusion arrived at by the CRA. Canadian Friends will maintain its charitable registration pending a decision on the contestation.

18) SUBSEQUENT EVENTS

The Council has evaluated events and transactions for potential recognition or disclosure through October 23, 2019, the date the financial statements were available to be issued.