

**Twin Cities Public Television, Inc.
and Subsidiary**

Consolidated Financial Statements
and Supplementary Information

August 31, 2020 and 2019

Twin Cities Public Television, Inc. and Subsidiary

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August 31, 2020 and 2019

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Independent Auditors' Report

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

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, 2020 and 2019, 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 the TPT as of August 31, 2020 and 2019, 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 27 and 28 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 US, LLP

Minneapolis, Minnesota
November 18, 2020

Twin Cities Public Television, Inc. and Subsidiary

Consolidated Statements of Financial Position

August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 10,076,125	\$ 4,711,901
Accounts receivable	848,769	697,302
Prepaid expenses and other assets	603,003	3,392,712
Property held for sale		1,440,000
Pledges receivable, net	242,145	451,282
Grants receivable, net	13,911,919	26,969,757
Leveraged loan receivable	6,392,800	6,392,800
Investments	31,541,639	21,302,900
Property and equipment, net	<u>18,712,004</u>	<u>19,993,776</u>
Total assets	<u>\$ 82,328,404</u>	<u>\$ 85,352,430</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 797,390	\$ 1,195,017
Other accrued expenses	3,161,612	2,375,746
Deferred revenue	497,243	374,952
Deferred compensation	1,257,438	1,216,929
Loans and note payable, net of debt issuance costs	<u>13,042,510</u>	<u>9,837,818</u>
Total liabilities	<u>18,756,193</u>	<u>15,000,462</u>
Net Assets		
Without donor restrictions:		
Operating fund	1,403,876	1,434,101
Property fund	16,454,278	17,774,193
Board designated fund	<u>30,215,482</u>	<u>23,428,968</u>
Total without donor restrictions	48,073,636	42,637,262
With donor restrictions	<u>15,498,575</u>	<u>27,714,706</u>
Total net assets	<u>63,572,211</u>	<u>70,351,968</u>
Total liabilities and net assets	<u>\$ 82,328,404</u>	<u>\$ 85,352,430</u>

See notes to consolidated financial statements

Twin Cities Public Television, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended August 31, 2020 with Comparative Totals for 2019

	Without Donor Restrictions			With Donor Restrictions	2020 Total	2019 Total	
	Operating	Property	Board Designated				Total
Revenues, Gains and Other Support							
Individual contributions and memberships	\$ 16,546,216		\$ 10,420	\$ 16,556,636	\$ 11,705	\$ 16,568,341	\$ 15,369,903
Planned giving, principally bequests	212,100		1,800,472	2,012,572		2,012,572	2,961,921
Foundation contributions	925,081			925,081	3,242,675	4,167,756	2,688,903
Corporation contributions	49,016			49,016	1,392,369	1,441,385	107,814
Sponsorship	1,394,920			1,394,920		1,394,920	1,709,936
Corporation for Public Broadcasting grants and PBS grants	3,579,916		200,000	3,779,916	1,870,643	5,650,559	4,794,251
State of Minnesota grants	258,333			258,333	589,145	847,478	5,164,802
Federal government grants					1,110,191	1,110,191	7,923,678
Donated goods, facilities and professional services	70,001			70,001		70,001	34,809
Other contributions	149,978			149,978	16,200	166,178	158,405
Earned income	2,440,750			2,440,750		2,440,750	2,344,023
Net investment income (loss)	62,636	\$ 165,734	2,311,112	2,539,482	85,312	2,624,794	(159,429)
Loss on property held for sale			(105,000)	(105,000)		(105,000)	
Other income	650,118			650,118		650,118	513,268
Actuarial adjustment related to split interest agreements			(13,821)	(13,821)		(13,821)	(58,017)
Total revenues, gains and other support before endowment draw transfer and net assets released from restrictions	26,339,065	165,734	4,203,183	30,707,982	8,318,240	39,026,222	43,554,267
Endowment draw transfer	774,996		(774,996)				
Net assets released from restrictions	20,363,355	95,704	85,312	20,544,371	(20,544,371)		
Total revenues, gains and other support	47,477,416	261,438	3,513,499	51,252,353	(12,226,131)	39,026,222	43,554,267
Expenses and Transfers of Net Assets							
Program and supporting services:							
Programming and production	31,927,088	1,373,998		33,301,086		33,301,086	34,803,450
Broadcasting	1,795,900	184,631		1,980,531		1,980,531	2,071,255
Program information	453,849	18,038		471,887		471,887	357,260
Fund raising	5,837,766	180,728		6,018,494		6,018,494	6,180,316
General and management	3,961,277	72,704		4,033,981		4,033,981	3,981,340
Total program and supporting services	43,975,880	1,830,099		45,805,979		45,805,979	47,393,621
Change in net assets before transfers of net assets without donor restrictions and change in pension liability	3,501,536	(1,568,661)	3,513,499	5,446,374	(12,226,131)	(6,779,757)	(3,839,354)
Transfer and reclassification of net assets without donor restrictions	(3,531,761)	248,746	3,273,015	(10,000)	10,000		
Change in net assets	(30,225)	(1,319,915)	6,786,514	5,436,374	(12,216,131)	(6,779,757)	(3,839,354)
Net Assets, Beginning	1,434,101	17,774,193	23,428,968	42,637,262	27,714,706	70,351,968	74,191,322
Net Assets, Ending	\$ 1,403,876	\$ 16,454,278	\$ 30,215,482	\$ 48,073,636	\$ 15,498,575	\$ 63,572,211	\$ 70,351,968

See notes to consolidated financial statements

Twin Cities Public Television, Inc. and Subsidiary

Consolidated Statement of Activities

Year Ended August 31, 2019

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Property	Board Designated		
Revenues, Gains and Other Support					
Individual contributions and memberships	\$ 15,263,274		\$ 7,629	\$ 15,270,903	\$ 15,369,903
Planned giving, principally bequests	176,213		2,689,042	2,865,255	2,961,921
Foundation contributions	725,965			725,965	1,962,938
Corporation contributions	85,814			85,814	107,814
Sponsorship	1,709,936			1,709,936	1,709,936
Corporation for Public Broadcasting grants and PBS grants	3,968,492			3,968,492	825,759
State of Minnesota grants					5,164,802
Federal government grants					7,923,678
Donated goods, facilities and professional services	34,809			34,809	34,809
Other contributions	143,405			143,405	158,405
Earned income	2,344,023			2,344,023	2,344,023
Net investment income (loss)	116,236	\$ 51,749	(317,665)	(149,680)	(159,429)
Other income	499,840	13,428		513,268	513,268
Actuarial adjustment related to split interest agreements			(58,017)	(58,017)	(58,017)
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	43,554,267
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)
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
Broadcasting	1,875,866	195,389		2,071,255	2,071,255
Program information	346,176	11,084		357,260	357,260
Fund raising	6,025,357	154,959		6,180,316	6,180,316
General and management	3,901,274	80,066		3,981,340	3,981,340
Total program and supporting services	45,543,396	1,850,225		47,393,621	47,393,621
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)
Transfer and reclassification of net assets without donor restrictions	(2,761,327)	261,327	2,500,000		
Change in net assets	59,966	(1,428,017)	4,070,989	2,702,938	(6,542,292)
Net Assets, Beginning	1,374,135	19,202,210	19,357,979	39,934,324	34,256,998
Net Assets, Ending	\$ 1,434,101	\$ 17,774,193	\$ 23,428,968	\$ 42,637,262	\$ 27,714,706

See notes to consolidated financial statements

Twin Cities Public Television, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended August 31, 2020 with Comparative Totals for 2019

	2020							
	Program Services				Supporting Services			
	Programming and Production	Broadcasting	Program Information	Total	Fund Raising	General and Management	2020 Total	2019 Total
Salaries, payroll taxes and employee benefits	\$ 12,622,855	\$ 1,132,705	\$ 322,795	\$ 14,078,355	\$ 3,297,325	\$ 3,375,309	\$ 20,750,989	\$ 19,917,769
Program acquisition	4,289,403			4,289,403			4,289,403	4,485,303
PBS and regional memberships	106,355	8,442	3,154	117,951	29,508	24,976	172,435	152,599
Legal services	17,176		354	17,530		10,013	27,543	19,518
Accounting services	7,510			7,510	22,529	45,057	75,096	75,636
Outside services	12,815,697	9,296	30,713	12,855,706	232,926	105,265	13,193,897	14,836,791
Professional fundraiser	75,280	373	102	75,755	601,629	581	677,965	1,219,814
Office supplies	15,947	817	828	17,592	(10,749)	9,567	16,410	65,062
Postage	21,115	699	146	21,960	387,984	4,763	414,707	370,509
Telephone and data services	24,413	53,018	440	77,871	4,868	2,572	85,311	90,364
Occupancy	463,093	301,151	8,532	772,776	97,168	142,177	1,012,121	925,036
Printing and publications	85,337	611	47,688	133,636	382,475	29,170	545,281	528,999
Recording media	9,471	26	139	9,636	1,165	205	11,006	15,938
Other program costs	309,537	87	47	309,671	53,154	2,175	365,000	276,491
Advertising	159,073		14,246	173,319	26,168	11,643	211,130	188,649
Premiums	36,978			36,978	345,530		382,508	346,041
Rental and maintenance of equipment	536,161	288,803	22,840	847,804	81,643	86,183	1,015,630	983,844
Travel	224,316	1,187	826	226,329	42,226	14,306	282,861	521,202
Conferences and meetings	1,889	(1,547)	(150)	192	3,359	1,558	5,109	117,772
Miscellaneous	334,866	232	1,149	336,247	238,858	95,756	670,861	615,413
Depreciation and amortization	1,144,614	184,631	18,038	1,347,283	180,728	72,705	1,600,716	1,640,871
Total expenses	\$ 33,301,086	\$ 1,980,531	\$ 471,887	\$ 35,753,504	\$ 6,018,494	\$ 4,033,981	\$ 45,805,979	\$ 47,393,621

See notes to consolidated financial statements

Twin Cities Public Television, Inc. and Subsidiary

Consolidated Statement of Functional Expenses

Year Ended August 31, 2019

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

See notes to consolidated financial statements

Twin Cities Public Television, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (6,779,757)	\$ (3,839,354)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,514,324	1,554,480
Amortization of debt issuance costs	86,392	86,391
Net realized and unrealized (gains) losses on investments	(2,228,262)	722,565
Loss on property held for sale	105,000	
Contributions of property received to be sold		(1,440,000)
Change in operating assets and liabilities:		
Accounts receivable	(151,467)	(111,006)
Prepaid expenses and other assets	2,789,709	(2,720,424)
Pledges receivable	209,137	(67,294)
Grants receivable	13,057,838	6,158,020
Accounts payable	(397,627)	425,139
Other accrued expenses	785,866	(1,065,204)
Deferred revenue	122,291	137,066
Deferred compensation	40,509	3,543
	<u>9,153,953</u>	<u>(156,078)</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(232,552)	(205,049)
Proceeds from property held for sale	1,335,000	
Purchases of investments	(22,583,918)	(1,147,323)
Sale of investments	14,573,441	251,057
	<u>(6,908,029)</u>	<u>(1,101,315)</u>
Cash Flows From Financing Activities		
Proceeds on issuance of note payable	3,118,300	
	<u>3,118,300</u>	
Net cash flows from financing activities	<u>3,118,300</u>	
Net change in cash and cash equivalents	5,364,224	(1,257,393)
Cash and Cash Equivalents, Beginning	<u>4,711,901</u>	<u>5,969,294</u>
Cash and Cash Equivalents, Ending	<u>\$ 10,076,125</u>	<u>\$ 4,711,901</u>
Supplemental Disclosures of Cash Flow Information		
Taxes paid		<u>\$ 53,200</u>
Interest paid	<u>\$ 116,432</u>	<u>\$ 116,432</u>
Noncash Investing and Financing Activities		
Property and equipment acquired through accounts payable		<u>\$ 28,701</u>

See notes to consolidated financial statements

Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2020 and 2019

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 Public Broadcasting Service (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:

Net Assets 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.

Net Assets 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 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:

Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2020 and 2019

Board Designated Endowment Fund (\$20,782,850 and \$17,641,002 as of August 31, 2020 and 2019, 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 percent 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 2020 and 2019 was 4.4 percent and 4.7 percent, respectively.

Property Acquisition Designated Fund (\$1,397,629 as of August 31, 2020 and 2019): 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 (\$6,002,475 and \$2,530,824 as of August 31, 2020 and 2019, 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, 2020 and 2019): 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 as of August 31, 2020 and 2019): 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 (\$1,473,015 and \$1,300,000 as of August 31, 2020 and 2019, 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.

Unconditional contributions and grants, including 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. Contributions that include a measurable barrier, or those for which TPT has limited discretion over how the contribution should be spent, and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met, in accordance with donor restrictions. Amounts received prior to conditions being met are reported as deferred revenue in the statements of financial position.

Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2020 and 2019

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 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 funds without donor restrictions 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 was recorded at the lower of cost or estimated net realizable value.

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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.

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Earned Income

Earned income includes various production and content activities, as well as royalty payments received. Each month, the production activities are recognized on a percentage of completion basis and content activities are recognized evenly over the period of performance.

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.

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, 2020 and 2019. 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 June 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 was applied on a modified prospective basis as of September 1, 2019. As a result of the adoption of this standard, conditional grants in which the conditions have not been met of \$2,690,561 as of August 31, 2020 are excluded from revenues with donor restrictions for the fiscal year ended August 31, 2020.

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New Accounting Pronouncements not yet Effective

In May 2014, FASB issued ASU 2014-09, *Revenue From Contracts With Customers*. This 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, 2019 (fiscal year 2021). TPT is assessing the impact this standard will have on its consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 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, 2021 (fiscal year 2023). 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 consolidated financial statements.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (fiscal year 2022). Early adoption is permitted. TPT is currently assessing the effect that this standard will have on its consolidated financial statements.

2. Liquidity and Availability

The following table reflects TPT's financial assets available for general expenditure at August 31, 2020 and 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 or assets held for or by others and annuity reserves.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 10,076,125	\$ 4,711,901
Accounts receivable	848,769	697,302
Grants receivable for fiscal 2021 and 2020, respectively	14,154,064	18,740,918
Endowment draw for fiscal 2021 and 2020, respectively	850,000	775,000
Contributions receivable due within one year (without donor restrictions)	179,689	354,615
Nonendowment related investments	<u>1,012,414</u>	<u>1,012,414</u>
Total	<u>\$ 27,121,061</u>	<u>\$ 26,292,150</u>

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 \$20,782,850 and \$17,641,002 at August 31, 2020 and 2019, respectively, which could also be made available at the direction of the Board.

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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.

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, 2020 and 2019.

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.

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The following table presents information about TPT's assets measured at fair value on a recurring basis as of August 31, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Money market funds	\$ 18,144,442		\$ 18,144,442	\$ -
Mutual funds:				
U.S. equities	6,476,801	\$ 6,476,801		
U.S. fixed income	3,705,649	3,705,649		
U.S. target allocation	356,529	356,529		
U.S. real estate	54,393	54,393		
Global equities	2,525,446	2,525,446		
Emerging markets equities	1,006,850	1,006,850		
Subtotal assets by valuation hierarchy	<u>32,270,110</u>	<u>\$ 14,125,668</u>	<u>\$ 18,144,442</u>	<u>\$ -</u>
Assets measured using NAV:				
Emerging markets funds	664,118			
U.S. funds	2,469,238			
Global fund	<u>1,160,007</u>			
Subtotal assets measured using NAV	<u>4,293,363</u>			
Total assets at fair value	<u>\$ 36,563,474</u>			

Total assets at fair value consist of the following at August 31, 2020:

Investments per the statement of financial position	\$ 31,541,639
Other investments (at cost)	(12,414)
Money market funds in cash and cash equivalents	<u>5,034,249</u>
	<u>\$ 36,563,474</u>

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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	<u>19,274,430</u>	<u>\$ 16,774,618</u>	<u>\$ 2,499,812</u>	<u>\$ -</u>
Assets measured using NAV:				
Hedge fund	1,853,947			
Fund of hedge funds	<u>2,661,921</u>			
Subtotal assets measured using NAV	<u>4,515,868</u>			
Total assets at fair value	<u>\$ 23,790,298</u>			

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	<u>2,499,812</u>
	<u>\$ 23,790,298</u>

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, 2020 and 2019:

Asset Class:	<u>2020 Fair Value</u>	<u>2019 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>	<u>Remaining Life (Years)</u>
Emerging markets funds (1)	\$ 602,834		\$ 1,570,155	Not redeemable	n/a	30 month
Emerging markets funds (1)	61,284		419,200	Quarterly	n/a	3 year
U.S. funds (2)	1,221,921			Quarterly	45 days	n/a
U.S. funds (2)	1,247,317			Quarterly	60 days	n/a
Global fund(3)	1,160,007			Quarterly	60 days	n/a
Hedge fund(4)	\$ 1,853,947			Quarterly	45 days	n/a
Fund of hedge funds(5)		<u>2,661,921</u>		45 days	45 days	n/a
Total	<u>\$ 4,293,363</u>	<u>\$ 4,515,868</u>				

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Following are the investment strategies for the investments held at NAV as a practical expedient:

- (1) This category is a type of mutual fund or ETF that invests heavily in securities of varying asset classes.
- (2) Domestic public funds or corporate bonds that provide equity-like returns.
- (3) International funds or corporate bonds that provide equity-like returns.
- (4) This category includes investments in a single hedge fund. The fund focuses on fixed income relative value positions.
- (5) 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:

	<u>2020</u>	<u>2019</u>
Net investment income:		
Interest and dividends, net	\$ 396,532	\$ 563,136
Net realized and unrealized gains/(losses)	<u>2,228,262</u>	<u>(722,565)</u>
Total	<u>\$ 2,624,794</u>	<u>\$ (159,429)</u>

4. Restrictions and Limitations on Net Assets

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

	<u>2020</u>	<u>2019</u>
Time or purpose restrictions:		
Project support	\$ 15,383,655	\$ 26,286,131
Capital and equipment purchases	90,918	
Pledges receivable, net	96,667	96,667
Next Avenue	355,151	286,420
Future operations (time restricted)	<u>422,672</u>	<u>195,000</u>
Total time or purpose restrictions	16,349,063	26,864,218
Endowment fund (to be held in perpetuity)	<u>850,488</u>	<u>850,488</u>
Net assets with donor restrictions	<u>\$ 15,498,575</u>	<u>\$ 27,714,706</u>

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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:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Project support	\$ 19,321,033	\$ 21,331,184
Capital and equipment purchases	95,704	95,704
Next Avenue	927,322	707,664
Endowment	85,312	
Future operations (time restricted)	115,000	507,834
Total	<u>\$ 20,544,371</u>	<u>\$ 22,642,386</u>

6. Pledges and Grants Receivable

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

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 14,154,064	\$ 19,192,200
One to five years		8,465,448
Gross pledges and grants receivable	14,154,064	27,657,648
Less unamortized discount		(236,609)
Net pledges and grants receivable	<u>\$ 14,154,064</u>	<u>\$ 27,421,039</u>
Pledges receivable, net	\$ 242,145	\$ 451,282
Grants receivable, net	13,911,919	26,969,757
Net pledges and grants receivable	<u>\$ 14,154,064</u>	<u>\$ 27,421,039</u>

Pledges and grants receivable due in one to five years were not discounted at August 31, 2020 as the discount was determined to be insignificant. The discount applied at August 31, 2019 was 1.40 percent to 1.50 percent. 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. As of August 31, 2020, TPT had conditional grants outstanding of \$2,690,561, whereby, the conditions will be met upon incurring certain qualifying expenditures.

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7. Property and Equipment

Property and equipment consist of the following at August 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 370,000	\$ 370,000
Building	25,849,898	25,849,898
Tower and transmitter equipment	5,659,144	5,666,734
Production equipment and fixtures	7,770,094	7,597,310
Computer equipment	2,229,116	2,169,348
Office furniture and equipment	1,487,790	1,487,790
	<u>43,366,042</u>	<u>43,141,080</u>
Less accumulated depreciation	<u>(24,654,038)</u>	<u>(23,147,304)</u>
Total	<u>\$ 18,712,004</u>	<u>\$ 19,993,776</u>

Property held for sale at August 31, 2019 consisted of a house and a condominium that were contributed to TPT during 2019. Both properties were sold in fiscal 2020 resulting in a loss of \$105,000.

8. Line of Credit

TPT has a \$1,000,000 line of credit agreement with Bremer Bank which expires on May 11, 2022, and carries an interest rate of the bank's index rate plus 0.25 percentage points. There was no balance outstanding at August 31, 2020 and 2019 under this agreement. The line is collateralized by certain assets of TPT and requires TPT to meet certain financial covenants.

9. Loans and Notes Payable, Net

Loans and notes payable consist of the following at August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
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
Paycheck Protection Program loan	3,118,300	
	<u>13,143,300</u>	<u>10,025,000</u>
Debt issuance costs	<u>(100,790)</u>	<u>(187,182)</u>
Total	<u>\$ 13,042,510</u>	<u>\$ 9,837,818</u>

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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 percent 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 \$13,147,641 at August 31, 2020.

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 percent 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 nonoperating 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 percent per annum calculated and due on an annual basis. The note payable is due on December 17, 2026.

On April 9, 2020, TPT entered into a new loan facility with Bremer Bank, National Association under the recent government enacted Paycheck Protection Program (PPP) (part of the Coronavirus Aid, Relief and Economic Stability Act) administered by the Small Business Administration. The Organization borrowed \$3,118,300 under the loan facility. The loan carries a fixed interest rate of 1% and matures on April 9, 2022. No payments were required for the first six months. Subsequent regulations deferred payments until the date on which the amount of forgiveness is remitted to the lender or, if TPT fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. Borrowings under this facility are unsecured. Loans under the PPP have a loan forgiveness feature based on the level of payroll, rent and utilities costs over a twenty-four week period commencing on the date of the loan. Management anticipates that most of the outstanding balance on the loan will be forgiven. The PPP loan is recorded as loan payable in the August 31, 2020 statement of financial position.

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 percent 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 percent 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).

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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.

11. Employee Benefit Plans

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 percent of elective deferral contributions that are not over 1 percent of pay, plus 50 percent of elective deferral contributions which are over 1 percent but are not over 6 percent of pay. QACA matching contributions shall be made for all persons who are active at any time during that payroll period. TPT contributed \$511,118 and \$482,494 to the plan for the years ended August 31, 2020 and 2019, 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, 2020 and 2019.

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 percent to 7.0 percent in making the calculations for the years ended August 31, 2020 and 2019. The actuarial liability related to split interest agreements amounted to \$413,013 and \$368,198 at August 31, 2020 and 2019, 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, 2020 and 2019 was \$35,214 and \$58,017, respectively.

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13. Commitments and Contingencies

Lease Commitment

TPT leases various equipment under noncancelable operating leases that expire between 2020 and 2025. Future minimum payments under these noncancelable operating lease agreements are as follows:

Years ending August 31:		
2021	\$	157,000
2022		152,000
2023		153,000
2024		147,000
2025		16,000
		<hr/>
Total	\$	<u>625,000</u>

Total expense related to these operating leases was \$157,320 and \$159,543 for the years ended August 31, 2020 and 2019, 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, 2020 is approximately \$4,038,191.

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.

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.

Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2020 and 2019

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

Endowment net asset composition by type of fund consists of the following as of August 31, 2020:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor restricted endowment funds		\$ 850,488	\$ 850,488
Board designated endowment funds	\$ 20,782,850		20,782,850
Total endowment net assets	<u>\$ 20,782,850</u>	<u>\$ 850,488</u>	<u>\$ 21,633,338</u>

Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2020 and 2019

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

Changes in endowment net assets for the year ended August 31, 2020 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets August 31, 2019	\$ 17,641,002	\$ 850,488	\$ 18,491,490
Investment return:			
Investment income	607,951		607,951
Net appreciation, realized and unrealized	1,616,822		1,616,822
Total investment return	2,224,773		2,224,773
Contributions	1,810,892		1,810,892
Loss on property held for sale	(105,000)		(105,000)
Appropriation of endowment assets for expenditure	(774,996)		(774,996)
Actuarial adjustment related to split interest agreements	(13,821)		(13,821)
Endowment net assets, August 31, 2020	\$ 20,782,850	\$ 850,488	\$ 21,633,338

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

Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2020 and 2019

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.

16. Subsequent Events

TPT has evaluated subsequent events through November 18, 2020, which is the date that the consolidated financial statements were approved and available to be issued.

Twin Cities Public Television, Inc. and Subsidiary

Consolidating Statement of Financial Position

August 31, 2020

	<u>TPT</u>	<u>TCPMC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Assets				
Cash and cash equivalents	\$ 9,954,862	\$ 121,263		\$ 10,076,125
Accounts receivable	1,095,256	200,000	\$ (446,487)	848,769
Prepaid expenses and other assets	603,003			603,003
Pledges receivable	242,145			242,145
Grants receivable	13,911,919			13,911,919
Leveraged loan receivable	6,392,800			6,392,800
Investments	31,541,639			31,541,639
Property and equipment, net	5,564,363	13,147,641		18,712,004
	<u>\$ 69,305,987</u>	<u>\$ 13,468,904</u>	<u>\$ (446,487)</u>	<u>\$ 82,328,404</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 997,390	\$ 246,487	\$ (446,487)	\$ 797,390
Other accrued expenses	3,161,612			3,161,612
Deferred revenue	497,243			497,243
Deferred compensation	1,257,438			1,257,438
Loans and note payable, net of debt issuance costs	4,118,300	8,924,210		13,042,510
	<u>10,031,983</u>	<u>9,170,697</u>	<u>(446,487)</u>	<u>18,756,193</u>
Net Assets				
Without donor restrictions				
Operating fund	1,403,876			1,403,876
Property fund	12,156,071	4,298,207		16,454,278
Board designated fund	30,215,482			30,215,482
	<u>43,775,429</u>	<u>4,298,207</u>		<u>48,073,636</u>
With donor restrictions				
	<u>15,498,575</u>			<u>15,498,575</u>
	<u>59,274,004</u>	<u>4,298,207</u>		<u>63,572,211</u>
	<u>\$ 69,305,987</u>	<u>\$ 13,468,904</u>	<u>\$ (446,487)</u>	<u>\$ 82,328,404</u>

Twin Cities Public Television, Inc. and Subsidiary

Consolidating Statement of Activities

Year Ended August 31, 2020

	Twin Cities Public Television		Twin Cities Public Media Commons		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
Revenues, Gains and Other Support						
Individual contributions and memberships	\$ 16,556,636	\$ 11,705				\$ 16,568,341
Planned giving, principally bequests	2,012,572					2,012,572
Foundation contributions	925,081	3,242,675				4,167,756
Corporation contributions	49,016	1,392,369				1,441,385
Sponsorship	1,394,920					1,394,920
Corporation for Public Broadcasting grants and PBS grants	3,779,916	1,870,643				5,650,559
State of Minnesota grants	258,333	589,145				847,478
Federal government grants		1,110,191				1,110,191
Donated goods and professional services	70,001					70,001
Other contributions	149,978	16,200				166,178
Earned income	2,440,750					2,440,750
Net investment income	2,539,482	85,312				2,624,794
Other income	545,118		\$ 350,000		\$ (350,000)	545,118
Actuarial adjustment related to split interest agreements	(13,821)					(13,821)
Total revenues, gains and other support before endowment draw transfer and net assets released from restrictions	30,707,982	8,318,240	350,000		(350,000)	39,026,222
Net assets released from restrictions	20,544,371	(20,544,371)				
Total revenues, gains and other support	51,252,353	(12,226,131)	350,000		(350,000)	39,026,222
Expenses and Transfers of Net Assets						
Program and supporting services:						
Programming and production	32,729,454		811,172		(239,540)	33,301,086
Broadcasting	1,942,154		58,572		(20,195)	1,980,531
Program information	464,042		13,515		(5,670)	471,887
Fund raising	5,934,526		144,658		(60,690)	6,018,494
General and management	4,000,908		56,978		(23,905)	4,033,981
Total program and supporting services	45,071,084		1,084,895		(350,000)	45,805,979
Change in net assets before transfers of net assets and change in pension liability	6,181,269	(12,226,131)	(734,895)			(6,779,757)
Interfund/Intrafund transfers	236,487	10,000	(246,487)			
Change in net assets	6,417,756	(12,216,131)	(981,382)			(6,779,757)
Net Assets, Beginning	37,357,673	27,714,706	5,279,589			70,351,968
Net Assets, Ending	\$ 43,775,429	\$ 15,498,575	\$ 4,298,207			\$ 63,572,211