

**MINNEAPOLIS TELECOMMUNICATIONS  
NETWORK, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2015**

# MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

## FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Minneapolis Telecommunications Network, Inc.  
Minneapolis, Minnesota

We have audited the accompanying financial statements of Minneapolis Telecommunications Network, Inc. (MTN), a nonprofit corporation, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minneapolis Telecommunications Network, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Minneapolis Telecommunications Network, Inc.'s 2014 financial statements, and our report dated July 16, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Maaney Ulbrich  
Christiansen Russ P.A.*

Saint Paul, Minnesota  
March 28, 2016

# MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

## STATEMENT OF FINANCIAL POSITION

December 31, 2015  
(With Comparative Totals for 2014)

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 95,250	\$ 186,767
Cash - fiscal agent	11,279	9,379
Receivables	4,670	9,635
Prepaid expenses	57,546	49,917
Total current assets	168,745	255,698
Security deposit	10,000	10,000
Investments	20,625	20,500
Leasehold improvements and equipment, net	217,634	225,824
Total assets	\$ 417,004	\$ 512,022
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 1,308	\$ 938
Accrued payroll and related	20,800	31,531
Fiscal agent payable	11,279	9,379
Current portion of long-term debt	23,093	22,163
Total current liabilities	56,480	64,011
Long-term debt, less current portion	72,937	96,031
Total liabilities	129,417	160,042
Net assets:		
Unrestricted net assets	280,179	351,980
Temporarily restricted net assets	7,408	-
Total net assets	287,587	351,980
Total liabilities and net assets	\$ 417,004	\$ 512,022

See Accompanying Notes to Financial Statements.

## MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
Revenue and support:				
City of Minneapolis operating funds	\$ 472,496	\$ -	\$ 472,496	\$ 472,496
Production fees	38,899	-	38,899	46,226
Training and youth	3,163	-	3,163	3,855
Contributions	19,324	20,000	39,324	15,115
In-kind contributions	3,270	-	3,270	-
Memberships	10,826	-	10,826	12,240
Investment income	227	-	227	1,499
Other earned revenue	2,941	-	2,941	2,909
Net assets released from restrictions	12,592	(12,592)	-	-
<b>Total revenue and support</b>	<b>563,738</b>	<b>7,408</b>	<b>571,146</b>	<b>554,340</b>
Expenses:				
Program	445,456	-	445,456	473,626
Management and general	144,965	-	144,965	121,924
Fundraising	45,118	-	45,118	21,468
<b>Total expenses</b>	<b>635,539</b>	<b>-</b>	<b>635,539</b>	<b>617,018</b>
Change in net assets before contributions for leasehold improvements and equipment	(71,801)	7,408	(64,393)	(62,678)
City of Minneapolis contributions for leasehold improvements and equipment	-	-	-	75,000
<b>Change in net assets</b>	<b>(71,801)</b>	<b>7,408</b>	<b>(64,393)</b>	<b>12,322</b>
Net assets:				
Beginning of year	351,980	-	351,980	339,658
<b>End of year</b>	<b>\$ 280,179</b>	<b>\$ 7,408</b>	<b>\$ 287,587</b>	<b>\$ 351,980</b>

See Accompanying Notes to Financial Statements.

## MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

	2015			Total	2014
	Program	Management and general	Fundraising		
Salaries	\$ 193,423	\$ 90,269	\$ 34,463	\$ 318,155	\$ 314,093
Payroll taxes	16,423	7,664	2,926	27,013	37,015
Employee benefits	13,966	6,517	2,488	22,971	25,858
Total salaries and related expenses	223,812	104,450	39,877	368,139	376,966
Occupancy	101,591	5,346	-	106,937	137,043
Professional fees	1,537	11,000	274	12,811	11,788
Contracted services	26,173	-	-	26,173	31,559
Youth program	10,890	-	-	10,890	6,088
Insurance	17,473	920	-	18,393	17,982
Meetings, subscriptions and memberships	2,803	494	-	3,297	2,477
Production and other supplies	9,410	797	3,324	13,531	1,760
Travel and transportation	2,150	-	-	2,150	677
Depreciation	37,525	1,975	-	39,500	11,959
Office equipment and maintenance	2,206	353	-	2,559	7,013
Internet	2,649	883	-	3,532	4,423
Postage	-	376	-	376	313
Telephone	1,362	636	243	2,241	2,243
Staff and board development	88	41	15	144	394
Advertising	-	734	-	734	665
Interest	4,317	227	-	4,544	419
Moving	-	16,373	-	16,373	1,100
Miscellaneous expenses	1,470	360	1,385	3,215	2,149
Total expenses	\$ 445,456	\$ 144,965	\$ 45,118	\$ 635,539	\$ 617,018

See Accompanying Notes to Financial Statements.

# MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

### Increase (Decrease) in Cash and Cash Equivalents

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (64,393)	\$ 12,322
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	39,500	11,959
Unrealized gains on investments	(125)	(362)
Contributions for leasehold improvements and equipment	-	(75,000)
Changes in operating assets and liabilities:		
Receivables	4,965	174
Prepaid expenses	(7,629)	(34,004)
Accounts payable	370	(4,562)
Accrued payroll and related	(10,731)	526
Net cash from operating activities	(38,043)	(88,947)
Cash flows from investing activities:		
Purchase of leasehold improvements and equipment	(31,310)	(229,559)
Sales of investments	-	24,127
Net cash from investing activities	(31,310)	(205,432)
Cash flows from financing activities:		
Proceeds from issuance of debt	-	120,000
Principal payments on debt	(22,164)	(1,806)
Contributions for leasehold improvements and equipment	-	75,000
Net cash from financing activities	(22,164)	193,194
Net decrease in cash and equivalents	(91,517)	(101,185)
Cash and equivalents, beginning of year	186,767	287,952
Cash and equivalents, end of year	\$ 95,250	\$ 186,767

See Accompanying Notes to Financial Statements.

# MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

### 1. ORGANIZATION

The Minneapolis Telecommunications Network, Inc. (MTN) is a nonprofit corporation founded on December 13, 1983. MTN's mission centers on empowering communities within the City of Minneapolis to bring their own unique voices to cable television. MTN supports public access to media in three ways:

- Provides training in the use of video, television and internet technologies
- Provides direct community access to cable television channels
- Provides unique education and mentoring programs for young people in grades six through twelve

The board of MTN is appointed by the City of Minneapolis. In accordance with the agreement with the City of Minneapolis, MTN receives its primary operating funds directly from the City. These funds have been made available to the City through the City's cable franchise ordinance with the local cable provider. MTN also receives revenue and support from contributions, memberships, and training and production fees.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Statement Presentation** - MTN is required to report information regarding its financial position and activities in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions with restrictions from donors that do not expire and that allow, in certain cases, only the income earned thereon to be expended. At this time, MTN has no permanently restricted net assets.

**Cash and Cash Equivalents** - MTN considers cash and all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

(Continued)

# MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

### 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments** - Investments consist of negotiable certificates of deposit. Investments are reported at fair value. Investment income is recorded net of changes in fair value. Realized and unrealized gains and losses on investments are reported as changes in unrestricted net assets.

**Fair Value Measurements** - The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that MTN has the ability to access.
- Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; and inputs other than quoted prices that are observable for the asset.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value measurements are used for investments.

**Receivables** - Receivables are stated at the amount management expects to collect. Management reviews receivable balances at year end and establishes an allowance based on expected collections. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is worthless. Management has evaluated the receivables at December 31, 2015, and believes that no allowance is necessary.

**Leasehold Improvements and Equipment** - MTN follows the practice of capitalizing all expenditures over \$1,000 for leasehold improvements and equipment. The current fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the shorter of the estimated useful life of each asset or the lease term. Routine repairs and maintenance are expensed as incurred. Absent explicit donor restrictions regarding how long donated assets must be used, MTN reports expiration of donor restrictions when the donated or acquired assets are placed in service.

**Fiscal Agency** - MTN acts as an agent for donors and grantors. It accepts assets from donors and agrees to use those amounts to benefit a specified beneficiary. These transactions are not included in the statement of activities and changes in net assets since MTN has no discretion in determining how the funds are used. Such agency amounts collected are recorded as liabilities until released to the beneficiary.

(Continued)

# MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Program Revenues** - Revenue from production, training and other earned revenue sources is recognized when billed, which approximates when services are provided. Amounts collected in advance of performing the services are recorded as deferred revenue.

**Contributions** - Contributions are recognized when the donor makes an unconditional commitment to give to MTN. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Conditional contributions are recognized when the conditions on which they depend are substantially met. Contributions received with restrictions that are met in the same fiscal year they are received are included in unrestricted revenue and support.

**Contributed Materials** - Contributed materials are recorded at fair value.

**Contributed Services** - Contributed services are recorded if the service creates or enhances a nonfinancial asset or if the service requires specialized skills, is provided by an individual possessing those skills, and would typically need to be purchased.

**Memberships** - Membership fees are recorded in the year received, since members receive no significant benefits.

**Functional Expenses** - Expenses have been allocated between program and supporting services classifications based upon direct expenditures and estimates made by management. Expenses which are common to program and to supporting services are allocated based on employee time allocations determined by management and by the square footage used for each function.

**Income Taxes** - MTN is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income that is not related to its tax exempt purpose. Minneapolis Telecommunications Network, Inc. did not have any unrelated business income in 2015 or 2014. Management believes that MTN has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

**Reclassifications** - Reclassifications were made to the 2014 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

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# MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

### 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Comparative Total Column** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Minneapolis Telecommunications Network, Inc.'s financial statements for the year ended December 31, 2014, from which the summarized information was derived.

### 3. **FAIR VALUE MEASUREMENTS - INVESTMENTS**

The following is a description of the valuation methodology used for investments measured at fair value.

#### *Certificates of deposit (Level 2)*

Certificates of deposit are priced using a market value pricing model which is primarily based on current interest rates, the terms of the certificates of deposit, and other special features. The pricing is determined by the investment broker that holds the certificates on behalf of MTN.

One certificate of deposit is held at December 31, 2015, having a face value of \$20,000; maturing May 2016; and bearing a 0% interest rate. The return for the certificate is linked to foreign currencies and there is no assurance of any return.

The level of input used to measure fair value does not reflect market risk. There have been no changes in valuation techniques and related inputs.

### 4. **UNEMPLOYMENT FUND DEPOSIT**

Minneapolis Telecommunications Network, Inc. has elected to opt out of participation in the Minnesota Unemployment Insurance Program. MTN is self-insured for unemployment claims through Unemployment Services Trust (UST). Contributions to UST are accumulated and used to pay future claims. MTN could be required to make additional payments to UST if claims exceed the accumulated contributions. The unemployment fund deposit at December 31, 2015 and 2014, was \$42,787 and \$29,686, respectively, and is included in prepaid expenses.

(Continued)

# MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

### 5. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consists of the following at December 31:

	2015	2014	Estimated useful life - years
Equipment and vehicles	\$ 1,169,251	\$ 1,163,131	3 - 5
Leasehold improvements	220,190	195,000	5
Total leasehold improvements and equipment	1,389,441	1,358,131	
Accumulated depreciation	(1,171,807)	(1,132,307)	
	\$ 217,634	\$ 225,824	

Leasehold improvements relate to the new operating lease (See Note 9) which commenced in 2015. Depreciation began at that time.

### 6. LONG-TERM DEBT

MTN has a \$60,000 loan through the City of Minneapolis. Monthly payments of \$1,052, including interest at 2%, are due until maturity on November 30, 2019. Unsecured. As of December 31, 2015, the balance of this loan is \$47,487.

MTN has an additional \$60,000 loan through the Minnesota Nonprofits Assistance Fund. Monthly payments of \$1,174, including interest at 6.5%, are due until maturity on November 30, 2019. Secured by all business assets. As of December 31, 2015, the balance of this loan is \$48,543.

Maturities of the notes are as follows:

2016	\$ 23,093
2017	24,074
2018	25,109
2019	23,754
	\$ 96,030

(Continued)

# MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

### 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are for the following purposes:

	<u>2015</u>	<u>2014</u>
Youth programming	<u>\$ 7,408</u>	<u>\$ -</u>

### 8. RETIREMENT PLAN

MTN maintains a qualified defined contribution pension plan covering substantially all employees after attainment of specified periods of service and minimum age requirements. Employees are permitted to make contributions to the plan. MTN contributes a match of up to 3% of gross wages for all employees who work at least half-time and have been employed by MTN for at least one year. Total employer matching contributions were \$6,318 and \$5,102 for 2015 and 2014, respectively.

### 9. OPERATING LEASES

MTN leased office and studio space under an operating lease that expired April 30, 2015. The lease required monthly payments of \$8,200, increasing 3% each year. MTN also paid an additional amount for a percentage of property taxes and electricity as part of this agreement.

On October 31, 2014, MTN entered into an operating lease for new office and studio space effective February 1, 2015, which expires January 31, 2020. The new lease requires (after three months of free rent) monthly payments of \$2,234, increasing 3% each year, plus \$100 for parking. MTN also pays an additional amount for building operating expenses.

In conjunction with the new lease, MTN was charged a brokerage fee of \$29,555 which is amortized at 9% interest over the term of the lease. Monthly payments of \$609 are required and are included with the rent payments.

In conjunction with the new lease, the landlord paid \$29,213 for tenant improvements. In 2015, MTN reimbursed \$15,000 which was capitalized as leasehold improvements, while the remaining \$14,213 is being amortized at 9% interest over the term of the lease. Monthly payments of \$312 are required and are included with the rent payments.

Rent expense for 2015 and 2014 was \$77,512 and \$101,352.

(Continued)

# MINNEAPOLIS TELECOMMUNICATIONS NETWORK, INC.

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

### 9. OPERATING LEASES (Continued)

The future minimum rental commitment is as follows:

2016	\$ 41,516
2017	42,652
2018	43,718
2019	44,861
2020	<u>3,746</u>
Total	<u>\$ 176,493</u>

### 10. CONCENTRATIONS

MTN places its temporary cash investments with one financial institution. At times such investments may be in excess of FDIC insurance limits. Management believes MTN is not exposed to any significant credit risk related to cash.

MTN received approximately 86% and 88% of its 2015 and 2014 revenue and support from the City of Minneapolis.

### 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2016, the date on which the financial statements were available for issue, and identified no significant events or transactions to disclose.