

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**
Saint Paul, Minnesota

CONSOLIDATED FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Years Ended August 31, 2016 and 2015

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Cash Flows	6
Consolidated Statements of Functional Expenses	7 - 8
Notes to Consolidated Financial Statements	9 - 32
Consolidating Information	
Consolidating Statement of Financial Position	33
Consolidating Statement of Activities	34

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Twin Cities Public Television, Inc. and Subsidiary
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Twin Cities Public Television, Inc. and Subsidiary (collectively referred to as TPT), which comprise the consolidated statements of financial position as of August 31, 2016 and 2015, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Twin Cities Public Television, Inc. and Subsidiary as of August 31, 2016 and 2015, 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.

Other Matters

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 33 and 34 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
November 28, 2016

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of August 31, 2016 and 2015

ASSETS		
	2016	2015
Cash and cash equivalents	\$ 4,468,991	\$ 2,978,907
Accounts receivable	627,684	4,970,797
Prepaid expenses and other assets	582,205	571,749
Pledges receivable, net	362,447	819,323
Grants receivable	20,600,410	11,362,153
Leveraged loan receivable	6,392,800	6,392,800
Investments	17,541,557	17,164,838
Property and equipment, net	24,407,035	23,577,492
Debt issue costs	446,357	584,742
	<u>\$ 75,429,486</u>	<u>\$ 68,422,801</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 417,411	\$ 1,932,236
Other accrued expenses	2,741,868	2,024,767
Deferred revenue	368,543	528,075
Deferred compensation	1,058,262	1,016,377
Accrued pension liability	4,360,929	3,097,409
Leveraged loan payable - A	6,392,800	6,392,800
Leveraged loan payable - B	2,632,200	2,632,200
Total Liabilities	<u>17,972,013</u>	<u>17,623,864</u>
NET ASSETS		
Unrestricted		
Operating fund	1,191,176	931,819
Property fund	23,737,763	20,312,047
Board designated fund	11,481,388	12,997,685
Total unrestricted	<u>36,410,327</u>	<u>34,241,551</u>
Temporarily restricted	20,196,658	15,706,898
Permanently restricted	850,488	850,488
Total Net Assets	<u>57,457,473</u>	<u>50,798,937</u>
	<u>\$ 75,429,486</u>	<u>\$ 68,422,801</u>

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2016
with Comparative Totals for 2015

	Unrestricted			Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
	Operating	Property	Board Designated				
REVENUES, GAINS AND OTHER SUPPORT							
Individual contributions and memberships	\$ 12,390,917		\$ 10,803	\$ 12,401,720	\$ 134,571	\$ 12,536,291	\$ 11,318,172
Planned giving, principally bequests	145,000		425,009	570,009		570,009	360,369
Foundations	1,196,595			1,196,595	1,455,799	2,652,394	3,873,537
Corporations	10,298			10,298	30,157	40,455	93,859
Sponsorship	1,452,567			1,452,567		1,452,567	1,652,145
Corporation for Public Broadcasting grants and PBS grants	3,296,008			3,296,008	489,735	3,785,743	4,186,864
State of Minnesota grants	258,333			258,333	440,125	698,458	13,317,205
Federal government grants					14,245,511	14,245,511	4,540,607
Donated goods, facilities and professional services	35,429			35,429		35,429	165,328
Other contributions	219,138			219,138		219,138	366,554
Earned income	3,298,777			3,298,777		3,298,777	4,160,222
Net investment income	8,160	\$ 63,927	446,091	518,178	26,243	544,421	58,309
Other income	439,244	307		439,551		439,551	173,280
Actuarial adjustment related to split interest agreements			(56,756)	(56,756)		(56,756)	(70,372)
Total revenues, gains and other support before endowment draw transfer and net assets released from restrictions	22,750,466	64,234	825,147	23,639,847	16,822,141	40,461,988	44,196,079
Endowment draw transfer	684,000		(684,000)				
Net assets released from restrictions	7,789,875	4,458,163	84,343	12,332,381	(12,332,381)		
Total Revenues, Gains and Other Support	31,224,341	4,522,397	225,490	35,972,228	4,489,760	40,461,988	44,196,079
EXPENSES AND TRANSFERS OF NET ASSETS							
Program and supporting services							
Programming and production	18,420,279	1,659,207	269,268	20,348,754		20,348,754	19,087,595
Broadcasting	2,426,636	224,910	52,663	2,704,209		2,704,209	2,667,208
Program information	744,588	5,907	9,159	759,654		759,654	1,051,502
Fund raising	5,470,774	45,783	70,981	5,587,538		5,587,538	5,324,879
General and management	3,451,481	90,367	55,868	3,597,716		3,597,716	4,275,313
Total program and supporting services	30,513,758	2,026,174	457,939	32,997,871		32,997,871	32,406,497
Change in net assets before transfers of net assets and change in pension liability	710,583	2,496,223	(232,449)	2,974,357	4,489,760	7,464,117	11,789,582
Transfer and reclassification of net assets	(451,226)	929,493	(478,267)				
Transfer of net asset from merger							426,666
Change in pension liability			(805,581)	(805,581)		(805,581)	(341,705)
Change in Net Assets	259,357	3,425,716	(1,516,297)	2,168,776	4,489,760	6,658,536	11,874,543
NET ASSETS - Beginning of Year	931,819	20,312,047	12,997,685	34,241,551	15,706,898	50,798,937	38,924,394
NET ASSETS - END OF YEAR	\$ 1,191,176	\$ 23,737,763	\$ 11,481,388	\$ 36,410,327	\$ 20,196,658	\$ 57,457,473	\$ 50,798,937

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2015

	Unrestricted				Temporarily Restricted	Permanently Restricted	Total
	Operating	Property	Board Designated	Total			
REVENUES, GAINS AND OTHER SUPPORT							
Individual contributions and memberships	\$ 10,910,243		\$ 514,256	\$ 11,424,499	\$ (106,327)		\$ 11,318,172
Planned giving, principally bequests	145,001		215,368	360,369			360,369
Foundations	1,421,246		228,200	1,649,446	2,224,091		3,873,537
Corporations	8,016		12,000	20,016	73,843		93,859
Sponsorship	1,652,145			1,652,145			1,652,145
Corporation for Public Broadcasting grants and PBS grants	3,726,312			3,726,312	460,552		4,186,864
State of Minnesota grants					13,317,205		13,317,205
Federal government grants					4,540,607		4,540,607
Donated goods, facilities and professional services	165,328			165,328			165,328
Other contributions	200,054		20,000	220,054	146,500		366,554
Earned income	4,160,222			4,160,222			4,160,222
Net investment income	39,451		16,893	56,344	1,965		58,309
Other income	208,013	\$ (34,733)		173,280			173,280
Actuarial adjustment related to split interest agreements			(70,372)	(70,372)			(70,372)
Total revenues, gains and other support before endowment draw transfer and net assets released from restrictions	22,636,031	(34,733)	936,345	23,537,643	20,658,436		44,196,079
Endowment draw transfer	615,000		(615,000)				
Net assets released from restrictions	7,444,696	4,903,070	3,425,765	15,773,531	(15,773,531)		
Total Revenues, Gains and Other Support	30,695,727	4,868,337	3,747,110	39,311,174	4,884,905		44,196,079
EXPENSES AND TRANSFERS OF NET ASSETS							
Program and supporting services							
Programming and production	17,973,325	955,022	159,248	19,087,595			19,087,595
Broadcasting	2,442,429	192,638	32,141	2,667,208			2,667,208
Program information	998,371	45,533	7,598	1,051,502			1,051,502
Fund raising	4,985,635	290,709	48,535	5,324,879			5,324,879
General and management	3,962,665	267,942	44,706	4,275,313			4,275,313
Total program and supporting services	30,362,425	1,751,844	292,228	32,406,497			32,406,497
Change in net assets before transfers of net assets and change in pension liability	333,302	3,116,493	3,454,882	6,904,677	4,884,905		11,789,582
Transfer and reclassification of net assets	(240,122)	6,737,232	(6,497,110)				
Transfer of net asset from merger			358,364	358,364	68,302		426,666
Change in pension liability			(341,705)	(341,705)			(341,705)
Change in Net Assets	93,180	9,853,725	(3,025,569)	6,921,336	4,953,207		11,874,543
NET ASSETS - Beginning of Year	838,639	10,458,322	16,023,254	27,320,215	10,753,691	\$ 850,488	38,924,394
NET ASSETS - END OF YEAR	\$ 931,819	\$ 20,312,047	\$ 12,997,685	\$ 34,241,551	\$ 15,706,898	\$ 850,488	\$ 50,798,937

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,658,536	\$ 11,874,543
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,471,928	1,075,293
Amortization of debt issuance costs	158,385	
Net (gains) losses on investments	(206,970)	195,361
Net loss on disposal of property and equipment	1,393	39,039
Transfer of net assets from merger		(426,666)
Change in operating assets and liabilities		
Accounts receivable	123,654	(77,345)
Prepaid expenses and other assets	(10,456)	(7,570)
Pledges receivable	(62,574)	536,263
Grants receivable	(9,238,257)	(4,924,297)
Accounts payable	(65,007)	(192,209)
Other accrued expenses	717,101	142,691
Deferred revenue	(159,532)	227,917
Deferred compensation	41,885	17,303
Accrued pension liability	1,263,520	633,903
Contributions restricted for long-term investment and plant	(570,310)	(9,980,549)
Net Cash Flows From Operating Activities	123,296	(866,323)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,752,682)	(14,078,880)
Leveraged loan receivable		(6,392,800)
Cash received from merger		481,593
Proceeds on disposal of property and equipment		170,537
Sales of certificates of deposit		3,002,765
Purchases of investments	(441,827)	(9,518,786)
Sale of investments	272,078	9,354,325
Net Cash Flows From Investing Activities	(3,922,431)	(16,981,246)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for debt issue costs	(20,000)	(470,070)
Proceeds from leveraged loan payable - A		6,392,800
Proceeds from leveraged loan payable - B		2,632,200
Contributions received restricted for long-term investment and plant	5,309,219	6,583,146
Net Cash Flows From Financing Activities	5,289,219	15,138,076
Net Change in Cash and Cash Equivalents	1,490,084	(2,709,493)
CASH AND CASH EQUIVALENTS - Beginning of Year	2,978,907	5,688,400
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,468,991	\$ 2,978,907
Supplemental cash flow information		
Property and equipment purchases included in accounts payable	\$ 12,148	\$ 1,461,966
Taxes paid	35,648	7,619

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2016
with Comparative Totals for 2015

	2016							
	Program Services				Supporting Services			
	Programming and Production	Broadcasting	Program Information	Total	Fund Raising	General and Management	2016 Total	2015 Total
Salaries, payroll taxes and employee benefits	\$ 9,952,747	\$ 1,954,457	\$ 466,900	\$ 12,374,104	\$ 2,606,811	\$ 2,641,338	\$ 17,622,253	\$ 16,982,157
Program acquisition	3,613,043			3,613,043			3,613,043	3,920,291
PBS and regional memberships	5,512	221	113	5,846	4,048	122,105	131,999	129,326
Legal services	86,761			86,761		58,268	145,029	69,747
Accounting services						83,485	83,485	59,723
Outside services	3,215,163	21,197	9,595	3,245,955	199,275	223,138	3,668,368	3,780,324
Professional fundraiser					1,172,892		1,172,892	1,115,777
Office supplies	20,928	2,688	803	24,419	8,556	11,503	44,478	32,835
Postage	16,774	2,728	65	19,567	161,875	3,825	185,267	373,527
Telephone and data services	61,594	47,446	130,473	239,513	20,797	37,666	297,976	127,476
Occupancy	570,304	230,218	12,498	813,020	100,186	78,190	991,396	1,437,973
Printing and publications	82,821	1,600	103,734	188,155	357,477	26,394	572,026	526,266
Recording media	32,683	156	15	32,854	874	92	33,820	37,376
Other program costs	391,381	636	2,732	394,749	6,571	2,202	403,522	490,303
Advertising	55,510		133	55,643	2,417	1,715	59,775	133,142
Premiums					589,815		589,815	524,474
Rental and maintenance of equipment	363,478	220,994	7,736	592,208	58,230	137,346	787,784	876,571
Travel	315,295	8,895	5,068	329,258	56,520	23,463	409,241	267,176
Conferences and meetings	29,598	3,577	2,753	35,928	11,421	15,053	62,402	62,659
Miscellaneous	181,714	1,664	12,381	195,759	193,693	103,535	492,987	384,081
Depreciation and amortization	1,353,448	207,732	4,655	1,565,835	36,080	28,398	1,630,313	1,075,293
Total Expenses	\$ 20,348,754	\$ 2,704,209	\$ 759,654	\$ 23,812,617	\$ 5,587,538	\$ 3,597,716	\$ 32,997,871	\$ 32,406,497

See accompanying notes to consolidated financial statements.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2015

	<u>Program Services</u>				<u>Supporting Services</u>		
	<u>Programming and Production</u>	<u>Broadcasting</u>	<u>Program Information</u>	<u>Total</u>	<u>Fund Raising</u>	<u>General and Management</u>	<u>Total</u>
Salaries, payroll taxes and employee benefits	\$ 9,019,920	\$ 1,819,628	\$ 411,947	\$ 11,251,495	\$ 2,385,015	\$ 3,345,647	\$ 16,982,157
Program acquisition	3,920,291			3,920,291			3,920,291
PBS and regional memberships	7,215	233	140	7,588	3,024	118,714	129,326
Legal services		3,550		3,550		66,197	69,747
Accounting services						59,723	59,723
Outside services	3,086,424	13,791	51,092	3,151,307	240,581	388,436	3,780,324
Professional fundraiser					1,115,777		1,115,777
Office supplies	14,149	1,962	599	16,710	5,729	10,396	32,835
Postage	17,485	2,208	157,878	177,571	191,651	4,305	373,527
Telephone and data services	41,162	66,927	827	108,916	8,689	9,871	127,476
Occupancy	918,552	316,290	13,459	1,248,301	102,141	87,531	1,437,973
Printing and publications	64,195	361	110,412	174,968	345,976	5,322	526,266
Recording media	34,311	3,017		37,328		48	37,376
Other program costs	481,281	999	174	482,454	5,119	2,730	490,303
Advertising	117,380		6,725	124,105	7,088	1,949	133,142
Premiums					524,474		524,474
Rental and maintenance of equipment	285,975	174,962	288,469	749,406	36,788	90,377	876,571
Travel	179,473	8,299	1,712	189,484	63,471	14,221	267,176
Conferences and meetings	28,625	2,990	2,443	34,058	12,954	15,647	62,659
Miscellaneous	83,285	8,392	2,134	93,811	254,114	36,156	384,081
Depreciation	787,872	243,599	3,491	1,034,962	22,288	18,043	1,075,293
Total Expenses	\$ 19,087,595	\$ 2,667,208	\$ 1,051,502	\$ 22,806,305	\$ 5,324,879	\$ 4,275,313	\$ 32,406,497

See accompanying notes to consolidated financial statements.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The mission of Twin Cities Public Television, Inc. and Subsidiary (collectively referred to as TPT) is to “enrich lives and strengthen our community through the power of media.” As one of the nation’s leading public media organizations, TPT uses television, interactive media, and community engagement to advance education, culture and citizenship. For over 50 years, TPT has been recognized for its innovation and creativity with numerous awards, including Peabody awards and national and regional Emmys. Based in St. Paul, Minnesota, TPT is one of the highest rated PBS affiliates in the nation, reaching over 1.3 million people each month through multiple broadcast and online channels. TPT’s particular areas of focus include: the educational readiness of children; serving the needs and unleashing the potential of America’s aging population; engaging a new generation in the power of public media; and being the preferred media partner for organizations that align with our mission to enrich lives and strengthen community.

Basis of Consolidation - The consolidated financial statements include the activities of Twin Cities Public Television, Inc. (TPT) and Twin Cities Public Media Commons (TCPMC). All intercompany transactions and accounts have been eliminated in the consolidated financial statements.

Net Asset Classifications - For the purposes of financial reporting, TPT classifies resources into three net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of TPT are classified in the accompanying consolidated financial statements in the categories that follow:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by TPT. Generally, the donors of these assets permit TPT to use the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of TPT and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations. The following describes TPT’s unrestricted net asset classifications:

Operating - Consists of contributions, grants and other revenues available for the unrestricted operations of TPT and to account for the expenses related to the general operations of TPT.

Property - Consists of buildings, building improvements and equipment owned by TPT. The fund also consists of assets available to acquire new property and equipment.

Board Designated - Consists of assets designated by TPT’s Board of Trustees to fund specific unrestricted operational activities of TPT and to assure the long-term financial health of the organization. The Board retains control over these resources and may, at its discretion, subsequently use them for other purposes. Each fiscal year, a recommendation for an annual draw to support operations is made to the Board by TPT’s management. The draw amount is based on a three year average and is not to exceed 5% of the Board Designated endowment fund balance; this amount is then transferred to the Operating Fund throughout the year. Other requests for use of these funds are permitted after a recommendation by management and subsequent approval by the Board. The draw rate for fiscal year 2016 and 2015 was 5% for each year.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from sources other than contributions and grants are generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Income earned on donor restricted funds is initially classified as temporarily restricted net assets and is reclassified as unrestricted net assets when expenses are incurred for their intended purpose.

Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Program production and other project grants are obtained from corporations, foundations, governmental agencies and others to finance specific programming produced by TPT. These grants are recognized as temporarily restricted revenue upon receipt of the grant. Expenses relating to the use of the grants are recorded as unrestricted operating expenses as incurred and related revenue is released from temporarily restricted net assets and transferred to unrestricted revenue as the related expenses are incurred.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment are reported as temporarily restricted revenues; the restrictions are considered to be released at the time such long-lived assets are placed in service.

In the absence of donor stipulations or law to the contrary, losses on the investments of a donor-restricted endowment fund reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining loss reduces unrestricted net assets. If losses reduce the assets of a donor-restricted endowment fund below the level required by the donor stipulations or law, gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets.

Gains and losses on investments of endowment funds created by a board designation of unrestricted funds are classified as changes in unrestricted net assets.

Cash and Cash Equivalents - TPT considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

Receivables - Receivables are stated at the amount management expects to collect from outstanding balances. Based on historical collections experience and management's evaluation of receivables at the end of each year, TPT has determined that no allowance for doubtful accounts is necessary. Bad debts are written-off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received. Receivables are generally unsecured. Receivables are considered delinquent if payment or payment arrangements are not made by the due date. Delinquent accounts are not charged a service fee.

Property and Equipment - Purchased property and equipment is recorded at cost. Donated property and equipment are recorded at fair value at the date of contribution. All property and equipment in excess of \$3,000 with estimated lives greater than one year are capitalized. Expenditures for repairs and maintenance which do not improve efficiency or extend economic life of the asset are expensed as incurred.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed on the straight-line method over the estimated useful lives as follows:

Building	15 to 50 years
Tower and transmitter equipment	10 to 20 years
Production equipment and fixtures	3 to 15 years
Office furniture and equipment	3 to 10 years

Impairment of Long-Lived Assets - TPT reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Leveraged Loan Receivable - Leveraged loan receivable relates to the New Markets Tax Credit Program (NMTCP) financing structure, is due from unrelated financial institutions, and has payment schedules timed to coincide with payments due under the TCPMC leveraged loans payable.

Debt Issue Costs - Debt issue costs relate to the building renovation project funded by the NMTCP. These costs are being amortized over the life of the debt on a straight-line basis starting in fiscal 2016, when the building renovation was complete.

Deferred Revenue - A liability is recorded when payment for goods and/or services is received before it has been earned.

Individual Contributions and Memberships - Membership contributions and other contributions received from individuals.

Planned Giving, Principally Bequests - Unrestricted contributions received through bequests and other planned giving instruments are placed in an unrestricted Board Designated Endowment fund to support future operations.

Foundations and Corporations - Contributions received from foundations and corporations.

Sponsorship - Contributions received for underwriting, either on air, online or print form, are recorded as sponsorship revenue in the period in which the underwriting spot occurs.

Corporation for Public Broadcasting Grants and PBS Grants - Community service grants, which may be used over two years, are received from The Corporation for Public Broadcasting ("CPB"). These grants are recognized as unrestricted revenues as they are received. Grants received from PBS are usually restricted for a specific purpose and recognized as temporarily restricted revenue until the restrictions of the grant are met.

Donated Goods, Facilities and Professional Services - Donated goods, facilities and professional services are recognized as unrestricted revenue when received and an equal amount of expense is recognized in various expense categories on the statement of activities. Donated goods, facilities and professional services are recognized at fair value at the date donated.

Advertising Expenses - TPT expenses advertising as incurred.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Income Taxes - The Internal Revenue Service has determined that TPT and TCPMC are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. TPT and TCPMC are also exempt from state income taxes. TPT does pay income taxes on business income which is generated by business activities not substantially related to the exempt purpose of TPT and regularly carried on by TPT.

TPT and TCPMC follow the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by TPT and TCPMC for uncertain tax positions as of August 31, 2016 and 2015. TPT's tax returns are subject to review and examination by federal and state authorities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Reclassifications - Certain amounts appearing in the 2015 financial statements have been reclassified to conform with the 2016 presentation. The reclassifications have no effect on the reported amounts of total net assets or change in total net assets.

New Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. The ASU is effective for fiscal years beginning after December 15, 2018. Early application is permitted for fiscal years beginning after December 15, 2016. TPT is assessing the impact this new standard will have on its financial statements.

In April 2015, FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. Under the new guidance, debt issuance costs related to a recognized debt liability are presented as a direct reduction to the carrying amount of that debt liability. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. ASU 2015-03 is to be applied retrospectively. TPT is assessing the impact this new standard will have on its financial statements.

In May 2015, FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Under the new guidance, investments measured at net asset value, as a practical expedient for fair value, are excluded from the fair value hierarchy disclosure requirements. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016 with early application permitted. The ASU is to be applied retrospectively. TPT is assessing the impact this new standard will have on its financial statements.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 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 is effective for fiscal years beginning after December 15, 2019. 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. TPT is assessing the impact this standard will have on its financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. TPT is assessing the impact this standard will have on its financial statements.

NOTE 2 - MERGER

On April 20, 2015, pursuant to Minn. Stat. Ch. 317A, TPT and ECHO Minnesota ("ECHO") executed their Articles of Merger and Agreement and Plan of Merger and subsequently filed the documents with the Office of the Minnesota Secretary of State, which issued the parties' Certificate of Merger on May 1, 2015. ECHO was formed to collaborate with diverse communities to deliver programs and services that help people be healthy, contribute and succeed. TPT's mission is to enrich lives and strengthen our community through the power of media. An alignment of TPT and ECHO will create a stronger and a more resourceful collaborator in assisting the private sector, institutional agencies, and government agencies in reaching Minnesota's cultural communities through the power of traditional broadcast and new media. Effective May 1, 2015, ECHO merged into TPT, with ECHO as the disappearing entity and TPT as the surviving entity of the merger.

With the merger, TPT acquired \$358,364 in ECHO unrestricted net assets and \$68,302 in ECHO temporarily restricted net assets.

NOTE 3 - TWIN CITIES PUBLIC MEDIA COMMONS AND LEVERAGED LOANS PAYABLE

Over the past few years, TPT has undergone a major transformation and redoubled its efforts to use the power of media to enrich lives and strengthen our community. At the core of our work is the intent to use the power of television, interactive media, and community convenings to advance education, culture, and citizenship in Minnesota. As part of a five-year capital campaign, the TPT Board of Trustees and the staff made a commitment to renew and renovate TPT's 25 year-old facility while also strengthening our connection to the communities we serve.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 3 - TWIN CITIES PUBLIC MEDIA COMMONS AND LEVERAGED LOANS PAYABLE (Continued)

The renovation moved our main entrance from the skyway to street level. It created a community gathering place where people of all ages can learn about media and technology. Lectures, workshops and community concerts will all be hosted in this new space. It will be a space for convening and coming together. The renovation also preserved the building's infrastructure by installing a new roof, updating the building's mechanical equipment, and investing in new technology. Construction of the renovated facility began in November 2014 and was completed in December 2015.

In fiscal 2015, a new 501(c)(3) corporation, Twin Cities Public Media Commons (TCPMC), was created to be operated exclusively for charitable and educational purposes, and exclusively for the benefit of, to support the functions of, and to assist in carrying out the purposes of TPT. TCPMC is a support organization of TPT and TPT appoints the board members of TCPMC. TCPMC handled the renovation which cost approximately \$18,600,000. Funding for the renovation was provided from the capital campaign, which raised funds specifically for a building renovation as well as to invest in major programming initiatives to better serve our Twin Cities community. Funding was also provided by proceeds from a New Markets Tax Credit Program, General Obligation Bonds from the State of Minnesota (GO Bonds), and a Star Grant from the City of St. Paul.

New Markets Tax Credit Program financing arrangements have provided \$9,025,000 for the building renovation. The arrangements provide federal tax incentives to the investing banks, in exchange for which TCPMC anticipates forgiveness of a portion of the outstanding principal balance remaining at the end of the initial seven-year interest-only period. There are two New Markets Tax Credit leveraged loans payable. Leveraged loan payable A for \$6,392,800 and leveraged loan payable B for \$2,632,200, both with interest only payments due quarterly at an annual rate of 1.2901% through 2021, then quarterly installments of \$112,479, including interest and principal, through October 31, 2044, any unpaid principal balance and all accrued interest will be due and payable at the maturity date, subject to an early termination provision in October 2021, secured by real and personal property owned by TCPMC for building renovations with a book value of \$16,840,536 at August 31, 2016.

In connection with the New Markets Tax Credit Program financing, TPT, acting as leverage lender, entered into a leverage loan note receivable arrangement with an unrelated organization totaling \$6,392,800 and bears an interest rate of 1.00% over a thirty year term. The repayment terms and the collateral on the note approximates the terms and the collateral of the New Markets Tax Credit notes payable. Interest income earned on the notes receivable is included in non-operating investment income. TPT anticipates purchasing the security interest in the unrelated organization in seven years. This unrelated organization holds the note for leveraged loan payable – A. After the purchase, TPT would own both the receivable and loan and they would cancel.

During 2014, the State of Minnesota passed legislation to provide for \$9,000,000 for use in building renovation of the TPT facility at 172 East 4th street in St. Paul, MN. To assist in the administration of these funds, the State of Minnesota Department of Administration (State) entered into the General Obligation Bond Proceeds Grant Agreement – Construction Grant for the Twin Cities Public Television Project (GO Grant Agreement) with the City of St. Paul, Minnesota (City). The GO Grant Agreement requires the land and building to be in substance owned by a public entity and used solely to provide public media services to the community.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 3 - TWIN CITIES PUBLIC MEDIA COMMONS AND LEVERAGED LOANS PAYABLE (Continued)

To accomplish the ownership provision, during 2014, TPT entered into a Ground Lease with the City to lease the land owned by TPT, as well as the building, for \$0 over a term of 30 years, which is considered to be 125% of the useful life of the building, as required. In addition, the City entered into a Lease/Use Agreement with TCPMC to operate the premises for the purpose of providing a broadcasting studio, media center, office headquarters and related facilities for public television for \$0. The Lease/Use Agreement may not exceed 50% of the useful life of the building under State Statute; therefore, the original term is 12 years with an optional 12 year renewal, followed by a 6 year renewal. The Lease/Use Agreement renewal must be approved by the City. In the event the first 12 year renewal is declined by the City and the City determines by City Council action that the premises are no longer usable or needed to carry out the State Program, then, the City shall sell the City's interest in the premises, on the conditions that such sale is for fair market value upon terms authorized by law and approved by the Commissioner of Minnesota Management and Budget. The City shall not sell its interest in the premises until it has first offered to sell its interest in the premises to Ground Lessor (TPT).

In the event of a sale of the City's interest in the premises (a "Sale") to Ground Lessor or a third party, after deducting the City's reasonable and customary costs incurred in such Sale, the net proceeds of such Sale must be applied as follows: (i) first, to pay to the Commission of MMB the amount of State Grant Proceeds actually disbursed and used to better the premises in accordance with the Grant Agreement, less any payments that have been made pursuant to Section 2.08.B of the Grant Agreement; (ii) second, to pay in full any approved and outstanding public or private debt incurred to acquire or better the City's interest in the premises; (iii) third, to pay to Ground Lessor the value of the City's interest in the premises; (iv) fourth, to pay to Ground Lessor, Lessee and any other interested public or private entities holding Priority Private Debt, other than such entity that has already received the full amount of its contribution, the amount of money contributed initially and subsequently by each to the acquisition or betterment of the premises; and (v) fifth, any excess over those amounts must be divided in proportion to the shares contributed initially.

As of August 31, 2015, TCPMC considered the \$9,000,000 contribution from the State to be a conditional contribution receivable. All conditions were considered substantially met during fiscal year 2015 and a contribution receivable and related temporarily restricted contribution revenue were recorded. TCPMC has received the full amount of the receivable, in connection with the renovation of the building. The contribution has been released to unrestricted net assets during the renovation. During the years ended August 31, 2016 and 2015, \$4,304,459 and \$4,780,541 were released to unrestricted net assets, respectively. The fiscal 2016 release includes \$85,000 related to the Star Grant.

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair Value Hierarchy - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Valuation Techniques and Inputs

Level 1 - Level 1 assets include mutual funds for which quoted prices are readily available.

Level 2 - Level 2 assets include:

- > Investments in money market funds for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.
- > Fund of hedge funds for which quoted prices are not readily available, but where TPT has the ability to redeem its interest at or near the statement of financial position date. TPT has estimated the fair value of fund of funds by using the net asset value ("NAV") provided by the investee as of December 31, adjusted for cash receipts, cash disbursements, significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through August 31.

Level 3 - Level 3 assets include:

- > Investments in a hedge fund and funds of hedge funds for which quoted prices are not readily available and the funds cannot be redeemed within a short time. TPT has estimated the fair value of these funds by using the net asset value ("NAV") provided by the investee as of December 31, adjusted for cash receipts, cash disbursements, significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through August 31.

There have been no changes in the techniques and inputs used as of August 31, 2016 and 2015.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

While TPT believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about TPT's assets measured at fair value on a recurring basis as of August 31, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
ASSETS				
Money market funds ⁽¹⁾	\$ 100,022		\$ 100,022	
Mutual funds				
U.S. equities	5,943,513	\$ 5,943,513		
U.S. fixed income	1,817,366	1,817,366		
U.S. target allocation	420,281	420,281		
U.S. real estate	3,051	3,051		
Global equities	3,366,246	3,366,246		
Emerging markets equities	1,997,929	1,997,929		
Hedge fund	1,670,790			\$ 1,670,790
Funds of hedge funds	<u>2,309,967</u>		<u>2,261,006</u>	<u>48,961</u>
Total	<u>\$ 17,629,165</u>	<u>\$ 13,548,386</u>	<u>\$ 2,361,028</u>	<u>\$ 1,719,751</u>

⁽¹⁾ All of the money market funds are included in cash and cash equivalents on the statement of financial position.

The following table presents information about TPT's assets measured at fair value on a recurring basis as of August 31, 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
ASSETS				
Money market funds ⁽¹⁾	\$ 100,017		\$ 100,017	
Mutual funds				
U.S. equities	5,469,041	\$ 5,469,041		
U.S. fixed income	1,717,472	1,717,472		
U.S. target allocation	266,672	266,672		
U.S. real estate	15,857	15,857		
Global equities	3,268,773	3,268,773		
Emerging markets equities	2,092,135	2,092,135		
Hedge fund	1,838,359			\$ 1,838,359
Funds of hedge funds	<u>2,484,115</u>		<u>2,418,548</u>	<u>65,567</u>
Total	<u>\$ 17,252,441</u>	<u>\$ 12,829,950</u>	<u>\$ 2,518,565</u>	<u>\$ 1,903,926</u>

⁽¹⁾ All of the money market funds are included in cash and cash equivalents on the statement of financial position.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended August 31, 2016:

	Balance August 31, 2015	Realized and unrealized losses	Purchases	Sales	Balance August 31, 2016
Assets					
Fund of hedge funds	\$ 65,567	\$ (16,606)	\$ -	\$ -	\$ 48,961
Hedge fund	1,838,359	(17,569)		(150,000)	1,670,790
Total	\$ 1,903,926	\$ (34,175)	\$ -	\$ (150,000)	\$ 1,719,751

The amount of total losses for the period included in change in net assets attributable to the change in unrealized losses relating to assets measured at fair value still held at August 31, 2016 \$ (22,978)

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended August 31, 2015:

	Balance August 31, 2014	Realized and unrealized gains (losses)	Purchases	Sales	Balance August 31, 2015
Assets					
Fund of hedge funds	\$ 134,018	\$ (30,816)	\$ -	\$ (37,635)	\$ 65,567
Hedge fund	1,820,637	17,722	-	-	1,838,359
Total	\$ 1,954,655	\$ (13,094)	\$ -	\$ (37,635)	\$ 1,903,926

The amount of total losses for the period included in change in net assets attributable to the change in unrealized gains (losses) relating to assets measured at fair value still held at August 31, 2015 \$ (28,611)

TPT uses the net asset value ("NAV") as a practical expedient to determine fair value of all underlying investments which (a) do not have a readily determinable fair value; and (b) are in investment companies or similar entities that report their investment assets at fair values.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category as of August 31, 2016:

Asset Class	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Remaining Life (Years)
Hedge fund	\$ 1,670,790	None	Quarterly	45 days	N.A.
Fund of hedge funds					
ABS	2,261,006	None	45 days	45 days	N.A.
Fund of hedge funds					
Coast	48,961	None	N.A.	N.A.	1 to 2

- > Hedge fund - This category includes investments in a single hedge fund. The fund focuses on fixed income relative value positions.
- > Fund of hedge funds - ABS - This category includes a portfolio of investment funds targeting absolute returns through diversification in various styles of investing, geographic area, industry and stages of company development. The objective is to provide a favorable risk/return profile, which would generate absolute returns while maintaining a moderate level of risk.
- > Fund of hedge funds - Coast - This category includes investments in a diversified portfolio of hedge funds and managed accounts. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

On December 1, 2008, the COAST fund of hedge funds notified investors of its intent to liquidate and began distributing the net assets on a predetermined fixed schedule. After December 31, 2008, redemption requests were suspended. Approximately 50% of TPT's investment value was liquidated during fiscal 2009, with a majority of the remaining balance liquidated during fiscal year 2010. A residual amount will remain in the fund until full distribution. There were some funds distributed during fiscal 2015, but no funds were distributed in fiscal 2016.

NOTE 5 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at August 31:

	2016	2015
Time or Purpose restrictions:		
Project support	\$ 18,740,368	\$ 10,141,030
Capital and equipment purchases	95,703	
Building renovation under GO Bonds and Star Grant		4,304,459
Campaign for TPT	167,982	224,708
Next Avenue	886,933	879,701
Future operations (time restricted)	305,672	157,000
	<u>\$ 20,196,658</u>	<u>\$ 15,706,898</u>
Total		

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 5 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS (Continued)

Permanently restricted net assets consist of the following at August 31:

	2016	2015
Endowment fund	\$ 850,488	\$ 850,488

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows for the years ended August 31:

	2016	2015
Purpose restrictions:		
Project support	\$ 6,737,433	\$ 6,018,374
Building Renovation	4,440,162	4,903,070
Campaign for TPT	58,100	3,423,800
Next Avenue	895,443	1,042,155
Endowment	26,243	1,965
Future operations (time restricted)	175,000	384,167
Total	\$ 12,332,381	\$ 15,773,531

NOTE 7 - PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of unconditional promises to give as follows at August 31:

	2016	2015
Amounts due in:		
Less than one year	\$ 9,999,078	\$ 3,641,297
One to five years	11,143,834	8,688,681
Gross pledges and grants receivable	21,142,912	12,329,978
Less: Unamortized discount	(180,055)	(148,502)
Net pledges and grants receivable	\$ 20,962,857	\$ 12,181,476
Pledges receivable	\$ 362,447	\$ 819,323
Grants receivable	20,600,410	11,362,153
Net pledges and grants receivable	\$ 20,962,857	\$ 12,181,476

Pledges and grants receivable due in one to five years were discounted at interest rates varying from 0.60% to 1.15% at August 31, 2016 and 0.32% to 1.75% at August 31, 2015. Pledges and grants receivable due in less than one year are not discounted.

Total pledges receivable from board members and officers totaled \$450 and \$50,450 at August 31, 2016 and 2015, respectively.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 7 - PLEDGES AND GRANTS RECEIVABLE (Continued)

Conditional pledges and grants are recorded as revenue when the condition has been met. TPT has no conditional grants where conditions have not been met at August 31, 2016 or 2015.

NOTE 8 - INVESTMENTS

Investments at fair value are comprised of the following at August 31:

	2016	2015
Mutual funds	\$ 13,548,386	\$ 12,829,950
Hedge Fund	1,670,790	1,838,359
Funds of hedge funds	2,309,967	2,484,115
Other (at cost)	12,414	12,414
Total	\$ 17,541,557	\$ 17,164,838

Investments, in general, are subject to various risks, including credit, custodial, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Through TPT's investments in the hedge fund and fund of hedge funds, TPT is indirectly involved in investment activities such as securities lending, trading in futures and forward contracts and other derivative products. Derivatives are used to adjust portfolio risk exposure or enhance returns. While these instruments may contain varying degrees of risk, TPT's risk with respect to such transactions is limited to its capital balance in each investment.

Net investment income consists of the following for the years ended August 31:

	2016	2015
Net investment income		
Interest and dividends	\$ 337,451	\$ 253,670
Net realized and unrealized gains (losses)	206,970	(195,361)
Total	\$ 544,421	\$ 58,309

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 370,000	\$ 370,000
Building	25,866,477	10,471,193
Tower and transmitter equipment	6,465,506	6,468,564
Production equipment and fixtures	7,475,425	7,245,795
Computer equipment	2,541,478	1,699,560
Office furniture and equipment	1,510,141	123,592
Construction in progress		15,689,447
	<u>44,229,027</u>	<u>42,068,151</u>
Less: Accumulated depreciation	<u>(19,821,992)</u>	<u>(18,490,659)</u>
Total	<u>\$ 24,407,035</u>	<u>\$ 23,577,492</u>

During 2014, TPT began a renovation project of our building which was completed in December 2015. The incremental fixed asset value of the project was \$17.7 million. The funding sources were general obligation bonds, NMTC, and campaign gifts.

NOTE 10 - LINE OF CREDIT

TPT has a \$1,000,000 line of credit agreement with Bremer Bank which expires on May 26, 2018, and carries an interest rate of the bank's index rate plus 0.25 percentage points. There is no balance outstanding at August 31, 2016 and 2015 under this agreement. The line is collateralized by certain assets of TPT and requires TPT to meet certain financial covenants.

NOTE 11 - EMPLOYEE BENEFIT PLANS

Pension Plan - TPT has a defined benefit pension plan which was frozen on December 1, 1996, and replaced with a 401(k) Employee Savings Plan. As a result, new employees after December 1, 1996 are not eligible for defined benefit plan participation. Pension benefits for pre-December 1, 1996 employees were based on years of service and compensation. TPT's funding policy is consistent with the funding requirements of federal laws and regulations. Accounting standards require an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur in unrestricted net assets. In April 2016, participants of the pension plan were notified that TPT intends to terminate the plan in a standard termination with a proposed termination date of July 1, 2016.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

The following tables set forth the defined benefit plan's status with the amounts reported in TPT's financial statements as of August 31:

	2016	2015
Change in projected benefit obligation		
Benefit obligation at September 1	\$ 8,967,057	\$ 8,684,514
Interest cost	374,303	341,184
Actuarial (gain)/loss	1,006,239	188,932
Benefits paid	(303,566)	(247,573)
Projected benefit obligation at August 31	\$ 10,044,033	\$ 8,967,057
Change in plan assets		
Fair value of plan assets at September 1	\$ 5,869,648	\$ 6,221,008
Actual return on plan assets	117,022	(103,787)
Benefits paid	(303,566)	(247,573)
Fair value of plan assets at August 31	\$ 5,683,104	\$ 5,869,648
Funded status		
Underfunded status at August 31	\$ (4,360,929)	\$ (3,097,409)
Amounts recognized in the statement of financial position consist of:		
Accrued pension liability	\$ 4,360,929	\$ 3,097,409
	2016	2015
Weighted average assumptions used to determine benefit obligations at August 31:		
Discount rate	3.13%	4.25%
Rate of compensation increases	N/A	N/A
Components of net periodic benefit cost		
Interest cost	\$ 374,303	\$ 341,184
Expected return on plan assets	(303,949)	(341,121)
Amortization of net loss	387,585	292,135
Net periodic pension benefit cost	\$ 457,939	\$ 292,198
Changes in net assets		
Net (gain) loss	\$ 1,193,166	\$ 633,840
Amortization of net gain/(loss)	(387,585)	(292,135)
Total recognized in change in net assets at August 31	\$ 805,581	\$ 341,705

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

	2016	2015
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	4.25%	4.00%
Rate of compensation increases	N/A	N/A
Expected long-term return on plan assets	7.25%	7.00%

Basis used to determine expected long-term return on plan assets

Historical and future expected returns of multiple asset classes were analyzed by TPT's actuary to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free rate of return and the associated risk premium. A weighted average rate was developed based on the overall rates and the target asset allocation of the plan.

As the plan notified participants of the intent to terminate in 2016, the mortality assumptions used to calculate the August 31, 2016 benefit obligation were changed to the 1994 GAM Generational Table, Scale AA Male and Female for the estimate of participants who would request annuity payouts, which is the best estimate of the current single premium group annuity mortality rates. For the estimate of individuals requesting lump sum payouts, the 2016 IRS applicable mortality for lump sum payments was used. The mortality assumptions used in 2015 was the RPEC 2014 model.

Based on funding requirements related to the Pension Protection Act of 2006, TPT made no contributions to the Pension Plan in 2016 and no contributions are anticipated for 2017.

The remainder of the projected benefit obligation is expected to be paid out during fiscal 2018 since the plan has set a termination date of July 1, 2016. The following benefit payments are expected to be paid over the next two years:

Year Ending August 31,		
2017	\$	375,957
2018		9,668,152

Estimated net periodic pension cost consists of the following for the year ended August 31, 2017:

Components of net periodic benefit cost:		
Interest cost	\$	308,497
Expected return on plan assets		(346,396)
Amortization of net loss		522,224
Net periodic pension cost	\$	484,325

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

Weighted average assumptions used to determine net periodic benefit cost:

Discount rate	3.13%
Rate of compensation increases	N/A
Expected long-term return on plan assets	7.25

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material impact on the financial statements.

Pension plan assets are invested according to the TPT Pension Plan Investment Policy which is approved and managed by the Board of Trustees and executed by management. The Pension Plan Investment Policy identifies target investment ranges for plan asset investments. Pension plan assets are reviewed to ensure alignment with the policy.

Plan assets, in general, are subject to various risks, including credit, custodial, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amounts of plan assets reported.

The plan sponsor is responsible for the determination of fair value. Accordingly, they perform periodic analysis on the prices received from the pricing services used to determine whether the prices are reasonable estimates of fair value. As a result of these reviews, the plan sponsor has not historically adjusted the prices obtained from the pricing services.

Fair Value Hierarchy - Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance and as described in Note 4, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Valuation Techniques and Inputs

Level 1 - Level 1 assets include mutual funds for which quoted prices are readily available.

Level 2 - Level 2 assets include:

- > Investments in pooled separate accounts for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Level 3 - Level 3 assets include:

- > Investments in hedge funds for which quoted prices are not readily available and the funds cannot be redeemed within a short time. TPT has estimated the fair value of these funds by using the net asset value ("NAV") provided by the investee as of December 31, adjusted for cash receipts, cash disbursement, significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through August 31.

There have been no changes in the techniques and inputs used as of August 31, 2016 and 2015.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

While the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about TPT's plan assets measured at fair value on a recurring basis as of August 31, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds				
U.S. equities	\$ 2,035,927	\$ 2,035,927		
Global equities	1,303,234	1,303,234		
Global fixed income	612,424	612,424		
Emerging markets equities	465,748	465,748		
Pooled Separate Accounts				
U.S. equities	10,848		\$ 10,848	
U.S. fixed income	339,019		339,019	
Global equities	3,959		3,959	
Hedge Fund	911,945			\$ 911,945
Total Plan Assets	<u>\$ 5,683,104</u>	<u>\$ 4,417,333</u>	<u>\$ 353,826</u>	<u>\$ 911,945</u>

The following table presents information about TPT's plan assets measured at fair value on a recurring basis as of August 31, 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds				
U.S. equities	\$ 628,256	\$ 628,256		
Global equities	1,474,646	1,474,646		
Emerging markets equities	359,935	359,935		
Pooled Separate Accounts				
U.S. equities	1,039,600		\$ 1,039,600	
U.S. fixed income	706,938		706,938	
Global equities	443,099		443,099	
Global fixed income	289,925		289,925	
Hedge Fund	927,249			\$ 927,249
Total Plan Assets	<u>\$ 5,869,648</u>	<u>\$ 2,462,837</u>	<u>\$ 2,479,562</u>	<u>\$ 927,249</u>

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

The following table presents a reconciliation of TPT's plan assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended August 31, 2016 and 2015:

	<u>Balance August 31, 2015</u>	<u>Realized and unrealized losses</u>	<u>Purchases</u>	<u>Sales</u>	<u>Balance August 31, 2016</u>
Assets					
Hedge Fund	\$ 927,249	\$ (15,304)	\$ -	\$ -	\$ 911,945

The amount of total losses for the period included in change in plan assets attributable to the change in unrealized losses relating to plan assets measured at fair value still held at August 31, 2016

\$ 15,304

	<u>Balance August 31, 2014</u>	<u>Realized and unrealized gains</u>	<u>Purchases</u>	<u>Sales</u>	<u>Balance August 31, 2015</u>
Assets					
Hedge Fund	\$ 919,845	\$ 7,404	\$ -	\$ -	\$ 927,249

The amount of total gains for the period included in change in plan assets attributable to the change in unrealized gains relating to plan assets measured at fair value still held at August 31, 2015

\$ 7,404

TPT uses the net assets value ("NAV") as a practical expedient to determine fair value of all underlying investments which (a) do not have a readily determinable fair value; and (b) are in investment companies or similar entities that report their investment assets at fair value.

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category as of August 31, 2016:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>	<u>Remaining Life (Years)</u>
Asset Class					
Hedge Fund	\$ 911,945	None	Quarterly	45 days	N.A.

- > Hedge fund – This category includes investments in a single hedge fund. The fund focuses on fixed income relative value positions.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

The percentage of fair value of total plan assets as of August 31, 2016 and 2015 and the target percentages for each major category of plan assets is as follows:

	2016	2015	Target	
			Minimum	Maximum
Equities	67%	54%	20%	75%
Bonds	33	40	20	60
Other	-	6	0	25
 Total	 <u>100%</u>	 <u>100%</u>		

401(k) Plan - TPT adopted a 401(k) employee savings plan. The plan is designed to encourage eligible employees to develop a long-term savings program. The plan allows eligible employees to contribute pre-tax compensation up to the annual IRS limitations. Employees who are not classified as "Talent" are eligible to contribute to the Plan pursuant to a salary reduction election with TPT. Employees are automatically enrolled under the Qualified Automatic Contribution Arrangement (QACA) on the first day of the month after their hire date unless they have made an election to opt out of the program per IRS requirements. TPT will match 100% of elective deferral contributions that are not over 3% of pay, plus 50% of elective deferral contributions which are over 3% but are not over 6% of pay. QACA matching contributions shall be made for all persons who are active at any time during that payroll period. TPT contributed \$397,358 and \$391,499 to the plan for the years ended August 31, 2016 and 2015, respectively.

Deferred Compensation Plan - In 2006, TPT established a deferred compensation plan in accordance with Internal Revenue Code section 457(b) for eligible employees. The plan permits these eligible employees to defer a portion of their salary until future years. There were no employer contributions to this plan during the years ended August 31, 2016 and 2015.

NOTE 12 - SPLIT INTEREST AGREEMENTS

TPT has arrangements with donors classified as charitable gift annuities. In general, under these arrangements, TPT receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. TPT invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by TPT as unrestricted, temporarily restricted or permanently restricted net assets.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of TPT. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age of the donor. TPT used interest rates ranging from 1.0% to 7.0% in making the calculations for the years ended August 31, 2016 and 2015. The actuarial liability related to split interest agreements amounted to \$362,082 and \$374,686 at August 31, 2016 and 2015, respectively, and is included in other accrued expenses on the statements of financial position. The gift value for the charitable gift annuities received during the years ended August 31, 2016 and 2015 was \$0 and \$21,281, respectively.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Lease Commitment

TPT leases various equipment under noncancelable operating leases that expire between 2017 and 2020. Future minimum payments under these noncancelable operating lease agreements are as follows:

Year Ending August 31:		
2017	\$	146,000
2018		147,000
2019		143,000
2020		<u>29,000</u>
Total	\$	<u>465,000</u>

Total expense related to these operating leases was \$149,107 and \$140,710 for the years ended August 31, 2016 and 2015, respectively.

Programming Fees

In connection with TPT's membership in PBS, TPT is committed to paying programming fees annually. The total programming fee commitment outstanding at August 31, 2016 is approximately \$3,450,000.

Legal Issues

TPT is subject to asserted and unasserted claims encountered in the normal course of its operations. In the opinion of management and legal counsel, disposition of these matters will not have a material effect on TPT's financial condition or results of operations.

NOTE 14 - CONCENTRATIONS

Financial instruments that potentially subject TPT to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities, other investments and accounts receivable. Cash and cash equivalents in excess of federally insured limits is subject to the usual risks of balances in excess of those limits. The majority of TPT's cash and cash equivalents is on deposit with three banks. Investments are diversified in order to limit credit risk. Investments are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. In addition, TPT receives a substantial amount of support from state and federal agencies which are subject to audit by the governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the TPT's programs and activities.

NOTE 15 - ENDOWMENT

TPT's endowment consists of individual funds established primarily to provide annual operating support and to serve as a reserve to ensure the long term stability of the organization. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 15 - ENDOWMENT (Continued)

Interpretation of Relevant Law

The Board of Trustees of TPT has interpreted the Minnesota enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing TPT to appropriate for expenditure or accumulate so much of an endowment fund as TPT determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless designated otherwise by the donor, the assets added to the endowment are unrestricted. See Note 1 for further information on net asset classification.

The remaining portion of the fund, which consists of earnings and gains/losses from the investment of such funds net of expenditures, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by TPT in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, TPT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the endowment fund
- (2) The purposes of TPT and the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of TPT
- (7) The investment policy of TPT

Endowment net asset composition by type of fund consists of the following as of August 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds			\$ 850,488	\$ 850,488
Board-designated endowment funds	\$ 13,768,738			13,768,738
Total endowment net assets	\$ 13,768,738	\$ -	\$ 850,488	\$ 14,619,226

Endowment net asset composition by type of fund consists of the following as of August 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds			\$ 850,488	\$ 850,488
Board-designated endowment funds	\$ 13,630,687			13,630,687
Total endowment net assets	\$ 13,630,687	\$ -	\$ 850,488	\$ 14,481,175

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 15 - ENDOWMENT (Continued)

Changes in endowment net assets for the year ended August 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets August 31, 2015	\$ 13,630,687	\$ -	\$ 850,488	\$ 14,481,175
Investment return:				
Investment income	266,748			266,748
Net appreciation - realized and unrealized	<u>152,552</u>	<u>26,243</u>		<u>175,795</u>
Total investment return	419,300	26,243		445,543
Contributions	433,264			433,264
Net assets released from restrictions	26,243	(26,243)		
Appropriation of endowment assets for expenditure	(684,000)			(684,000)
Actuarial adjustment related to split interest agreements	<u>(56,756)</u>			<u>(56,756)</u>
Endowment net assets, August 31, 2016	<u>\$ 13,768,738</u>	<u>\$ -</u>	<u>\$ 850,488</u>	<u>\$ 14,619,226</u>

Changes in endowment net assets for the year ended August 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets August 31, 2014	\$ 14,077,232	\$ -	\$ 850,488	\$ 14,927,720
Investment return:				
Investment income	203,180			203,180
Net appreciation (depreciation) - realized and unrealized	<u>(187,360)</u>	<u>1,965</u>		<u>(185,395)</u>
Total investment return	15,820	1,965		17,785
Contributions	221,042			221,042
Net assets released from restrictions	1,965	(1,965)		
Appropriation of endowment assets for expenditure	(615,000)			(615,000)
Actuarial adjustment related to split interest agreements	<u>(70,372)</u>			<u>(70,372)</u>
Endowment net assets, August 31, 2015	<u>\$ 13,630,687</u>	<u>\$ -</u>	<u>\$ 850,488</u>	<u>\$ 14,481,175</u>

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

NOTE 15 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters

TPT has adopted investment and spending policies 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. Endowment assets include those assets of donor-restricted funds that TPT must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that equal or exceed the spending rate plus inflation over a market cycle, while assuming a moderate level of investment risk. TPT expects its endowment funds to equal or exceed the average return of appropriate capital market indices weighted by the asset allocation target percentages over rolling five-year periods. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

TPT's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to domestic and international equity, fixed income and a broadly diversified mix of absolute return strategies. This investment strategy provides TPT with a long-term asset mix that is most likely to meet TPT's long-term return goals with the appropriate level of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

TPT has a policy of annually appropriating for distribution no more than five percent of its endowment funds over a three year average. In establishing this policy, TPT considered the long-term expected return on its endowment. Accordingly, over the long term, TPT expects the current spending policy to allow its endowment to grow at an average rate that will exceed the annual distribution noted above. This is consistent with TPT's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 16 - SUBSEQUENT EVENTS

TPT has evaluated subsequent events through November 28, 2016 which is the date that the consolidated financial statements were approved and available to be issued.

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of August 31, 2016

ASSETS				
	<u>TPT</u>	<u>TCPMC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 4,098,448	\$ 370,543		\$ 4,468,991
Accounts receivable	672,308		\$ (44,624)	627,684
Prepaid expenses and other assets	748,455		(166,250)	582,205
Pledges receivable, net	362,447			362,447
Grants receivable	20,600,410			20,600,410
Leveraged loan receivable	6,392,800			6,392,800
Investments	17,541,557			17,541,557
Property and equipment, net	7,566,499	16,840,536		24,407,035
Debt issue costs		446,357		446,357
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$57,982,924</u>	<u>\$17,657,436</u>	<u>\$ (210,874)</u>	<u>\$ 75,429,486</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 417,411	\$ 44,624	\$ (44,624)	\$ 417,411
Other accrued expenses	2,741,868			2,741,868
Deferred revenue	368,543	166,250	(166,250)	368,543
Deferred compensation	1,058,262			1,058,262
Accrued pension liability	4,360,929			4,360,929
Leveraged loan payable - A		6,392,800		6,392,800
Leveraged loan payable - B		2,632,200		2,632,200
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>8,947,013</u>	<u>9,235,874</u>	<u>(210,874)</u>	<u>17,972,013</u>
NET ASSETS				
Unrestricted				
Operating fund	1,191,176			1,191,176
Property fund	15,316,201	8,421,562		23,737,763
Board designated fund	11,481,388			11,481,388
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total unrestricted	27,988,765	8,421,562		36,410,327
Temporarily restricted	20,196,658			20,196,658
Permanently restricted	850,488			850,488
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	<u>49,035,911</u>	<u>8,421,562</u>	<u> </u>	<u>57,457,473</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$57,982,924</u>	<u>\$17,657,436</u>	<u>\$ (210,874)</u>	<u>\$ 75,429,486</u>

**TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2016

	Twin Cities Public Television			Twin Cities Public Media Commons		Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted		
REVENUES, GAINS AND OTHER SUPPORT							
Individual contributions and memberships	\$ 12,401,720	\$ 134,571					\$ 12,536,291
Planned giving, principally bequests	570,009						570,009
Foundations	1,196,595	1,455,799					2,652,394
Corporations	10,298	30,157					40,455
Sponsorship	1,452,567						1,452,567
Corporation for Public Broadcasting grants and PBS grants	3,296,008	489,735					3,785,743
State of Minnesota grants	258,333	440,125					698,458
Federal government grants		14,245,511					14,245,511
Donated goods and professional services	35,429						35,429
Other contributions	219,138						219,138
Earned income	3,298,777						3,298,777
Net investment income	518,178	26,243					544,421
Other income	439,551			\$ 236,250		\$ (236,250)	439,551
Actuarial adjustment related to split interest agreements	(56,756)						(56,756)
Total revenues, gains and other support before endowment draw transfer and net assets released from restrictions	23,639,847	16,822,141		236,250		(236,250)	40,461,988
Net assets released from restrictions	8,027,922	(8,027,922)		4,304,459	\$ (4,304,459)		
Total Revenues, Gains and Other Support	31,667,769	8,794,219		4,540,709	(4,304,459)	(236,250)	40,461,988
EXPENSES AND TRANSFERS OF NET ASSETS							
Program and supporting services							
Programming and production	19,827,031			757,973		(236,250)	20,348,754
Broadcasting	2,704,209						2,704,209
Program information	759,654						759,654
Fund raising	5,587,538						5,587,538
General and management	3,597,716						3,597,716
Total program and supporting services	32,476,148			757,973		(236,250)	32,997,871
Change in net assets before transfers of net assets and change in pension liability	(808,379)	8,794,219		3,782,736	(4,304,459)		7,464,117
Transfer and reclassification of net assets	(461,842)			461,842			
Change in pension liability	(805,581)						(805,581)
Change in Net Assets	(2,075,802)	8,794,219		4,244,578	(4,304,459)		6,658,536
NET ASSETS - Beginning of Year	30,064,567	11,402,439	\$ 850,488	4,176,984	4,304,459		50,798,937
NET ASSETS - END OF YEAR	\$ 27,988,765	\$ 20,196,658	\$ 850,488	\$ 8,421,562	\$ -	\$ -	\$ 57,457,473