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, 2019 and 2018

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2019 and 2018, 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 TPT as of August 31, 2019 and 2018, 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 29 and 30 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 11, 2019

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of August 31, 2019 and 2018

ASSETS

	2019	2018
Cash and cash equivalents	$ 4,711,901	$ 5,969,294
Accounts receivable	697,302	586,296
Prepaid expenses and other assets	3,392,712	672,288
Property held for sale	1,440,000	
Pledges receivable, net	451,282	383,988
Grants receivable, net	26,969,757	33,127,777
Leveraged loan receivable	6,392,800	6,392,800
Investments	21,302,900	21,129,199
Property and equipment, net	19,993,776	21,314,506
TOTAL ASSETS	$ 85,352,430	$ 89,576,148

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Accounts payable	$ 1,195,017	$ 741,177
Other accrued expenses	2,375,746	3,440,950
Deferred revenue	374,952	237,886
Deferred compensation	1,216,929	1,213,386
Loans and note payable, net of debt issuance costs	9,837,818	9,751,427
Total Liabilities	15,000,462	15,384,826
NET ASSETS		
Without donor restrictions		
Operating fund	1,434,101	1,374,135
Property fund	17,774,193	19,202,210
Board designated fund	23,428,968	19,357,979
Total without donor restrictions	42,637,262	39,934,324
With donor restrictions	27,714,706	34,256,998
Total Net Assets	70,351,968	74,191,322
TOTAL LIABILITIES AND NET ASSETS	$ 85,352,430	$ 89,576,148

See accompanying notes to consolidated financial statements.

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019
with Comparative Totals for 2018

	Without Donor Restrictions						
	Operating	**Property**	**Board Designated**	**Total**	**With Donor Restrictions**	**2019 Total**	**2018 Total**
REVENUES, GAINS AND OTHER SUPPORT							
Individual contributions and memberships	$ 15,263,274		$ 7,629	$ 15,270,903	$ 99,000	$ 15,369,903	$ 14,978,060
Planned giving, principally bequests	176,213		2,689,042	2,865,255	96,666	2,961,921	1,162,272
Foundation contributions	725,965			725,965	1,962,938	2,688,903	5,295,838
Corporation contributions	85,814			85,814	22,000	107,814	84,843
Sponsorship	1,709,936			1,709,936		1,709,936	1,619,646
Corporation for Public Broadcasting grants and PBS grants	3,968,492			3,968,492	825,759	4,794,251	3,455,103
State of Minnesota grants					5,164,802	5,164,802	901,207
Federal government grants					7,923,678	7,923,678	10,770,780
Donated goods, facilities and professional services	34,809			34,809		34,809	136,138
Other contributions	143,405			143,405	15,000	158,405	196,875
Earned income	2,344,023			2,344,023		2,344,023	2,447,262
Net investment income (loss)	116,236	$ 51,749	(317,665)	(149,680)	(9,749)	(159,429)	2,134,801
Other income	499,840	13,428		513,268		513,268	654,795
Actuarial adjustment related to split interest agreements			(58,017)	(58,017)		(58,017)	(53,283)
Total revenues, gains and other support before endowment draw transfer and net assets released from restrictions	25,068,007	65,177	2,320,989	27,454,173	16,100,094	43,554,267	43,784,337
Endowment draw transfer	750,000		(750,000)				
Net assets released from restrictions	22,546,682	95,704		22,642,386	(22,642,386)		
Total Revenues, Gains and Other Support	48,364,689	160,881	1,570,989	50,096,559	(6,542,292)	43,554,267	43,784,337
EXPENSES AND TRANSFERS OF NET ASSETS							
Program and supporting services							
Programming and production	33,394,723	1,408,727		34,803,450		34,803,450	28,998,227
Broadcasting	1,875,866	195,389		2,071,255		2,071,255	2,583,138
Program information	346,176	11,084		357,260		357,260	549,509
Fund raising	6,025,357	154,959		6,180,316		6,180,316	6,359,658
General and management	3,901,274	80,066		3,981,340		3,981,340	3,348,234
Total program and supporting services	45,543,396	1,850,225		47,393,621		47,393,621	41,838,766
Change in net assets before transfers of net assets without donor restrictions and change in pension liability	2,821,293	(1,689,344)	1,570,989	2,702,938	(6,542,292)	(3,839,354)	1,945,571
Transfer and reclassification of net assets without donor restrictions	(2,761,327)	261,327	2,500,000				
Change in pension liability							16,829
Change in Net Assets	59,966	(1,428,017)	4,070,989	2,702,938	(6,542,292)	(3,839,354)	1,962,400
NET ASSETS - Beginning of Year	1,374,135	19,202,210	19,357,979	39,934,324	34,256,998	74,191,322	72,228,922
NET ASSETS - END OF YEAR	$ 1,434,101	$ 17,774,193	$ 23,428,968	$ 42,637,262	$ 27,714,706	$ 70,351,968	$ 74,191,322

See accompanying notes to consolidated financial statements.

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

	Without Donor Restrictions					
	Operating	Property	Board Designated	Total	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT						
Individual contributions and memberships	$ 14,898,451		$ 18,342	$ 14,916,793	$ 61,267	$ 14,978,060
Planned giving, principally bequests	253,236		909,036	1,162,272		1,162,272
Foundation contributions	1,042,384			1,042,384	4,253,454	5,295,838
Corporation contributions	67,843			67,843	17,000	84,843
Sponsorship	1,619,646			1,619,646		1,619,646
Corporation for Public Broadcasting grants and PBS grants	2,813,757			2,813,757	641,346	3,455,103
State of Minnesota grants	258,333			258,333	642,874	901,207
Federal government grants					10,770,780	10,770,780
Donated goods, facilities and professional services	136,138			136,138		136,138
Other contributions	190,275			190,275	6,600	196,875
Earned income	2,447,262			2,447,262		2,447,262
Net investment income	89,774	$ 63,928	1,894,515	2,048,217	86,584	2,134,801
Other income	635,467	7,813	11,515	654,795		654,795
Actuarial adjustment related to split interest agreements			(53,283)	(53,283)		(53,283)
Total revenues, gains and other support before endowment draw transfer and net assets released from restrictions	24,452,566	71,741	2,780,125	27,304,432	16,479,905	43,784,337
Endowment draw transfer	699,996		(699,996)			
Net assets released from restrictions	16,211,957	207,353	248,106	16,667,416	(16,667,416)	
Total Revenues, Gains and Other Support	41,364,519	279,094	2,328,235	43,971,848	(187,511)	43,784,337
EXPENSES AND TRANSFERS OF NET ASSETS						
Program and supporting services						
Programming and production	27,411,128	1,587,099		28,998,227		28,998,227
Broadcasting	2,348,510	234,628		2,583,138		2,583,138
Program information	528,816	20,693		549,509		549,509
Fund raising	6,194,647	165,011		6,359,658		6,359,658
General and management	3,249,791	98,443		3,348,234		3,348,234
Total program and supporting services	39,732,892	2,105,874		41,838,766		41,838,766
Change in net assets before transfers of net assets without donor restrictions and change in pension liability	1,631,627	(1,826,780)	2,328,235	2,133,082	(187,511)	1,945,571
Transfer and reclassification of net assets without donor restrictions	(1,515,779)	225,578	1,290,201			
Change in pension liability			16,829	16,829		16,829
Change in Net Assets	115,848	(1,601,202)	3,635,265	2,149,911	(187,511)	1,962,400
NET ASSETS - Beginning of Year	1,258,287	20,803,412	15,722,714	37,784,413	$ 34,444,509	72,228,922
NET ASSETS - END OF YEAR	$ 1,374,135	$ 19,202,210	$ 19,357,979	$ 39,934,324	$ 34,256,998	$ 74,191,322

See accompanying notes to consolidated financial statements.

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSUDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended August 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (3,839,354)	$ 1,962,400
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,554,480	1,758,543
Amortization of debt issuance costs	86,391	86,392
Net realized and unrealized (gains) losses on investments	722,565	(1,787,221)
Loss on disposal of property and equipment		26,498
Pension plan termination payment		(3,971,752)
Contributions of property received to be sold	(1,440,000)	
Change in operating assets and liabilities		
Accounts receivable	(111,006)	56,895
Prepaid expenses and other assets	(2,720,424)	(109,654)
Pledges receivable	(67,294)	(33,316)
Grants receivable	6,158,020	601,829
Accounts payable	425,139	59,666
Other accrued expenses	(1,065,204)	1,191,566
Deferred revenue	137,066	(134,607)
Deferred compensation	3,543	115,939
Accrued pension liability		13,250
Contributions restricted for long-term investment and plant		(194,407)
Net Cash Flows From Operating Activities	(156,078)	(357,979)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(205,049)	(332,547)
Sales of certificates of deposit		1,504,231
Purchases of investments	(1,147,323)	(513,430)
Sale of investments	251,057	856,262
Net Cash Flows From Investing Activities	(1,101,315)	1,514,516
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of note payable		1,000,000
Contributions received restricted for long-term investment and plant		220,407
Net Cash Flows From Financing Activities		1,220,407
Net Change in Cash and Cash Equivalents	(1,257,393)	2,376,944
CASH AND CASH EQUIVALENTS - Beginning of Year	5,969,294	3,592,350
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,711,901	$ 5,969,294
Supplemental disclosures of cash flow information		
Taxes paid	$ 53,200	$ -
Interest paid	116,432	116,432
Noncash investing and financing activities		
Property and equipment acquired through accounts payable	28,701	

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, 2019
with Comparative Totals for 2018

	2019							
	Program Services				Supporting Services			
	Programming and Production	Broadcasting	Program Information	Total	Fund Raising	General and Management	2019 Total	2018 Total
Salaries, payroll taxes and employee benefits	$ 12,526,561	$ 1,170,706	$ 230,931	$ 13,928,198	$ 2,786,719	$ 3,202,852	$ 19,917,769	$ 20,079,318
Program acquisition	4,485,303			4,485,303			4,485,303	3,588,191
PBS and regional memberships	97,913	8,126	2,328	108,367	23,766	20,466	152,599	138,699
Legal services	20,006	54	653	20,713	270	(1,465)	19,518	138,611
Accounting services	7,564			7,564	22,691	45,381	75,636	84,910
Outside services	14,287,674	22,949	27,397	14,338,020	315,197	183,574	14,836,791	9,574,335
Professional fundraiser	12,000			12,000	1,207,814		1,219,814	1,210,787
Office supplies	24,962	1,524	911	27,397	24,390	13,275	65,062	53,952
Postage	10,466	2,132	118	12,716	352,880	4,913	370,509	369,397
Telephone and data services	28,983	52,757	324	82,064	5,438	2,862	90,364	68,544
Occupancy	430,968	279,755	5,765	716,488	78,211	130,337	925,036	1,075,671
Printing and publications	94,744	2,368	42,883	139,995	341,219	47,785	528,999	544,221
Recording media	15,241			15,241	697		15,938	29,757
Other program costs	227,060	45	225	227,330	36,998	12,163	276,491	293,512
Advertising	153,538	351	10,190	164,079	15,223	9,347	188,649	198,084
Premiums	1,140	34	972	2,146	343,057	838	346,041	391,442
Rental and maintenance of equipment	490,085	328,196	17,029	835,310	69,143	79,391	983,844	940,494
Travel	399,646	3,692	2,234	405,572	90,747	24,883	521,202	486,386
Conferences and meetings	80,651	3,050	1,510	85,211	21,300	11,261	117,772	97,832
Miscellaneous	209,572	127	2,706	212,405	289,597	113,411	615,413	629,688
Depreciation and amortization	1,199,373	195,389	11,084	1,405,846	154,959	80,066	1,640,871	1,844,935
Total Expenses	$ 34,803,450	$ 2,071,255	$ 357,260	$ 37,231,965	$ 6,180,316	$ 3,981,340	$ 47,393,621	$ 41,838,766

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, 2018

	Program Services				Supporting Services		
	Programming and Production	**Broadcasting**	**Program Information**	**Total**	**Fund Raising**	**General and Management**	**Total**
Salaries, payroll taxes and employee benefits	$ 12,706,470	$ 1,641,655	$ 347,965	$ 14,696,090	$ 2,783,316	$ 2,599,912	$ 20,079,318
Program acquisition	3,588,191			3,588,191			3,588,191
PBS and regional memberships	88,952	8,949	2,613	100,514	24,338	13,847	138,699
Legal services	85,988	729	196	86,913	1,813	49,885	138,611
Accounting services						84,910	84,910
Outside services	8,931,666	26,356	40,296	8,998,318	421,412	154,605	9,574,335
Professional fundraiser					1,210,787		1,210,787
Office supplies	30,340	3,364	1,682	35,386	11,279	7,287	53,952
Postage	15,268	1,522	92	16,882	345,281	7,234	369,397
Telephone and data services	13,035	46,969	547	60,551	5,941	2,052	68,544
Occupancy	514,897	306,220	11,956	833,073	125,214	117,384	1,075,671
Printing and publications	88,951	2,814	62,724	154,489	355,292	34,440	544,221
Recording media	25,953			25,953	3,804		29,757
Other program costs	255,618	118	15	255,751	28,166	9,595	293,512
Advertising	129,877	876	34,449	165,202	17,469	15,413	198,084
Premiums	3,979		1	3,980	387,420	42	391,442
Rental and maintenance of equipment	471,532	296,082	20,154	787,768	74,738	77,988	940,494
Travel	348,842	6,762	1,858	357,462	104,984	23,940	486,386
Conferences and meetings	69,991	3,994	1,069	75,054	16,521	6,257	97,832
Miscellaneous	276,018	2,101	3,199	281,318	276,872	71,498	629,688
Depreciation and amortization	1,352,659	234,627	20,693	1,607,979	165,011	71,945	1,844,935
Total Expenses	$ 28,998,227	$ 2,583,138	$ 549,509	$ 32,130,874	$ 6,359,658	$ 3,348,234	$ 41,838,766

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 two 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:

With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of TPT and/or the passage of time or maintained permanently by TPT. Generally, the donors of assets held in perpetuity permit TPT to use all or part of the income earned on related investments for general or specific purposes.

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

TPT classifies its net assets without donor restrictions in three funds: Operating fund (undesignated), Property fund (undesignated) and Board Designated fund.

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.

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. TPT's Board has designated funds for the following purposes:

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Board Designated (continued) –

Board Designated Endowment Fund ($17,641,002 and $16,049,480 as of August 31, 2019 and 2018, respectively): 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 2019 and 2018 was 4.7% and 4.4%, respectively.

Property Acquisition Designated Fund ($1,397,629 and $1,247,629 as of August 31, 2019 and 2018, respectively): This fund consists of assets designated by the Board which can be made available to acquire new property and equipment. Spending from this fund requires Board approval.

Working Capital Fund ($2,530,824 and $1,351,357 as of August 31, 2019 and 2018, respectively): This fund provides TPT a funding mechanism to fund opportunities that arise outside of the normal operating plan and also serves as a reserve to cover short-term budget deficits. This fund also includes the Note Payable described in Note 9, whose proceeds were used in the liquidation of the defined benefit pension plan. Spending from this fund requires Board approval.

National Program Development Fund ($388,759 as of August 31, 2019 and 2018, respectively): This fund provides a revolving development fund to make investments in National Production opportunities. Borrowing from this fund can be authorize by the President or CFO and must be repaid in 24 months.

Campaign Fund ($170,754 and $320,754 as of August 31, 2019 and 2018, respectively): This fund is the remaining value of a capital campaign initiative that was used to renew and renovate TPT's 25 year-old facility while also strengthening our connection to the communities we serve. The renovation of our building was completed in December 2015.

Management Fund ($1,300,000 and $0 as of August 31, 2019 and 2018, respectively): This fund was created to advance TPT's strategic initiatives and pursue revenue-generating activity that is beyond current strategies. Spending from this fund can be authorized by the President.

Revenues from sources other than contributions and grants are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Income earned on donor restricted funds is initially classified as net assets with donor restrictions and is reclassified as net assets without donor restrictions 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 net assets with donor 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 two 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenue within net assets with donor restrictions upon receipt of the grant. Expenses relating to the use of the grants are recorded as operating expenses within net assets without donor restrictions as incurred and related revenue is released from net assets with donor restrictions and transferred to net assets without donor restrictions 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 revenue within net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenue within net assets with donor restrictions; the restrictions are 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 net assets with donor restrictions.

Gains and losses on investments of endowment funds created by a board designation of unrestricted funds are classified as changes in net assets without donor restrictions.

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.

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

Property Held for Sale - Property held for sale is recorded at the lower of cost or estimated net realizable value.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - Contributions received that do not contain any donor restrictions through bequests and other planned giving instruments are recorded as net assets without donor restrictions within a 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 are received from The Corporation for Public Broadcasting ("CPB"). These grants are recognized as revenues within net assets without donor restrictions as they are received. Grants received from PBS are usually restricted for a specific purpose and recognized as revenues within net assets with donor restrictions until the restrictions of the grant are met.

***Donated Goods, Facilities and Professional Services* -** Donated goods, facilities and professional services are recognized as revenue within net assets without donor restrictions 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.

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. Certain categories of expenses are attributable to one or more program or supporting functions of TPT. Operational unit expenses are allocated to the functional categories using time and labor allocations. The total percentages of the functional activity for operational units are then used to allocate any department expenses that support the employees of TPT, like building services, information technology and building depreciation.

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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018. 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.

New Accounting Pronouncement Adopted in Current Year - In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* TPT adopted the provisions of this new standard during the year ended August 31, 2019. The primary changes include presenting two classes of net assets versus the three categories previously required and recognition of underwater endowment funds as a reduction to the net assets with donor restrictions class. The standard also provides for enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both natural and functional classification. This standard has been retrospectively applied to the prior period presented with certain transition provisions.

New Accounting Pronouncements Not Yet Effective - In May 2014, 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 (fiscal year 2020). TPT is assessing the impact this standard will have on its financial statements.

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, 2020 (fiscal year 2022). 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 June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The standard is effective for fiscal years beginning after December 15, 2018 (fiscal year 2020) and intended to be implemented concurrently with ASU 2014-09. TPT is assessing the impact this standard will have on its financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The following table reflects TPT's financial assets available for general expenditure within one year at August 31, 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of assets whose use is limited by loan and other agreements. Other financial assets that are excluded from this measure of liquidity include endowments and accumulated earnings restricted by donors or TPT's Board of Directors, bond reserves that can only be used for specific capital projects, assets held for or by others and annuity reserves.

Financial assets:	
Cash and cash equivalents	$ 4,711,901
Accounts receivable	697,302
Grants receivable for fiscal 2020	18,740,918
Endowment draw for fiscal 2020	775,000
Contributions receivable (without donor restrictions)	354,615
Non-endowment related investments	1,012,414
Total	$ 26,292,150

Cash in excess of daily requirements is typically invested in short-term, liquid securities. TPT also has an unsecured $1,000,000 line of credit (see Note 9) available to meet unanticipated cash needs. TPT has Board Designated Endowment Funds, which are not included in the table above, of $17,641,002 which could also be made available at the direction of the Board.

As part of TPT's liquidity management, TPT has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. TPT paid PBS dues of approximately $3,398,000 prior to August 31, 2019, in advance of receiving an annual grant from the CPB. This amount is included within prepaid expenses and other assets on the statement of financial position, thus is not reflected in the table above. TPT also received a signed purchase agreement in October 2019 for one of the assets held for sale in the amount of $810,000.

NOTE 3 - FAIR VALUE MEASUREMENTS AND INVESTMENTS

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.

NOTE 3 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (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.

There have been no changes in the techniques and inputs used as of August 31, 2019 and 2018.

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.

Investments in a hedge fund and a fund of hedge funds are measured at fair value using the net asset value (NAV) per share (or its equivalent) of such investment funds as a practical expedient for fair value. TPT has estimated the fair value of these funds by using the net asset value provided by the investee.

NOTE 3 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The following table presents information about TPT's assets measured at fair value on a recurring basis as of August 31, 2019:

	Total	Level 1	Level 2	Level 3
ASSETS				
Money market funds	$ 2,499,812		$ 2,499,812	
Mutual funds				
U.S. equities	7,256,518	$ 7,256,518		
U.S. fixed income	586,455	586,455		
U.S. target allocation	328,491	328,491		
U.S. real estate	59,042	59,042		
Global equities	4,471,065	4,471,065		
Emerging markets equities	4,073,047	4,073,047		
Subtotal assets by valuation hierarchy	19,274,430	$ 16,774,618	$ 2,499,812	$
Assets measured using NAV				
Hedge fund	1,853,947			
Fund of hedge funds	2,661,921			
Subtotal assets measured using NAV	4,515,868			
Total assets at fair value	$ 23,790,298			

Total assets at fair value consist of the following at August 31, 2019:

Investments per the statement of financial position	$ 21,302,900
Other investments (at cost)	(12,414)
Money market funds in cash and cash equivalents	2,499,812
	$ 23,790,298

NOTE 3 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The following table presents information about TPT's assets measured at fair value on a recurring basis as of August 31, 2018:

	Total	Level 1	Level 2	Level 3
ASSETS				
Money market funds	$ 2,910,970		$ 2,910,970	
Mutual funds				
U.S. equities	7,421,604	$ 7,421,604		
U.S. fixed income	2,200,048	2,200,048		
U.S. target allocation	484,270	484,270		
U.S. real estate	11,988	11,988		
Global equities	4,127,182	4,127,182		
Emerging markets equities	2,364,110	2,364,110		
Subtotal assets by valuation hierarchy	19,520,172	$ 16,609,202	$ 2,910,970	$ -
Assets measured using NAV				
Hedge fund	1,834,936			
Fund of hedge funds	2,672,647			
Subtotal assets measured using NAV	4,507,583			
Total assets at fair value	$ 24,027,755			

Total assets at fair value consist of the following at August 31, 2018:

Investments per the statement of financial position	$ 21,129,199
Other investments (at cost)	(12,414)
Money market funds in cash and cash equivalents	2,910,970
	$ 24,027,755

NOTE 3 - FAIR VALUE MEASUREMENTS AND INVESTMENTS (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, 2019 and 2018:

	2019 Fair Value	2018 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period	Remaining Life (Years)
Asset Class						
Hedge fund	$ 1,853,947	$ 1,834,936	None	Quarterly	45 days	N.A.
Fund of hedge funds	2,661,921	2,672,647	None	45 days	45 days	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 - 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.

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:

	2019	2018
Net investment income		
Interest and dividends	$ 563,136	$ 347,580
Net realized and unrealized gains/(losses)	(722,565)	1,787,221
Total	$ (159,429)	$ 2,134,801

NOTE 4 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes at August 31:

	2019	2018
Time or Purpose restrictions:		
Project support	$ 26,286,131	$ 32,529,559
Capital and equipment purchases		95,704
Pledges receivable, net	96,667	
Next Avenue	286,420	263,664
Future operations (time restricted)	195,000	517,583
Total time or purpose restrictions	$ 26,864,218	$ 33,406,510
Endowment fund (to be held in perpetuity)	850,488	850,488
Net assets with donor restrictions	$ 27,714,706	$ 34,256,998

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from net assets with 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:

	2019	2018
Purpose restrictions:		
Project support	$ 21,331,184	$ 15,700,139
Capital and equipment purchases	95,704	95,704
Campaign for TPT		161,521
Next Avenue	707,664	568,468
Endowment		86,584
Future operations (time restricted)	507,834	55,000
Total	$ 22,642,386	$ 16,667,416

NOTE 6 - PLEDGES AND GRANTS RECEIVABLE

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

	2019	2018
Amounts due in:		
Less than one year	$ 19,192,200	$ 22,086,983
One to five years	8,465,448	12,031,548
Gross pledges and grants receivable	27,657,648	34,118,531
Less: Unamortized discount	(236,609)	(606,766)
Net pledges and grants receivable	$ 27,421,039	$ 33,511,765
Pledges receivable, net	$ 451,282	$ 383,988
Grants receivable, net	26,969,757	33,127,777
Net pledges and grants receivable	$ 27,421,039	$ 33,511,765

Pledges and grants receivable due in one to five years were discounted at interest rates varying from 1.40% to 1.50% at August 31, 2019 and 2.62% to 2.70% at August 31, 2018. 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, 2019 or 2018.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	2019	2018
Land	$ 370,000	$ 370,000
Building	25,849,898	25,849,898
Tower and transmitter equipment	5,666,734	5,668,512
Production equipment and fixtures	7,597,310	7,416,045
Computer equipment	2,169,348	2,134,436
Office furniture and equipment	1,487,790	1,487,790
Construction in progress		17,379
	43,141,080	42,944,060
Less: Accumulated depreciation	(23,147,304)	(21,629,554)
Total	$ 19,993,776	$ 21,314,506

Property held for sale at August 31, 2019 consists of a house and a condominium that were contributed to TPT during 2019. The house was listed for sale and subsequent to August 31, 2019, TPT has accepted a purchase offer in the amount of $810,000. The sale of the house is expected in November 2019. Plans to renovate the condominium are currently being reviewed, and it is expected to be listed for sale in early 2020.

NOTE 8 - LINE OF CREDIT

TPT has a $1,000,000 line of credit agreement with Bremer Bank which expires on May 26, 2020, and carries an interest rate of the bank's index rate plus 0.25 percentage points. There was no balance outstanding at August 31, 2019 and 2018 under this agreement. The line is collateralized by certain assets of TPT and requires TPT to meet certain financial covenants.

NOTE 9 - LOANS AND NOTE PAYABLE, NET

Loans and note payable consist of the following at August 31, 2019 and 2018:

	2019	2018
Leveraged loan payable - A	$ 6,392,800	$ 6,392,800
Leveraged loan payable - B	2,632,200	2,632,200
Note payable	1,000,000	1,000,000
	10,025,000	10,025,000
Debt issuance costs	(187,182)	(273,573)
Total	$ 9,837,818	$ 9,751,427

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 $14,029,713 at August 31, 2019.

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 the year ended August 31, 2018, TPT received funds in exchange for a note payable in the amount of $1,000,000. The proceeds received were used in the liquidation of the defined benefit pension plan. Interest on the note payable is 2.11% per annum calculated and due on an annual basis. The note payable is due on December 17, 2026.

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 had 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 were 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 was 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 intended to terminate the plan in a standard termination with a proposed termination date of July 1, 2016. There was a $3,971,752 contribution made in fiscal 2018 in connection with the settlement and liquidation of plan assets in April 2018.

NOTE 11 - EMPLOYEE BENEFIT PLANS (Continued)

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 1% of pay, plus 50% of elective deferral contributions which are over 1% 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 $482,494 and $471,666 to the plan for the years ended August 31, 2019 and 2018, 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, 2019 and 2018.

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 net assets with or without donor restrictions, based on the intent of the gift.

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, 2019 and 2018. The actuarial liability related to split interest agreements amounted to $368,198 and $400,745 at August 31, 2019 and 2018, 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, 2019 and 2018 was $58,017 and $54,087, respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Lease Commitment

TPT leases various equipment under noncancelable operating leases that expire between 2019 and 2024. Future minimum payments under these noncancelable operating lease agreements are as follows:

Year Ending August 31:		
2020	$	89,000
2021		24,000
2022		17,000
2023		15,000
2024		7,000
Total	$	152,000

Total expense related to these operating leases was $159,543 and $159,178 for the years ended August 31, 2019 and 2018, 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, 2019 is approximately $606,000 as a payment of approximately $3,398,000 had already been made on the PBS dues for fiscal year 2020 of $4,004,000, which is included in prepaid expense and other assets on the consolidated statement of financial position.

Legal

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 recorded in net assets without donor restrictions. 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 net assets with donor restrictions 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, 2019:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor restricted endowment funds		$ 850,488	$ 850,488
Board designated endowment funds	$ 17,641,002		17,641,002
Total endowment net assets	$ 17,641,002	$ 850,488	$ 18,491,490

Endowment net asset composition by type of fund consists of the following as of August 31, 2018:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor restricted endowment funds		$ 850,488	$ 850,488
Board designated endowment funds	$ 16,049,480		16,049,480
Total endowment net assets	$ 16,049,480	$ 850,488	$ 16,899,968

Changes in endowment net assets for the year ended August 31, 2019 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets August 31, 2018	$ 16,049,480	$ 850,488	$ 16,899,968
Investment return:			
Investment income	863,675		863,675
Net depreciation - realized and unrealized	(1,160,806)		(1,160,806)
Total investment return	(297,131)		(297,131)
Contributions	2,696,670		2,696,670
Appropriation of endowment assets for expenditure	(750,000)		(750,000)
Actuarial adjustment related to split interest agreements	(58,017)		(58,017)
Endowment net assets, August 31, 2019	$ 17,641,002	$ 850,488	$ 18,491,490

NOTE 15 - ENDOWMENT (Continued)

Changes in endowment net assets for the year ended August 31, 2018 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets August 31, 2017	$ 15,666,715	$ 850,488	$ 16,517,203
Investment return:			
Investment income	254,911		254,911
Net appreciation - realized and unrealized	1,565,400	86,584	1,651,984
Total investment return	1,820,311	86,584	1,906,895
Contributions	938,893		938,893
Net assets released from restrictions	86,584	(86 584)	
Appropriation of endowment assets for expenditure	(699,996)		(699,996)
Other board appropriation - pension termination	(1,709,744)		(1,709,744)
Actuarial adjustment related to split interest agreements	(53,283)		(53,283)
Endowment net assets, August 31, 2018	$ 16,049,480	$ 850,488	$ 16,899,968

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.

NOTE 15 - ENDOWMENT (Continued)

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 11, 2019, 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, 2019

ASSETS

	TPT	TCPMC	Eliminations	Consolidated
Cash and cash equivalents	$ 4,624,207	$ 87,694		$ 4,711,901
Accounts receivable	697,302			697,302
Prepaid expenses and other assets	3,392,712			3,392,712
Property held for sale	1,440,000			1,440,000
Pledges receivable, net	451,282			451,282
Grants receivable, net	26,969,757			26,969,757
Leveraged loan receivable	6,392,800			6,392,800
Investments	21,302,900			21,302,900
Property and equipment, net	5,964,063	14,029,713		19,993,776
TOTAL ASSETS	$ 71,235,023	$ 14,117,407	$ -	$ 85,352,430

LIABILITIES AND NET ASSETS

	TPT	TCPMC	Eliminations	Consolidated
LIABILITIES				
Accounts payable	$ 1,195,017			$ 1,195,017
Other accrued expenses	2,375,746			2,375,746
Deferred revenue	374,952			374,952
Deferred compensation	1,216,929			1,216,929
Loans and note payable, net of debt issuance costs	1,000,000	$ 8,837,818		9,837,818
Total Liabilities	6,162,644	8,837,818		15,000,462
NET ASSETS				
Without donor restrictions				
Operating fund	1,434,101			1,434,101
Property fund	12,494,604	5,279,589		17,774,193
Board designated fund	23,428,968			23,428,968
Total without donor restrictions	37,357,673	5,279,589		42,637,262
With donor restrictions	27,714,706			27,714,706
Total Net Assets	65,072,379	5,279,589		70,351,968
TOTAL LIABILITIES AND NET ASSETS	$ 71,235,023	$ 14,117,407	$ -	$ 85,352,430

TWIN CITIES PUBLIC TELEVISION, INC.
AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

	Twin Cities Public Television		Twin Cities Public Media Commons			
	Without Donor Restrictions	**With Donor Restrictions**	**Without Donor Restrictions**	**With Donor Restrictions**	**Eliminations**	**Total**
REVENUES, GAINS AND OTHER SUPPORT						
Individual contributions and memberships	$ 15,270,903	$ 99,000				$ 15,369,903
Planned giving, principally bequests	2,865,254	96,667				2,961,921
Foundation contributions	725,965	1,962,938				2,688,903
Corporation contributions	85,814	22,000				107,814
Sponsorship	1,709,936					1,709,936
Corporation for Public Broadcasting grants and PBS grants	3,968,492	825,759				4,794,251
State of Minnesota grants		5,164,802				5,164,802
Federal government grants		7,923,678				7,923,678
Donated goods and professional services	34,809					34,809
Other contributions	143,405	15,000				158,405
Earned income	2,344,023					2,344,023
Net investment income (loss)	(149,679)	(9,750)				(159,429)
Other income	513,268		$ 150,000		$ (150,000)	513,268
Actuarial adjustment related to split interest agreements	(58,017)					(58,017)
Total revenues, gains and other support before endowment draw transfer and net assets released from restrictions	27,454,173	16,100,094	150,000		(150,000)	43,554,267
Net assets released from restrictions	22,642,386	(22,642,386)				
Total Revenues, Gains and Other Support	50,096,559	(6,542,292)	150,000		(150,000)	43,554,267
EXPENSES AND TRANSFERS OF NET ASSETS						
Program and supporting services						
Programming and production	34,047,372		862,638		(106,560)	34,803,450
Broadcasting	2,014,620		66,070		(9,435)	2,071,255
Program information	351,923		6,507		(1,170)	357,260
Fund raising	6,083,149		118,467		(21,300)	6,180,316
General and management	3,928,720		64,155		(11,535)	3,981,340
Total program and supporting services	46,425,784		1,117,837		(150,000)	47,393,621
Change in net assets before transfers of net assets and change in pension liability	3,670,775	(6,542,292)	(967,837)			(3,839,354)
Interfund/Intrafund transfers	372,660		(372,660)			
Change in Net Assets	4,043,435	(6,542,292)	(1,340,497)			(3,839,354)
NET ASSETS - Beginning of Year	33,314,238	34,256,998	6,620,086			74,191,322
NET ASSETS - END OF YEAR	$ 37,357,673	$ 27,714,706	$ 5,279,589	$ -	$ -	$ 70,351,968