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, 2017 and 2016

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

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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, 2017 and 2016, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the 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, 2017 and 2016, 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 15, 2017

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of August 31, 2017 and 2016

ASSETS

	2017	2016
Cash and cash equivalents	$ 3,592,350	$ 4,468,991
Certificates of deposit	1,504,231	
Accounts receivable	643,191	627,684
Prepaid expenses and other assets	562,634	582,205
Pledges receivable, net	376,672	362,447
Grants receivable, net	33,729,606	20,600,410
Leveraged loan receivable	6,392,800	6,392,800
Investments	19,684,810	17,541,557
Property and equipment, net	22,767,245	24,407,035
TOTAL ASSETS	$ 89,253,539	$ 74,983,129

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable	$ 681,756	$ 417,411
Other accrued expenses	2,249,384	2,741,868
Deferred revenue	372,493	368,543
Deferred compensation	1,097,447	1,058,262
Accrued pension liability	3,958,502	4,360,929
Loans payable, net of debt issuance costs	8,665,035	8,578,643
Total Liabilities	17,024,617	17,525,656
NET ASSETS		
Unrestricted		
Operating fund	1,258,287	1,191,176
Property fund	22,051,041	23,737,763
Board designated fund	14,475,085	11,481,388
Total unrestricted	37,784,413	36,410,327
Temporarily restricted	33,594,021	20,196,658
Permanently restricted	850,488	850,488
Total Net Assets	72,228,922	57,457,473
TOTAL LIABILITIES AND NET ASSETS	$ 89,253,539	$ 74,983,129

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017
with Comparative Totals for 2016

	Unrestricted							
	Operating	**Property**	**Board Designated**	**Total**	**Temporarily Restricted**	**Permanently Restricted**	**2017 Total**	**2016 Total**
REVENUES, GAINS AND OTHER SUPPORT								
Individual contributions and memberships	$ 13,774,079		$ 124,566	$ 13,898,645	$ 546,722		$ 14,445,367	$ 12,536,291
Planned giving, principally bequests	150,000		613,375	763,375			763,375	570,009
Foundations	974,027			974,027	1,751,009		2,725,036	2,652,394
Corporations	184,121			184,121	1,261,000		1,445,121	40,455
Sponsorship	1,708,125			1,708,125			1,708,125	1,452,567
Corporation for Public Broadcasting grants and PBS grants	3,242,695			3,242,695	2,800,890		6,043,585	3,785,743
State of Minnesota grants					4,792,535		4,792,535	698,458
Federal government grants					13,271,990		13,271,990	14,245,511
Donated goods, facilities and professional services	55,898			55,898			55,898	35,429
Other contributions	152,466			152,466	3,761		156,227	219,138
Earned income	3,331,108			3,331,108			3,331,108	3,298,777
Net investment income	65,234	63,928	1,965,519	2,094,681	98,265		2,192,946	544,421
Other income	526,132	1,799		527,931			527,931	439,551
Actuarial adjustment related to split interest agreements			(62,285)	(62,285)			(62,285)	(56,756)
Total revenues, gains and other support before endowment draw transfer and net assets released from restrictions	24,163,885	65,727	2,641,175	26,870,787	24,526,172		51,396,959	40,461,988
Endowment draw transfer	660,000		(660,000)					
Net assets released from restrictions	10,875,128	155,416	98,265	11,128,809	(11,128,809)			
Total Revenues, Gains and Other Support	35,699,013	221,143	2,079,440	37,999,596	13,397,363		51,396,959	40,461,988
EXPENSES AND TRANSFERS OF NET ASSETS								
Program and supporting services								
Programming and production	22,530,839	1,707,200	291,269	24,529,308			24,529,308	20,348,754
Broadcasting	2,608,981	231,531	47,334	2,887,846			2,887,846	2,704,209
Program information	613,407	22,878	12,643	648,928			648,928	759,654
Fund raising	5,841,888	165,313	76,853	6,084,054			6,084,054	5,587,538
General and management	3,146,321	159,578	56,227	3,362,126			3,362,126	3,597,716
Total program and supporting services	34,741,436	2,286,500	484,326	37,512,262			37,512,262	32,997,871
Change in net assets before transfers of net assets and change in pension liability	957,577	(2,065,357)	1,595,114	487,334	13,397,363		13,884,697	7,464,117
Transfer and reclassification of net assets	(890,466)	378,635	511,831					
Change in pension liability			886,752	886,752			886,752	(805,581)
Change in Net Assets	67,111	(1,686,722)	2,993,697	1,374,086	13,397,363		14,771,449	6,658,536
NET ASSETS - Beginning of Year	1,191,176	23,737,763	11,481,388	36,410,327	20,196,658	$ 850,488	57,457,473	50,798,937
NET ASSETS - END OF YEAR	$ 1,258,287	$ 22,051,041	$ 14,475,085	$ 37,784,413	$ 33,594,021	$ 850,488	$ 72,228,922	$ 57,457,473

See accompanying notes to consolidated financial statements.

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

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

	Unrestricted						
	Operating	**Property**	**Board Designated**	**Total**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
REVENUES, GAINS AND OTHER SUPPORT							
Individual contributions and memberships	$ 12,390,917		$ 10,803	$ 12,401,720	$ 134,571		$ 12,536,291
Planned giving, principally bequests	145,000		425,009	570,009			570,009
Foundations	1,196,595			1,196,595	1,455,799		2,652,394
Corporations	10,298			10,298	30,157		40,455
Sponsorship	1,452,567			1,452,567			1,452,567
Corporation for Public Broadcasting grants and PBS grants	3,296,008			3,296,008	489,735		3,785,743
State of Minnesota grants	258,333			258,333	440,125		698,458
Federal government grants					14,245,511		14,245,511
Donated goods, facilities and professional services	35,429			35,429			35,429
Other contributions	219,138			219,138			219,138
Earned income	3,298,777			3,298,777			3,298,777
Net investment income	8,160	$ 63,927	446,091	518,178	26,243		544,421
Other income	439,244	307		439,551			439,551
Actuarial adjustment related to split interest agreements			(56,756)	(56,756)			(56,756)
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
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
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
Broadcasting	2,426,636	224,910	52,663	2,704,209			2,704,209
Program information	744,588	5,907	9,159	759,654			759,654
Fund raising	5,470,774	45,783	70,981	5,587,538			5,587,538
General and management	3,451,481	90,367	55,868	3,597,716			3,597,716
Total program and supporting services	30,513,758	2,026,174	457,939	32,997,871			32,997,871
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
Transfer and reclassification of net assets	(451,226)	929,493	(478,267)				
Change in pension liability			(805,581)	(805,581)			(805,581)
Change in Net Assets	259,357	3,425,716	(1,516,297)	2,168,776	4,489,760		6,658,536
NET ASSETS - Beginning of Year	931,819	20,312,047	12,997,685	34,241,551	15,706,898	$ 850,488	50,798,937
NET ASSETS - END OF YEAR	$ 1,191,176	$ 23,737,763	$ 11,481,388	$ 36,410,327	$ 20,196,658	$ 850,488	$ 57,457,473

See accompanying notes to consolidated financial statements.

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 14,771,449	$ 6,658,536
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,915,619	1,471,928
Amortization of debt issuance costs	86,392	158,385
Net gains on investments	(1,852,036)	(206,970)
Net loss on disposal of property and equipment		1,393
Change in operating assets and liabilities		
Accounts receivable	(15,507)	123,654
Prepaid expenses and other assets	19,571	(10,456)
Pledges receivable	(134,225)	(62,574)
Grants receivable	(13,148,408)	(9,238,257)
Accounts payable	245,558	(65,007)
Other accrued expenses	(492,484)	717,101
Deferred revenue	3,950	(159,532)
Deferred compensation	39,185	41,885
Accrued pension liability	(402,427)	1,263,520
Contributions restricted for long-term investment and plant	(5,036)	(570,310)
Net Cash Flows From Operating Activities	1,031,601	123,296
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(257,042)	(3,752,682)
Purchases of certificates of deposit	(1,504,231)	
Purchases of investments	(396,372)	(441,827)
Sale of investments	105,155	272,078
Net Cash Flows From Investing Activities	(2,052,490)	(3,922,431)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for debt issue costs		(20,000)
Contributions received restricted for long-term investment and plant	144,248	5,309,219
Net Cash Flows From Financing Activities	144,248	5,289,219
Net Change in Cash and Cash Equivalents	(876,641)	1,490,084
CASH AND CASH EQUIVALENTS - Beginning of Year	4,468,991	2,978,907
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,592,350	$ 4,468,991
Supplemental cash flow information		
Property and equipment purchases included in accounts payable	$ 30,935	$ 12,148
Taxes paid	5,000	35,648
Interest paid	116,432	87,324

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2017
with Comparative Totals for 2016

	2017							
	Program Services				Supporting Services			
	Programming and Production	Broadcasting	Program Information	Total	Fund Raising	General and Management	2017 Total	2016 Total
Salaries, payroll taxes and employee benefits	$ 11,266,959	$ 2,019,759	$ 432,503	$ 13,719,221	$ 2,633,264	$ 2,631,446	$ 18,983,931	$ 17,622,253
Program acquisition	3,833,028			3,833,028			3,833,028	3,613,043
PBS and regional memberships	73,831	12,743	3,499	90,073	21,194	23,001	134,268	131,999
Legal services	384,352	411	110	384,873	667	34,258	419,798	145,029
Accounting services	386			386		77,897	78,283	83,485
Outside services	5,274,228	23,304	19,741	5,317,273	210,100	54,713	5,582,086	3,668,368
Professional fundraiser					1,316,656		1,316,656	1,172,892
Office supplies	25,258	3,777	1,139	30,174	12,212	6,419	48,805	44,478
Postage	15,080	1,662	91	16,833	331,029	2,973	350,835	185,267
Telephone and data services	30,809	78,349	876	110,034	6,183	4,113	120,330	297,976
Occupancy	426,474	301,270	15,449	743,193	89,166	145,230	977,589	991,396
Printing and publications	53,562	3,264	93,943	150,769	303,715	18,385	472,869	572,026
Recording media	26,478	231	33	26,742	1,726	187	28,655	33,820
Other program costs	313,337	773	252	314,362	29,244	1,205	344,811	403,522
Advertising	211,917	566	31,299	243,782	5,477	5,410	254,669	59,775
Premiums	3,580			3,580	551,133		554,713	589,815
Rental and maintenance of equipment	495,866	192,862	16,662	705,390	57,954	73,384	836,728	787,784
Travel	352,144	11,770	4,212	368,126	72,936	13,285	454,347	409,241
Conferences and meetings	42,608	3,178	2,849	48,635	12,787	8,350	69,772	62,402
Miscellaneous	275,049	2,870	3,494	281,413	263,919	102,746	648,078	492,987
Depreciation and amortization	1,424,362	231,057	22,776	1,678,195	164,692	159,124	2,002,011	1,630,313
Total Expenses	$ 24,529,308	$ 2,887,846	$ 648,928	$ 28,066,082	$ 6,084,054	$ 3,362,126	$ 37,512,262	$ 32,997,871

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, 2016

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

See accompanying notes to consolidated financial statements.

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 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 - 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. The consolidated financial statements include the activities of TPT and 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 2017 and 2016 was 5% for each year.

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.

Certificates of Deposit - Certificates of deposit have maturities greater than three months when purchased. Interest rates range between 0.8% and 1.15%.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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, 2017 and 2016. 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 2016 financial statements have been reclassified to conform with the 2017 presentation. The reclassifications have no effect on the reported amounts of total net assets or change in total net assets as previously reported.

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. TPT adopted the standard in fiscal 2017. ASU 2015-03 was applied retrospectively, and as a result, the 2016 debt issuance costs of $446,357 were reclassified to conform with the 2017 presentation. The adoption of this ASU did not have a significant impact on TPT's statement of financial position or results of operations.

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 (fiscal year 2018) with early application permitted. TPT elected to adopt the guidance for the fiscal year beginning September 1, 2016. The guidance is retrospective, and as a result, the 2016 amounts were reclassified to conform to the 2017 financial statement presentation. The adoption of the ASU did not have a significant impact on TPT's financial position or results of operations.

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 - 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.

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.

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

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.

Except for implementation of ASU 2015-07, there have been no changes in the techniques and inputs used as of August 31, 2017 and 2016.

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 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.

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents information about TPT's assets measured at fair value on a recurring basis as of August 31, 2017:

	Total	Level 1	Level 2	Level 3
ASSETS				
Money market funds	$ 100,031		$ 100,031	
Mutual funds				
U.S. equities	6,795,214	$ 6,795,214		
U.S. fixed income	1,975,389	1,975,389		
U.S. target allocation	457,036	457,036		
U.S. real estate	7,373	7,373		
Global equities	3,843,194	3,843,194		
Emerging markets equities	2,280,697	2,280,697		
Subtotal assets by valuation hierarchy	15,458,934	$ 15,358,903	$ 100,031	$ -
Assets measured using NAV				
Hedge fund	1,780,799			
Funds of hedge funds	2,532,694			
Subtotal assets measured using NAV	4,313,493			
Total assets at fair value	$ 19,772,427			

Total assets at fair value consist of the following at August 31, 2017:

Investments per the statement of financial position	$ 19,684,810
Other investments (at cost)	(12,414)
Money market funds in cash and cash equivalents	100,031
	$ 19,772,427

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

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

	Total	Level 1	Level 2	Level 3
ASSETS				
Money market funds	$ 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		
Subtotal assets by valuation hierarchy	13,648,408	$ 13,548,386	$ 100,022	$ -
Assets measured using NAV				
Hedge fund	1,670,790			
Funds of hedge funds	2,309,967			
Subtotal assets measured using NAV	3,980,757			
Total assets at fair value	$ 17,629,165			

Total assets at fair value consist of the following at August 31, 2016:

Investments per the statement of financial position	$ 17,541,557
Other investments (at cost)	(12,414)
Money market funds in cash and cash equivalents	100,022
	$ 17,629,165

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2017:

	2017 Fair Value	2016 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Remaining Life (Years)
Asset Class						
Hedge fund	$ 1,780,799	$ 1,670,790	None	Quarterly	45 days	N.A.
Fund of hedge funds						
ABS	2,532,694	2,261,006	None	45 days	45 days	N.A.
Coast		48,961	None	N.A.	N.A.	N.A.

- 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. There was a full distribution of the funds during fiscal 2017.

NOTE 3 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS

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

	2017	2016
Time or Purpose restrictions:		
Project support	$ 32,971,175	$ 18,740,368
Capital and equipment purchases		95,703
Campaign for TPT	168,182	167,982
Next Avenue	399,664	886,933
Future operations (time restricted)	55,000	305,672
Total	$ 33,594,021	$ 20,196,658

NOTE 3 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS (Continued)

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

	2017	2016
Endowment fund	$ 850,488	$ 850,488

NOTE 4 - 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:

	2017	2016
Purpose restrictions:		
Project support	$ 10,174,168	$ 6,737,433
Building renovation		4,440,162
Campaign for TPT		58,100
Next Avenue	699,375	895,443
Endowment	98,265	26,243
Future operations (time restricted)	157,000	175,000
Total	$ 11,128,808	$ 12,332,381

NOTE 5 - PLEDGES AND GRANTS RECEIVABLE

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

	2017	2016
Amounts due in:		
Less than one year	$ 19,387,377	$ 9,999,078
One to five years	15,110,183	11,143,834
Gross pledges and grants receivable	34,497,560	21,142,912
Less: Unamortized discount	(391,282)	(180,055)
Net pledges and grants receivable	$ 34,106,278	$ 20,962,857
Pledges receivable	$ 376,672	$ 362,447
Grants receivable	33,729,606	20,600,410
Net pledges and grants receivable	$ 34,106,278	$ 20,962,857

Pledges and grants receivable due in one to five years were discounted at interest rates varying from 1.24% to 1.42% at August 31, 2017 and 0.60% to 1.15% at August 31, 2016. Pledges and grants receivable due in less than one year are not discounted.

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, 2017 or 2016.

NOTE 6 - INVESTMENTS

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

	2017	2016
Mutual funds	$ 15,358,903	$ 13,548,386
Hedge fund	1,780,799	1,670,790
Funds of hedge funds	2,532,694	2,309,967
Other (at cost)	12,414	12,414
Total	$ 19,684,810	$ 17,541,557

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:

	2017	2016
Net investment income		
Interest and dividends	$ 340,910	$ 337,451
Net realized and unrealized gains	1,852,036	206,970
Total	$ 2,192,946	$ 544,421

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	2017	2016
Land	$ 370,000	$ 370,000
Building	25,866,477	25,866,477
Tower and transmitter equipment	6,464,431	6,465,506
Production equipment and fixtures	7,596,892	7,475,425
Computer equipment	2,017,607	2,541,478
Office furniture and equipment	1,490,837	1,510,141
Construction in progress	13,300	
	43,820,184	44,229,027
Less: Accumulated depreciation	(21,052,299)	(19,821,992)
Total	$ 22,767,245	$ 24,407,035

Construction in progress at August 31, 2017 relates to preliminary costs for updates to TPT's weather radar system enhancement.

NOTE 8 - 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 was no balance outstanding at August 31, 2017 and 2016 under this agreement. The line is collateralized by certain assets of TPT and requires TPT to meet certain financial covenants.

NOTE 9 - LOANS PAYABLE, NET

Loans payable consist of the following at August 31, 2017 and 2016:

	2017	2016
Leveraged loan payable - A	$ 6,392,800	$ 6,392,800
Leveraged loan payable - B	2,632,200	2,632,200
	9,025,000	9,025,000
Debt issuance costs	(359,965)	(446,357)
Total	$ 8,665,035	$ 8,578,643

New Markets Tax Credit Program financing arrangements have provided $9,025,000 for the building renovation which took place in fiscal years 2015 and 2016. 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 $15,892,621 at August 31, 2017.

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.

NOTE 10 - GROUND LEASE

TPT entered into a Ground Lease with the City of St. Paul, Minnesota (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.

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.

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:

	2017	2016
Change in projected benefit obligation		
Benefit obligation at September 1	$ 10,044,033	$ 8,967,057
Interest cost	308,497	374,303
Actuarial (gain)/loss	(154,690)	1,006,239
Benefits paid	(300,840)	(303,566)
Projected benefit obligation at August 31	$ 9,897,000	$ 10,044,033
Change in plan assets		
Fair value of plan assets at September 1	$ 5,683,104	$ 5,869,648
Actual return on plan assets	556,234	117,022
Benefits paid	(300,840)	(303,566)
Fair value of plan assets at August 31	$ 5,938,498	$ 5,683,104
Funded status		
Underfunded status at August 31	$ (3,958,502)	$ (4,360,929)
Amounts recognized in the statement of financial position consist of:		
Accrued pension liability	$ 3,958,502	$ 4,360,929

	2017	2016
Weighted average assumptions used to determine benefit obligations at August 31:		
Discount rate	3.36%	3.13%
Rate of compensation increases	N/A	N/A
Components of net periodic benefit cost		
Interest cost	$ 308,497	$ 374,303
Expected return on plan assets	(346,396)	(303,949)
Amortization of net loss	522,224	387,585
Net periodic pension benefit cost	$ 484,325	$ 457,939
Changes in net assets		
Net (gain) loss	$ (364,604)	$ 1,193,166
Amortization of net gain/(loss)	(522,148)	(387,585)
Total recognized in change in net assets at August 31	$ (886,752)	$ 805,581

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

	2017	2016
Weighted average assumptions used to determine net periodic benefit cost:		
Discount rate	3.13%	4.25%
Rate of compensation increases	N/A	N/A
Expected long-term return on plan assets	7.25%	7.25%

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 and 2017 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 and 2017 IRS applicable mortality for lump sum payments was used as of August 31, 2016 and 2017, respectively.

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

The remainder of the projected benefit obligation is expected to be paid out during fiscal 2018.

Estimated net periodic pension cost consists of the following for the year ended August 31, 2018:

Components of net periodic benefit cost:	
Interest cost	$ 332,539
Expected return on plan assets	(315,010)
Amortization of net loss	339,578
Net periodic pension cost	$ 357,107
Weighted average assumptions used to determine net periodic benefit cost:	
Discount rate	3.36%
Rate of compensation increases	N/A
Expected long-term return on plan assets	6.00

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.

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

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 2, 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 which is valued based on the NAV per unit as determined by the custodian. 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. NAV is a readily determinable fair value and is the basis for current transactions.

Except for implementation of ASU 2015-07, there have been no changes in the techniques and inputs used as of August 31, 2017 and 2016.

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.

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

The following table presents information about TPT's plan assets measured at fair value on a recurring basis as of August 31, 2017:

	Total	Level 1	Level 2	Level 3
Mutual funds				
U.S. equities	$ 1,994,868	$ 1,994,868		
Global equities	649,261	649,261		
Emerging markets equities	299,850	299,850		
Pooled Separate Accounts				
U.S. equities	48		$ 48	
U.S. fixed income	22,418		22,418	
Global equities	1,998,775		1,998,775	
Subtotal assets by valuation hierarchy	4,965,220	$ 2,943,979	$ 2,021,241	$ -
Assets measured using NAV				
Hedge fund	973,278			
Total Plan Assets	$ 5,938,498			

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

	Total	Level 1	Level 2	Level 3
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	
Subtotal assets by valuation hierarchy	4,771,159	$ 4,417,333	$ 353,826	$ -
Assets measured using NAV				
Hedge fund	911,945			
Total Plan Assets	$ 5,683,104			

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

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, 2017:

	2017 Fair Value	2016 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Remaining Life (Years)
Asset Class						
Hedge fund	$ 973,278	$ 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.

The percentage of fair value of total plan assets as of August 31, 2017 and 2016 and the target percentages for each major category of plan assets is as follows:

	2017	2016	Target Minimum	Target Maximum
Equities	49%	67%	20%	75%
Bonds	51	33	20	60
Total	100%	100%		

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 $435,123 and $397,358 to the plan for the years ended August 31, 2017 and 2016, 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, 2017 and 2016.

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, 2017 and 2016. The actuarial liability related to split interest agreements amounted to $365,755 and $362,082 at August 31, 2017 and 2016, 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, 2017 and 2016 was $10,596 and $0, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Lease Commitment

TPT leases various equipment under noncancelable operating leases that expire between 2018 and 2021. Future minimum payments under these noncancelable operating lease agreements are as follows:

Year Ending August 31:		
2018	$	159,000
2019		152,000
2020		67,000
2021		31,000
Total	$	409,000

Total expense related to these operating leases was $153,690 and $149,107 for the years ended August 31, 2017 and 2016, 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, 2017 is approximately $3,090,000.

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.

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

NOTE 15 - ENDOWMENT (Continued)

Endowment net asset composition by type of fund consists of the following as of August 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds			$ 850,488	$ 850,488
Board-designated endowment funds	$ 15,666,715			15,666,715
Total endowment net assets	$ 15,666,715	$ -	$ 850,488	$ 16,517,203

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

Changes in endowment net assets for the year ended August 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets August 31, 2016	$ 13,768,738	$ -	$ 850,488	$ 14,619,226
Investment return:				
Investment income	381,319			381,319
Net appreciation - realized and unrealized	1,499,985	102,952		1,602,937
Total investment return	1,881,304	102,952		1,984,256
Contributions	636,006			636,006
Net assets released from restrictions	102,952	(102,952)		
Appropriation of endowment assets for expenditure	(660,000)			(660,000)
Actuarial adjustment related to split interest agreements	(62,285)			(62,285)
Endowment net assets, August 31, 2017	$ 15,666,715	$ -	$ 850,488	$ 16,517,203

NOTE 15 - ENDOWMENT (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	152,552	26,243		175,795
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	(56,756)			(56,756)
Endowment net assets, August 31, 2016	$ 13,768,738	$ -	$ 850,488	$ 14,619,226

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 15, 2017 which is the date that the consolidated financial statements were approved and available to be issued.

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
As of August 31, 2017

ASSETS

	TPT	TCPMC	Eliminations	Consolidated
Cash and cash equivalents	$ 3,299,112	$ 293,238		$ 3,592,350
Certificates of deposit	1,504,231			1,504,231
Accounts receivable	643,191			643,191
Prepaid expenses and other assets	562,634			562,634
Pledges receivable, net	376,672			376,672
Grants receivable	33,729,606			33,729,606
Leveraged loan receivable	6,392,800			6,392,800
Investments	19,684,810			19,684,810
Property and equipment, net	6,874,624	15,892,621		22,767,245
TOTAL ASSETS	$73,067,680	$16,185,859	$ -	$ 89,253,539

LIABILITIES AND NET ASSETS

	TPT	TCPMC	Eliminations	Consolidated
LIABILITIES				
Accounts payable	$ 681,756			$ 681,756
Other accrued expenses	2,249,384			2,249,384
Deferred revenue	372,493			372,493
Deferred compensation	1,097,447			1,097,447
Accrued pension liability	3,958,502			3,958,502
Loans payable, net of debt issuance costs		$ 8,665,035		8,665,035
Total Liabilities	8,359,582	8,665,035		17,024,617
NET ASSETS				
Unrestricted				
Operating fund	1,258,287			1,258,287
Property fund	14,530,217	7,520,824		22,051,041
Board designated fund	14,475,085			14,475,085
Total unrestricted	30,263,589	7,520,824		37,784,413
Temporarily restricted	33,594,021			33,594,021
Permanently restricted	850,488			850,488
Total Net Assets	64,708,098	7,520,824		72,228,922
TOTAL LIABILITIES AND NET ASSETS	$73,067,680	$16,185,859	$ -	$ 89,253,539

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017

	Twin Cities Public Television			Twin Cities Public Media Commons			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Eliminations	Total
REVENUES, GAINS AND OTHER SUPPORT							
Individual contributions and memberships	$ 13,898,645	$ 546,722					$ 14,445,367
Planned giving, principally bequests	763,375						763,375
Foundations	974,027	1,751,009					2,725,036
Corporations	184,121	1,261,000					1,445,121
Sponsorship	1,708,125						1,708,125
Corporation for Public Broadcasting grants and PBS grants	3,242,695	2,800,890					6,043,585
State of Minnesota grants		4,792,535					4,792,535
Federal government grants		13,271,990					13,271,990
Donated goods and professional services	55,898						55,898
Other contributions	152,466	3,761					156,227
Earned income	3,331,108						3,331,108
Net investment income	2,094,681	98,265					2,192,946
Other income	527,931			$ 250,000		$ (250,000)	527,931
Actuarial adjustment related to split interest agreements	(62,285)						(62,285)
Total revenues, gains and other support before endowment draw transfer and net assets released from restrictions	26,870,787	24,526,172		250,000		(250,000)	51,396,959
Net assets released from restrictions	11,128,809	(11,128,809)					
Total Revenues, Gains and Other Support	37,999,596	13,397,363		250,000		(250,000)	51,396,959
EXPENSES AND TRANSFERS OF NET ASSETS							
Program and supporting services							
Programming and production	23,882,358			797,230		(150,280)	24,529,308
Broadcasting	2,826,472			78,759		(17,385)	2,887,846
Program information	637,343			16,543		(4,958)	648,928
Fund raising	5,995,250			126,803		(37,999)	6,084,054
General and management	3,270,101			131,403		(39,378)	3,362,126
Total program and supporting services	36,611,524			1,150,738		(250,000)	37,512,262
Change in net assets before transfers of net assets and change in pension liability	1,388,072	13,397,363		(900,738)			13,884,697
Change in pension liability	886,752						886,752
Change in Net Assets	2,274,824	13,397,363		(900,738)			14,771,449
NET ASSETS - Beginning of Year	27,988,765	20,196,658	$ 850,488	8,421,562			57,457,473
NET ASSETS - END OF YEAR	$ 30,263,589	$ 33,594,021	$ 850,488	$ 7,520,824	$ -	$ -	$ 72,228,922