

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

Consolidated Financial Statements  
and Supplementary Information

August 31, 2022 and 2021

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

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August 31, 2022 and 2021

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## **Independent Auditors' Report**

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

### **Opinion**

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, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TPT as of August 31, 2022 and 2021, 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 (GAAP).

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of TPT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TPT's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TPT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TPT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

#### **Other Matter**

##### *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.



Minneapolis, Minnesota  
November 30, 2022

# Twin Cities Public Television, Inc. and Subsidiary

## Consolidated Statements of Financial Position

August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 8,441,852	\$ 7,361,502
Accounts receivable	997,944	766,835
Prepaid expenses and other assets	4,101,230	651,324
Pledges receivable, net	175,544	135,026
Grants receivable, net	2,790,848	4,780,478
Leveraged loan receivable		6,392,800
Investments	43,285,958	50,867,855
Property and equipment, net	<u>17,550,599</u>	<u>18,457,419</u>
Total assets	<u>\$ 77,343,975</u>	<u>\$ 89,413,239</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 912,183	\$ 1,055,398
Other accrued expenses	2,215,735	3,209,765
Deferred revenue	119,177	297,757
Deferred compensation	1,064,416	1,340,066
Loans and note payable, net of debt issuance costs	<u>1,000,000</u>	<u>10,010,602</u>
Total liabilities	<u>5,311,511</u>	<u>15,913,588</u>
<b>Net Assets</b>		
Without donor restrictions:		
Operating fund	1,777,621	1,567,774
Property fund	17,801,206	16,165,838
Board designated fund	<u>40,770,362</u>	<u>40,865,625</u>
Total without donor restrictions	60,349,189	58,599,237
With donor restrictions	<u>11,683,275</u>	<u>14,900,414</u>
Total net assets	<u>72,032,464</u>	<u>73,499,651</u>
Total liabilities and net assets	<u>\$ 77,343,975</u>	<u>\$ 89,413,239</u>

See notes to consolidated financial statements

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

Consolidated Statement of Activities

Year Ended August 31, 2022 with Comparative Totals for 2021

	Without Donor Restrictions			With Donor Restrictions	2022 Total	2021 Total
	Operating	Property	Board Designated			
<b>Revenues, Gains, (Losses) and Other Support</b>						
Individual contributions and memberships	\$ 18,741,819		\$ 29,196	\$ 18,771,015	\$ 319,200	\$ 19,090,215
Planned giving, principally bequests	256,000		4,363,330	4,619,330	443,999	5,063,329
Foundation contributions	946,999			946,999	1,010,814	1,957,813
Corporation contributions	748,171			748,171	100,249	848,420
Sponsorship	1,094,009			1,094,009		1,094,009
Corporation for Public Broadcasting grants and PBS grants	3,884,797			3,884,797	1,755,051	5,639,848
State of Minnesota grants					2,947,303	2,947,303
Federal government grants					4,717,450	4,717,450
Donated goods, facilities and professional services	60,566			60,566		60,566
Other contributions	109,801			109,801	34,958	144,759
Earned income	2,332,574			2,332,574		2,332,574
Net investment income (loss)	24,879	\$ 26,752	(5,652,263)	(5,600,632)	(1,659,427)	(7,260,059)
Loss on disposal of property and equipment						(251,605)
Gain on forgiveness of debt		2,632,200		2,632,200		2,632,200
Other income	343,194	16,317		359,511		359,511
Actuarial adjustment related to split interest agreements			(13,953)	(13,953)		(13,953)
Total revenues, gains, (losses) and other support before endowment draw transfer and net assets released from restrictions	28,542,809	2,675,269	(1,273,690)	29,944,388	9,669,597	39,613,985
Endowment draw transfer	1,110,000		(943,804)	166,196	(166,196)	
Net assets released from restrictions	12,689,898	100,642		12,790,540	(12,790,540)	
Total revenues, gains, (losses) and other support	42,342,707	2,775,911	(2,217,494)	42,901,124	(3,287,139)	39,613,985
<b>Expenses and Transfers of Net Assets</b>						
Program and supporting services:						
Programming and production	26,622,710	1,229,664		27,852,374		27,852,374
Broadcasting	1,824,775	172,989		1,997,764		1,997,764
Program information	234,388	20,673		255,061		255,061
Fund raising	6,544,236	171,049		6,715,285		6,715,285
General and management	4,082,339	178,349		4,260,688		4,260,688
Total program and supporting services	39,308,448	1,772,724		41,081,172		41,081,172
Change in net assets before transfers of net assets without donor restrictions	3,034,259	1,003,187	(2,217,494)	1,819,952	(3,287,139)	(1,467,187)
Transfer and reclassification of net assets without donor restrictions	(2,824,412)	632,181	2,122,231	(70,000)	70,000	
Change in net assets	209,847	1,635,368	(95,263)	1,749,952	(3,217,139)	(1,467,187)
<b>Net Assets, Beginning</b>	1,567,774	16,165,838	40,865,625	58,599,237	14,900,414	73,499,651
<b>Net Assets, Ending</b>	\$ 1,777,621	\$ 17,801,206	\$ 40,770,362	\$ 60,349,189	\$ 11,683,275	\$ 72,032,464

See notes to consolidated financial statements

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

Consolidated Statement of Activities

Year Ended August 31, 2021

	Without Donor Restrictions			With Donor Restrictions	Total	
	Operating	Property	Board Designated			
<b>Revenues, Gains, (Losses) and Other Support</b>						
Individual contributions and memberships	\$ 17,847,294		\$ 22,274	\$ 17,869,568	\$ 117,000	\$ 17,986,568
Planned giving, principally bequests	149,840		1,322,824	1,472,664	8,976,903	10,449,567
Foundation contributions	766,680			766,680	1,647,162	2,413,842
Corporation contributions	91,836			91,836	1,538,837	1,630,673
Sponsorship	1,501,678			1,501,678		1,501,678
Corporation for Public Broadcasting grants and PBS grants	3,757,146		878,778	4,635,924	1,249,561	5,885,485
State of Minnesota grants	258,333			258,333	611,363	869,696
Federal government grants					1,204,777	1,204,777
Donated goods, facilities and professional services	37,355			37,355		37,355
Other contributions	160,075			160,075	29,000	189,075
Earned income	3,097,512			3,097,512		3,097,512
Net investment income	21,724	\$ 210,163	4,030,863	4,262,750	1,062,615	5,325,365
Loss on property held for sale		(251,605)		(251,605)		(251,605)
Gain on forgiveness of debt	3,118,300			3,118,300		3,118,300
Other income	333,076			333,076		333,076
Actuarial adjustment related to split interest agreements			(13,283)	(13,283)		(13,283)
<b>Total revenues, gains, (losses) and other support before endowment draw transfer and net assets released from restrictions</b>	<b>31,140,849</b>	<b>(41,442)</b>	<b>6,241,456</b>	<b>37,340,863</b>	<b>16,437,218</b>	<b>53,778,081</b>
Endowment draw transfer	850,000		(850,000)			
Net assets released from restrictions	16,981,308	159,071		17,140,379	(17,140,379)	
<b>Total revenues, gains, (losses) and other support</b>	<b>48,972,157</b>	<b>117,629</b>	<b>5,391,456</b>	<b>54,481,242</b>	<b>(703,161)</b>	<b>53,778,081</b>
<b>Expenses and Transfers of Net Assets</b>						
Program and supporting services:						
Programming and production	29,223,216	1,314,153		30,537,369		30,537,369
Broadcasting	1,805,957	205,067		2,011,024		2,011,024
Program information	560,969	22,170		583,139		583,139
Fund raising	5,759,902	183,440		5,943,342		5,943,342
General and management	4,636,242	139,525		4,775,767		4,775,767
<b>Total program and supporting services</b>	<b>41,986,286</b>	<b>1,864,355</b>		<b>43,850,641</b>		<b>43,850,641</b>
Change in net assets before transfers of net assets without donor restrictions	6,985,871	(1,746,726)	5,391,456	10,630,601	(703,161)	9,927,440
Transfer and reclassification of net assets without donor restrictions	(6,821,973)	1,458,286	5,258,687	(105,000)	105,000	
Change in net assets	163,898	(288,440)	10,650,143	10,525,601	(598,161)	9,927,440
<b>Net Assets, Beginning</b>	<b>1,403,876</b>	<b>16,454,278</b>	<b>30,215,482</b>	<b>48,073,636</b>	<b>15,498,575</b>	<b>63,572,211</b>
<b>Net Assets, Ending</b>	<b>\$ 1,567,774</b>	<b>\$ 16,165,838</b>	<b>\$ 40,865,625</b>	<b>\$ 58,599,237</b>	<b>\$ 14,900,414</b>	<b>\$ 73,499,651</b>

See notes to consolidated financial statements

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

## Consolidated Statement of Functional Expenses

Year Ended August 31, 2022 With Comparative Totals for 2021

	2022							
	Program Services				Supporting Services			
	Programming and Production	Broadcasting	Program Information	Total	Fund Raising	General and Management	2022 Total	2021 Total
Salaries, payroll taxes and employee benefits	\$ 13,676,635	\$ 1,194,584	\$ 181,591	\$ 15,052,810	\$ 3,382,838	\$ 3,126,592	\$ 21,562,240	\$ 20,682,111
Program acquisition	4,536,788			4,536,788	5,800		4,542,588	4,341,167
PBS and regional memberships	131,064	10,094	3,151	144,309	32,743	23,492	200,544	171,573
Legal services	67,926	2,377	1,699	72,002	8,353	150,290	230,645	117,284
Accounting services						77,110	77,110	74,929
Outside services	5,938,875	34,082	18,108	5,991,065	646,136	219,665	6,856,866	11,450,270
Professional fundraiser	66,000			66,000	705,088		771,088	421,717
Office supplies	58,105	4,537	1,230	63,872	19,360	4,036	87,268	50,774
Postage	7,632	1,354	49	9,035	437,896	2,968	449,899	397,165
Telephone and data services	27,273	32,004	466	59,743	4,773	1,197	65,713	69,342
Occupancy	500,368	264,972	10,432	775,772	117,365	116,637	1,009,774	899,481
Printing and publications	197,376	161	4,160	201,697	347,188	38,889	587,774	571,752
Recording media	14,892			14,892	811		15,703	8,820
Other program costs	275,711	3	23	275,737	50,472	2,666	328,875	383,548
Advertising	260,648		1,421	262,069	54,169	13,261	329,499	257,854
Premiums	29,208			29,208	275,196		304,404	465,284
Rental and maintenance of equipment	831,345	269,673	8,957	1,109,975	75,798	227,096	1,412,869	1,170,252
Travel	168,355	8,027	952	177,334	52,829	13,137	243,300	28,949
Conferences and meetings	37,077	1,058	835	38,970	11,633	13,007	63,610	36,872
Miscellaneous	136,468	1,849	1,314	139,631	315,788	100,569	555,988	690,640
Depreciation and amortization	890,628	172,989	20,673	1,084,290	171,049	130,076	1,385,415	1,560,857
<b>Total expenses</b>	<b>\$ 27,852,374</b>	<b>\$ 1,997,764</b>	<b>\$ 255,061</b>	<b>\$ 30,105,199</b>	<b>\$ 6,715,285</b>	<b>\$ 4,260,688</b>	<b>\$ 41,081,172</b>	<b>\$ 43,850,641</b>

See notes to consolidated financial statements



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

Consolidated Statement of Functional Expenses

Year Ended August 31, 2021

	Program Services				Supporting Services		
	Programming and Production	Broadcasting	Program Information	Total	Fund Raising	General and Management	Total
Salaries, payroll taxes and employee benefits	\$ 12,306,330	\$ 1,102,240	\$ 376,356	\$ 13,784,926	\$ 3,183,337	\$ 3,713,848	\$ 20,682,111
Program acquisition	4,341,167			4,341,167			4,341,167
PBS and regional memberships	104,949	3,097	3,646	111,692	31,497	28,384	171,573
Legal services	41,411	421	421	42,253	2,106	72,925	117,284
Accounting services						74,929	74,929
Outside services	10,535,357	148,781	73,651	10,757,789	403,227	289,254	11,450,270
Professional fundraiser	68,500			68,500	353,217		421,717
Office supplies	30,554	969	1,075	32,598	10,933	7,243	50,774
Postage	15,454	617	36	16,107	375,824	5,234	397,165
Telephone and data services	24,782	36,473	489	61,744	5,090	2,508	69,342
Occupancy	397,014	249,477	12,189	658,680	100,829	139,972	899,481
Printing and publications	105,294	137	55,224	160,655	374,074	37,023	571,752
Recording media	7,735			7,735	1,055	30	8,820
Other program costs	331,763	229	59	332,051	48,905	2,592	383,548
Advertising	169,651		13,895	183,546	54,686	19,622	257,854
Premiums	30,928			30,928	434,356		465,284
Rental and maintenance of equipment	667,122	262,638	20,635	950,395	82,564	137,293	1,170,252
Travel	15,205	73	75	15,353	13,082	514	28,949
Conferences and meetings	22,388	507	827	23,722	5,560	7,590	36,872
Miscellaneous	311,109	298	2,391	313,798	279,560	97,282	690,640
Depreciation and amortization	1,010,656	205,067	22,170	1,237,893	183,440	139,524	1,560,857
<b>Total expenses</b>	<b>\$ 30,537,369</b>	<b>\$ 2,011,024</b>	<b>\$ 583,139</b>	<b>\$ 33,131,532</b>	<b>\$ 5,943,342</b>	<b>\$ 4,775,767</b>	<b>\$ 43,850,641</b>

See notes to consolidated financial statements

**Twin Cities Public Television, Inc. and Subsidiary**Consolidated Statements of Cash Flows  
Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (1,467,187)	\$ 9,927,440
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,371,017	1,474,465
Amortization of debt issuance costs	14,398	86,392
Net realized and unrealized gains on investments	7,764,458	(4,996,518)
Loss on disposal of property and equipment		251,605
Gain on forgiveness of debt	(2,632,200)	(3,118,300)
Change in operating assets and liabilities:		
Accounts receivable	(231,109)	81,934
Prepaid expenses and other assets	(3,449,906)	(48,321)
Pledges receivable	(40,518)	107,119
Grants receivable	1,989,630	9,131,441
Accounts payable	(168,362)	241,691
Other accrued expenses	(994,030)	48,153
Deferred revenue	(178,580)	(199,486)
Deferred compensation	(275,650)	82,628
Contributions restricted for long-term investment	(443,999)	(9,215,042)
Net cash flows from operating activities	<u>1,257,962</u>	<u>3,855,201</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(439,050)	(1,455,168)
Purchases of investments	(21,659,725)	(21,576,979)
Sale of investments	21,477,164	7,247,281
Net cash flows from investing activities	<u>(621,611)</u>	<u>(15,784,866)</u>
<b>Cash Flows From Financing Activities</b>		
Contributions received restricted for long-term investment	443,999	9,215,042
Net cash flows from financing activities	<u>443,999</u>	<u>9,215,042</u>
Net change in cash and cash equivalents	1,080,350	(2,714,623)
<b>Cash and Cash Equivalents, Beginning</b>	<u>7,361,502</u>	<u>10,076,125</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 8,441,852</u>	<u>\$ 7,361,502</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Interest paid	<u>\$ 14,423</u>	<u>\$ 116,432</u>
<b>Noncash Investing and Financing Activities</b>		
Property and equipment acquired through accounts payable	<u>\$ 53,092</u>	<u>\$ 16,317</u>

See notes to consolidated financial statements

# Twin Cities Public Television, Inc. and Subsidiary

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Notes to Consolidated Financial Statements  
August 31, 2022 and 2021

## 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. With the termination of the new market tax credits, TCPMC was dissolved into TPT on August 29, 2022.

### 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**

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Notes to Consolidated Financial Statements  
August 31, 2022 and 2021

Board Designated Endowment Fund (\$24,097,431 and \$24,196,458 as of August 31, 2022 and 2021, 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 five 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 2022 and 2021 was 3.9 percent and 4.2 percent, respectively.

Property Acquisition Designated Fund (\$1,397,629 as of August 31, 2022 and 2021): 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 (\$11,541,827 and \$10,492,049 as of August 31, 2022 and 2021, 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 (\$389,702 and \$411,657 as of August 31, 2022 and 2021, respectively): This fund provides a revolving development fund to make investments in national production opportunities. Borrowing from this fund can be authorized by the President or CFO and must be repaid in 24 months.

Campaign Fund (\$0 and \$170,754 as of August 31, 2022 and 2021, 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. This fund was closed in 2022 and the remaining balance was transferred to the undesignated Property Fund.

Response Initiatives Fund (\$3,343,773 and \$4,197,078 as of August 31, 2022 and 2021, respectively). This fund was created to develop new programming or services that meet critical emerging needs in our community, or to invest in the infrastructure needed to provide these services. Spending from this fund requires Board approval.

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.

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

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Unconditional contributions and grants, including planned giving, foundation and corporate contributions and other 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 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 or grants 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 consolidated statements of financial position. TPT's federal grants, including Corporation for Public Broadcasting grants and PBS grants, are considered conditional upon the spending of the grant funds for their restricted purposes; thus, the revenue is recognized in the year the eligible 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.

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

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

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

### **Impairment of Long-Lived Assets**

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

### **Leveraged Loan Receivable**

The 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. As part of wind-down of the NMTCP financing, the leveraged loan receivable was fulfilled in fiscal year 2022.

### **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 are recognized upon receipt as the remaining performance obligations associated with the membership are de minimus.

### **Sponsorship**

Contributions received for underwriting, either on air, online or print form, are recorded as sponsorship revenue when the relevant barriers to recognition are met, which is typically in the period in which the underwriting spot occurs.

### **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.

### **Earned Income**

Earned income includes various production and content activities, as well as royalty payments received. Production activity is recognized as revenue as the performance obligation(s) are satisfied over the contract period.

### **Advertising Expenses**

TPT expenses advertising as incurred.

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

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### **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, 2022 and 2021. 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 consolidated 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 September 2020, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. TPT adopted the standard in fiscal year 2022, with no significant impact to the financial statements of the disclosures.

### **New Accounting Pronouncements Not Yet Effective**

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, 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.

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During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted. The Organization is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its financial statements.

### Reclassifications

Certain amounts appearing in the 2021 financial statements have been reclassified to conform to the 2022 presentation. The reclassifications have no effect on the reported amounts of total cash, change in cash, total net assets and change in total net assets.

## 2. Liquidity and Availability

The following table reflects TPT's financial assets available for general expenditure at August 31, 2022 and 2021. 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>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 8,441,852	\$ 7,361,502
Accounts receivable	997,945	766,835
Grants receivable for fiscal 2023 and 2022, respectively	2,790,848	4,780,478
Endowment draw for fiscal 2023 and 2022, respectively	1,250,000	1,100,000
Contributions receivable due within one year (without donor restrictions)	155,544	105,026
Nonendowment related investments	17,857	1,012,414
Total	<u>\$ 13,654,046</u>	<u>\$ 15,126,255</u>

Cash in excess of daily requirements is typically invested in short-term, liquid securities. TPT also has an unsecured \$4,000,000 line of credit (see Note 8) available to meet unanticipated cash needs. TPT has board designated endowment funds, which are not included in the table above, of \$24,097,431 and \$24,196,458 at August 31, 2022 and 2021, respectively, which could also be made available at the direction of the Board.



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

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Notes to Consolidated Financial Statements  
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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 money market funds and 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, 2022 and 2021.

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 alternative investments 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.

## Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements

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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, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Money market funds	\$ 10,260,515	\$ 10,177,014	\$ 83,501	
Mutual funds:				
U.S. equities	13,499,704	13,499,704		
U.S. fixed income	3,461,043	3,461,043		
U.S. target allocation	286,118	286,118		
U.S. real estate	53,508	53,508		
Global equities	3,858,504	3,858,504		
Emerging markets equities	865,018	865,018		
Hedge fund/alternative	2,191,888	2,191,888		
	<u>34,476,298</u>	<u>\$ 34,392,797</u>	<u>\$ 83,501</u>	
Subtotal assets by valuation hierarchy				
	<u>34,476,298</u>	<u>\$ 34,392,797</u>	<u>\$ 83,501</u>	
Assets measured using NAV:				
US equities	2,555,466			
Global fixed income	1,715,302			
Global equities	1,330,439			
Hedge funds/alternative	2,496,258			
Private equity	3,345,639			
	<u>11,443,104</u>			
Subtotal assets measured using NAV				
	<u>11,443,104</u>			
Total assets at fair value				
	<u>\$ 45,919,402</u>			

Total assets at fair value consist of the following at August 31, 2022:

Investments per the consolidated statement of financial position	\$ 43,285,958
Other investments (at cost)	(12,414)
Money market funds in cash and cash equivalents	<u>2,645,858</u>
Total assets at fair value	
	<u>\$ 45,919,402</u>

## Twin Cities Public Television, Inc. and Subsidiary

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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, 2021:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Money market funds	\$ 15,148,939	\$ 15,075,783	\$ 73,156	
Mutual funds:				
U.S. equities	14,520,942	14,520,942		
U.S. fixed income	4,355,573	4,355,573		
U.S. target allocation	372,236	372,236		
U.S. real estate	66,393	66,393		
Global equities	7,665,543	7,665,543		
Emerging markets equities	<u>2,379,050</u>	<u>2,379,050</u>		
Subtotal assets by valuation hierarchy	<u>44,508,676</u>	<u>\$ 44,435,520</u>	<u>\$ 73,156</u>	
Assets measured using NAV:				
US equities	2,550,883			
Global fixed income	2,106,570			
Global equities	1,663,420			
Private equity	<u>2,660,220</u>			
Subtotal assets measured using NAV	<u>8,981,093</u>			
Total assets at fair value	<u>\$ 53,489,769</u>			

Total assets at fair value consist of the following at August 31, 2021:

Investments per the consolidated statement of financial position	\$ 50,867,855
Other investments (at cost)	(12,414)
Money market funds in cash and cash equivalents	<u>2,634,328</u>
Total assets at fair value	<u>\$ 53,489,769</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.

## Twin Cities Public Television, Inc. and Subsidiary

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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, 2022 and 2021:

	<u>2022</u> Fair Value	<u>2021</u> Fair Value	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency</u> <u>(If Currently</u> <u>Eligible)</u>	<u>Redemption</u> <u>Notice Period</u>	<u>Remaining</u> <u>Life (Years)</u>
Asset class:						
Private equity (1)	\$ 1,515,861	\$ 1,365,991	\$ 240,000	Not redeemable	n/a	16 months
Private equity (1)	1,174,375	746,581	146,004	Not redeemable	n/a	32 months
Private equity (1)	655,403	547,648	731,250	Not redeemable	n/a	6 year
U.S. equities (2)	1,476,784	1,472,011		Quarterly	45 days	n/a
U.S. equities (2)	1,078,682	1,078,872		Quarterly	60 days	n/a
Global equities (3)	1,330,439	1,663,420		Quarterly	60 days	n/a
Global fixed income (4)	1,715,302	2,106,570		Bi-monthly	5 days	n/a
Hedge funds/alternative (5)	<u>2,496,258</u>	<u>                    </u>		Daily	10 days	n/a
Total	<u>\$ 11,443,104</u>	<u>\$ 8,981,093</u>				

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) International funds are invested in investment grade fixed income securities of US and foreign governments.
- (5) Hedge funds/alternative is a pooled investment fund that trades in relatively liquid assets.

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 consolidated financial statements.

Through TPT's investments in alternative investments, 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 (loss) consists of the following for the years ended August 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends, net	\$ 504,399	\$ 328,847
Net realized and unrealized gains	<u>(7,764,458)</u>	<u>4,996,518</u>
Total	<u>\$ (7,260,059)</u>	<u>\$ 5,325,365</u>

## Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
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### 4. Restrictions and Limitations on Net Assets

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

	<u>2022</u>	<u>2021</u>
Time or purpose restrictions:		
Project support	\$ 319,185	\$ 2,800,471
Capital and equipment purchases	1,290,896	197,407
Next Avenue	94,813	324,196
Future operations (time restricted)	373,333	591,667
Endowment funds (accumulated earnings)	<u>(763,009)</u>	<u>1,062,615</u>
Total time or purpose restrictions	1,315,218	4,976,356
Endowment fund (to be held in perpetuity)	<u>10,368,057</u>	<u>9,924,058</u>
Net assets with donor restrictions	<u>\$ 11,683,275</u>	<u>\$ 14,900,414</u>

### 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>2022</u>	<u>2021</u>
Purpose restrictions:		
Project support	\$ 11,891,968	\$ 16,125,893
Capital and equipment purchases	95,704	159,071
Next Avenue	479,536	678,160
Endowment	166,196	
Future operations (time restricted)	<u>323,333</u>	<u>177,255</u>
Total	<u>\$ 12,956,736</u>	<u>\$ 17,140,379</u>

### 6. Pledges and Grants Receivable

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

	<u>2022</u>	<u>2021</u>
Pledges receivable, net	\$ 175,544	\$ 135,026
Grants receivable, net	<u>2,790,848</u>	<u>4,780,478</u>
Net pledges and grants receivable	<u>\$ 2,966,392</u>	<u>\$ 4,915,504</u>

Pledges and grants receivable are primarily due in one year and are therefore not discounted at August 31, 2022 and 2021.

Conditional pledges and grants are recorded as revenue when the condition has been met. TPT had conditional grants outstanding of \$20,790,332 and \$23,626,589 as of August 31, 2022 and 2021, respectively, whereby, the conditions will be met upon incurring certain qualifying expenditures.

## Twin Cities Public Television, Inc. and Subsidiary

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### 7. Property and Equipment

Property and equipment consist of the following at August 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 370,000	\$ 370,000
Building	25,849,898	25,849,898
Tower and transmitter equipment	3,399,934	3,351,316
Production equipment and fixtures	7,999,553	7,932,752
Computer equipment	2,309,952	2,095,684
Office furniture and equipment	1,487,790	1,487,790
Work in process	176,660	146,861
	<u>41,593,787</u>	<u>41,234,301</u>
Less accumulated depreciation	<u>(24,043,188)</u>	<u>(22,776,882)</u>
Total	<u>\$ 17,550,599</u>	<u>\$ 18,457,419</u>

### 8. Line of Credit

TPT has a \$4,000,000 line of credit agreement with Bremer Bank which expires on May 10, 2023 and carries an interest rate of the bank's index rate plus 1.75 percentage points. There was no balance outstanding at August 31, 2022 and 2021 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Leveraged loan payable A		\$ 6,392,800
Leveraged loan payable B		2,632,200
Note payable	\$ 1,000,000	1,000,000
	<u>1,000,000</u>	<u>10,025,000</u>
Debt issuance costs		<u>(14,398)</u>
Total	<u>\$ 1,000,000</u>	<u>\$ 10,010,602</u>

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

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Notes to Consolidated Financial Statements

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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 \$12,332,678 at August 31, 2021.

In connection with the New Markets Tax Credit Program financing, TPT, acting as leverage lender, entered into a leveraged 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.

In November 2021, seven years after the initiation of the New Markets Tax Credit Program financing arrangement, TPT exercised the call options to purchase the security interest in the unrelated organization. This unrelated organization held the note for leveraged loan payable A. In doing so, they obtained full control over loans payable A and B. These notes were then forgiven along with the leveraged loan receivable held by TCPMC. The transaction resulted in a \$2,632,200 gain on forgiveness of debt which was recorded in the consolidated statement of activities for the year ended August 31, 2022.

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.

In 2020, TPT entered into a loan facility with Bremer Bank, National Association under the government enacted Paycheck Protection Program (PPP), which was (Part of the Coronavirus Aid, Relief and Economic Stabilization Act (CARES)), administrated by the Small Business Administration (SBA). The amount borrowed under the loan facility was \$3,118,300. In July, 2021, TPT received notification from the SBA that the loan was fully forgiven. The entire balance of the loan was recorded as a gain on forgiveness of debt in consolidated statement of activities for the year ended August 31, 2021.

The SMA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP documentation for six years after the PPP loan was forgiven or repaid in full to provide that documentation to the SBA upon request.

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

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Notes to Consolidated Financial Statements  
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### **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).

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 \$537,209 and \$495,913 to the plan for the years ended August 31, 2022 and 2021, 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, 2022 and 2021.



## Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
August 31, 2022 and 2021

### 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, 2022 and 2021. The actuarial liability related to split interest agreements amounted to \$182,342 and \$191,199 at August 31, 2022 and 2021, respectively, and is included in other accrued expenses on the consolidated statements of financial position. There were no charitable gift annuities received during the years ended August 31, 2022 and 2021.

### 13. Commitments and Contingencies

#### Lease Commitment

TPT leases various equipment under noncancelable operating leases that expire between 2021 and 2025. Future minimum payments under these noncancelable operating lease agreements are as follows:

Years ending August 31:		
2023	\$	161,000
2024		149,000
2025		<u>18,000</u>
Total	\$	<u>328,000</u>

Total expense related to these operating leases was \$159,437 and \$157,562 for the years ended August 31, 2022 and 2021, respectively.

#### Programming Fees

In connection with TPT's membership in Public Broadcasting Service (PBS), TPT is committed to paying programming fees annually. The total programming fee commitment outstanding at August 31, 2022 is approximately \$768,570 as a payment of \$4,080,447 was made prior to year end and included in prepaid expenses and other assets on the consolidated statement of financial position at August 31, 2022, on the PBS dues of \$4,849,017.

#### Grant Contingency Disclosure

The continuation of funding from federal and other sources is contingent upon availability of funds and project performance. The funds are awarded annually based either upon receipt and approval of a program application or upon completion of a performance review. In addition, expenditures made under federal grants are subject to review and audit by the grantor agencies.

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

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Notes to Consolidated Financial Statements

August 31, 2022 and 2021

### **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.

### **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.

## Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements

August 31, 2022 and 2021

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, 2022:

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
Donor restricted endowment funds		\$ 9,605,048	\$ 9,605,048
Board designated endowment funds	\$ 24,097,431		24,097,431
Total endowment net assets	<u>\$ 24,097,431</u>	<u>\$ 9,605,048</u>	<u>\$ 33,702,479</u>

Endowment net asset composition by type of fund consists of the following as of August 31, 2021:

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
Donor restricted endowment funds		\$ 10,986,673	\$ 10,986,673
Board designated endowment funds	\$ 24,196,458		24,196,458
Total endowment net assets	<u>\$ 24,196,458</u>	<u>\$ 10,986,673</u>	<u>\$ 35,183,131</u>

## Twin Cities Public Television, Inc. and Subsidiary

Notes to Consolidated Financial Statements  
August 31, 2022 and 2021

Changes in endowment net assets for the year ended August 31, 2022 are as follows:

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
Endowment net assets August 31, 2021	\$ 24,196,458	\$ 10,986,673	\$ 35,183,131
Investment return:			
Investment income	2,623,713		2,623,713
Net depreciation, realized and unrealized	<u>(6,157,509)</u>	<u>(1,659,427)</u>	<u>(7,816,936)</u>
Total investment return	(3,533,796)	(1,659,427)	(5,193,223)
Contributions	4,392,526	443,999	4,836,525
Appropriation of endowment assets for expenditure	(943,804)	(166,196)	(1,110,000)
Actuarial adjustment related to split interest agreements	<u>(13,953)</u>		<u>(13,953)</u>
Endowment net assets, August 31, 2022	<u>\$ 24,097,431</u>	<u>\$ 9,605,049</u>	<u>\$ 33,702,480</u>

Changes in endowment net assets for the year ended August 31, 2021 are as follows:

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
Endowment net assets August 31, 2020	\$ 20,782,850	\$ 850,488	\$ 21,633,338
Investment return:			
Investment income	1,006,392		1,006,392
Net appreciation, realized and unrealized	<u>1,950,400</u>	<u>1,062,615</u>	<u>3,013,015</u>
Total investment return	2,956,792	1,062,615	4,019,407
Contributions	1,345,099	9,073,570	10,418,669
Transfer to project support	(25,000)		(25,000)
Appropriation of endowment assets for expenditure	(850,000)		(850,000)
Actuarial adjustment related to split interest agreements	<u>(13,283)</u>		<u>(13,283)</u>
Endowment net assets, August 31, 2021	<u>\$ 24,196,458</u>	<u>\$ 10,986,673</u>	<u>\$ 35,183,131</u>

### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions and continued appropriation for certain programs that was deemed prudent by the governing board. At August 31, 2022, seven donor-restricted endowment funds had value of \$9,612,569, current fair value of \$8,859,126 and deficiency of \$753,443.

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

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Notes to Consolidated Financial Statements

August 31, 2022 and 2021

### **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 five 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 30, 2022, 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, 2022

	<u>TPT</u>	<u>TCPMC</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 8,441,852			\$ 8,441,852
Accounts receivable	997,944			997,944
Prepaid expenses and other assets	4,101,230			4,101,230
Pledges receivable	175,544			175,544
Grants receivable	2,790,848			2,790,848
Investments	43,285,958			43,285,958
Property and equipment, net	17,550,599			17,550,599
Total assets	<u>\$ 77,343,975</u>			<u>\$ 77,343,975</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 912,183			\$ 912,183
Other accrued expenses	2,215,735			2,215,735
Deferred revenue	119,177			119,177
Deferred compensation	1,064,416			1,064,416
Loans and note payable, net of debt issuance costs	1,000,000			1,000,000
Total liabilities	<u>5,311,511</u>			<u>5,311,511</u>
<b>Net Assets</b>				
Without donor restrictions:				
Operating fund	1,777,621			1,777,621
Property fund	17,801,206			17,801,206
Board designated fund	40,770,362			40,770,362
Total without donor restrictions	60,349,189			60,349,189
With donor restrictions	11,683,275			11,683,275
Total net assets	<u>72,032,464</u>			<u>72,032,464</u>
Total liabilities and net assets	<u>\$ 77,343,975</u>			<u>\$ 77,343,975</u>

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

Consolidating Statement of Activities

Year Ended August 31, 2022

	Twin Cities Public Television		Twin Cities Public Media Commons		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
<b>Revenues, Gains, (Losses) and Other Support</b>						
Individual contributions and memberships	\$ 18,771,015	\$ 319,200				\$ 19,090,215
Planned giving, principally bequests	4,619,330	443,999				5,063,329
Foundation contributions	946,999	1,010,814				1,957,813
Corporation contributions	748,171	100,249				848,420
Sponsorship	1,094,009					1,094,009
Corporation for Public Broadcasting grants and PBS grants	3,884,797	1,755,051				5,639,848
State of Minnesota grants		2,947,303				2,947,303
Federal government grants		4,717,450				4,717,450
Donated goods and professional services	60,566					60,566
Other contributions	109,801	34,958				144,759
Earned income	2,332,574					2,332,574
Net investment income	(5,600,632)	(1,659,427)				(7,260,059)
Gain on forgiveness of debt	2,632,200					2,632,200
Other income	359,511		\$ 62,500		\$ (62,500)	359,511
Actuarial adjustment related to split interest agreements	(13,953)					(13,953)
Total revenues, gains, (losses) and other support before endowment draw transfer and net assets released from restrictions	29,944,388	9,669,597	62,500		(62,500)	39,613,985
Net assets released from restrictions	12,956,736	(12,956,736)				
Total revenues, gains, (losses) and other support	42,901,124	(3,287,139)	62,500		(62,500)	39,613,985
<b>Expenses and Transfers of Net Assets</b>						
Program and supporting services:						
Programming and production	27,765,808		125,285		(38,719)	27,852,374
Broadcasting	1,993,423		7,885		(3,544)	1,997,764
Program information	253,468		2,893		(1,300)	255,061
Fund raising	6,702,108		23,933		(10,756)	6,715,285
General and management	4,250,665		18,204		(8,181)	4,260,688
Total program and supporting services	40,965,472		178,200		(62,500)	41,081,172
Change in net assets before transfers of net assets without donor restrictions	1,935,652	(3,287,139)	(115,700)			(1,467,187)
Interfund/Intrafund transfers	3,344,696	70,000	(3,414,696)			
Change in net assets	5,280,348	(3,217,139)	(3,530,396)			(1,467,187)
<b>Net Assets, Beginning</b>	55,068,841	14,900,414	3,530,396			73,499,651
<b>Net Assets, Ending</b>	\$ 60,349,189	\$ 11,683,275	\$ -		\$ -	\$ 72,032,464