

TWIN CITIES PUBLIC TELEVISION, INC.
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022



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**TWIN CITIES PUBLIC TELEVISION, INC.
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YEARS ENDED AUGUST 31, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Twin Cities Public Television, Inc.
St. Paul, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Twin Cities Public Television, Inc. (the Organization), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Twin Cities Public Television, Inc. as of August 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Financial Statements section of our report. We are required to be independent of Twin Cities Public Television, Inc. 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2023, the organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

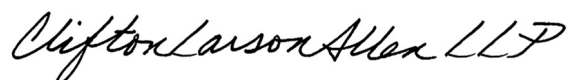
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Twin Cities Public Television, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Twin Cities Public Television, Inc.'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

The financial statements of Twin Cities Public Television, Inc., as of August 31, 2022, were audited by other auditors whose report dated November 30, 2022, expressed an unmodified opinion on those statements.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 31, 2024

TWIN CITIES PUBLIC TELEVISION, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 15,658,302	\$ 8,441,852
Accounts Receivable	1,004,627	997,945
Prepaid Expenses and Other Assets	797,723	4,101,229
Pledges Receivable, Net	383,551	175,544
Grants Receivable, Net	3,551,862	2,790,848
Investments	51,186,065	43,285,957
Property and Equipment, Net	18,035,553	17,550,600
ROU Asset, Net	778,723	-
	\$ 91,396,406	\$ 77,343,975
LIABILITIES AND NET ASSETS		
LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 1,932,616	\$ 912,183
Other Accrued Expenses	3,297,623	2,215,735
Deferred Revenue	260,635	119,177
Deferred Compensation	1,030,726	1,064,416
Lease Liability	793,874	-
Loans and Note Payable, Net of Debt Issuance Costs	-	1,000,000
Total Liabilities	7,315,474	5,311,511
NET ASSETS		
Without Donor Restrictions:		
Operating Fund	1,951,844	1,777,621
Property Fund	19,709,167	17,801,206
Board Designated Fund	45,095,181	40,770,362
Total Without Donor Restrictions	66,756,192	60,349,189
With Donor Restrictions	17,324,740	11,683,275
Total Net Assets	84,080,932	72,032,464
Total Liabilities and Net Assets	\$ 91,396,406	\$ 77,343,975

See accompanying Notes to Financial Statements.

TWIN CITIES PUBLIC TELEVISION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions			Total	With Donor Restrictions	Total
	Operations	Property	Board-Designated			
REVENUES, GAINS, (LOSSES) AND OTHER SUPPORT						
Individual Contributions and Memberships	\$ 19,379,203	\$ -	\$ 26,456	\$ 19,405,659	\$ 486,854	\$ 19,892,513
Planned Giving, Principally Bequests	270,000	-	1,570,245	1,840,245	5,356,595	7,196,840
Foundation Contributions	858,710	-	-	858,710	1,624,190	2,482,900
Corporation Contributions	684,487	-	-	684,487	19,652	704,139
Sponsorship	1,112,273	-	-	1,112,273	-	1,112,273
Corporation for Public Broadcasting Grants and PBS Grants	3,969,017	-	-	3,969,017	452,208	4,421,225
State of Minnesota Grants	4,567,906	-	-	4,567,906	-	4,567,906
Federal Government Grants	10,777,017	-	-	10,777,017	-	10,777,017
Donated Goods, Facilities and Professional Services	100,179	-	-	100,179	-	100,179
Other Contributions	9,026	-	-	9,026	49,300	58,326
Earned Income	5,644,730	-	-	5,644,730	20,000	5,664,730
Net Investment Income (Loss)	125,886	588	3,031,367	3,157,841	1,128,374	4,286,215
Gain on Forgiveness of Debt	-	-	1,000,000	1,000,000	-	1,000,000
Other Income	562,673	9,026	-	571,699	-	571,699
Actuarial Adjustment Related to Split Interest Agreements	-	-	(4,989)	(4,989)	-	(4,989)
Total Revenues, Gains, (Losses) and Other Support Before Endowment Draw Transfer and Net Assets Released from Restrictions	48,061,107	9,614	5,623,079	53,693,800	9,137,173	62,830,973
Endowment Draw Transfer	1,250,000	-	(1,015,044)	234,956	(234,956)	-
Net Assets Released from Restrictions	1,284,723	2,375,076	-	3,659,799	(3,659,799)	-
Total Revenues, Gains, (Losses) And Other Support	50,595,830	2,384,690	4,608,035	57,588,555	5,242,418	62,830,973
EXPENSES AND TRANSFERS OF NET ASSETS						
Program and Supporting Services:						
Programming and Production	37,179,497	1,279,302	-	38,458,799	-	38,458,799
Broadcasting	2,676,141	86,180	-	2,762,321	-	2,762,321
Program Information	174,852	10,424	-	185,276	-	185,276
Fund Raising	5,621,071	316,502	79,800	6,017,373	-	6,017,373
General and Management	3,321,346	37,390	-	3,358,736	-	3,358,736
Total Program and Supporting Services	48,972,907	1,729,798	79,800	50,782,505	-	50,782,505
CHANGE IN NET ASSETS BEFORE TRANSFERS OF NET ASSETS WITHOUT DONOR RESTRICTIONS	1,622,923	654,892	4,528,235	6,806,050	5,242,418	12,048,468
Transfer and Reclassification of Net Assets Without Donor Restrictions	(1,448,700)	1,104,470	(54,817)	(399,047)	399,047	-
CHANGE IN NET ASSETS	174,223	1,759,362	4,473,418	6,407,003	5,641,465	12,048,468
Net Assets - Beginning of Year	1,777,621	17,949,805	40,621,763	60,349,189	11,683,275	72,032,464
NET ASSETS - END OF YEAR	<u>\$ 1,951,844</u>	<u>\$ 19,709,167</u>	<u>\$ 45,095,181</u>	<u>\$ 66,756,192</u>	<u>\$ 17,324,740</u>	<u>\$ 84,080,932</u>

See accompanying Notes to Financial Statements.

TWIN CITIES PUBLIC TELEVISION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2022

	Without Donor Restrictions			Total	With Donor Restrictions	Total
	Operations	Property	Board- Designated			
REVENUES, GAINS, (LOSSES) AND OTHER SUPPORT						
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	2,497,320	-	-	2,497,320	449,983	2,947,303
Federal Government Grants	4,563,272	-	-	4,563,272	154,178	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)
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	35,603,401	2,675,269	(1,273,690)	37,004,980	2,609,005	39,613,985
Endowment Draw Transfer	1,110,000	-	(943,804)	166,196	(166,196)	-
Net Assets Released from Restrictions	5,629,306	100,642	-	5,729,948	(5,729,948)	-
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
EXPENSES AND TRANSFERS OF NET ASSETS						
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)
Net Assets - Beginning of Year	1,567,774	16,165,838	40,865,625	58,599,237	14,900,414	73,499,651
NET ASSETS - END OF YEAR	<u>\$ 1,777,621</u>	<u>\$ 17,801,206</u>	<u>\$ 40,770,362</u>	<u>\$ 60,349,189</u>	<u>\$ 11,683,275</u>	<u>\$ 72,032,464</u>

See accompanying Notes to Financial Statements.

TWIN CITIES PUBLIC TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023

	Programming and Production	Program Services			Supporting Services		Total
		Broadcasting	Program Information	Total	Fund Raising	General and Management	
Salaries, Payroll Taxes and Employee Benefits	\$ 15,993,380	\$ 1,534,831	\$ 145,484	\$ 17,673,695	\$ 3,049,084	\$ 2,065,230	\$ 22,788,009
Program Acquisition	5,270,668	863	-	5,271,531	4,212	-	5,275,743
PBS and Regional Memberships	103,327	9,478	1,147	113,952	34,809	4,112	152,873
Legal Services	145,544	-	-	145,544	153,520	24,230	323,294
Accounting Services	-	-	-	-	-	90,293	90,293
Outside Services	13,030,466	74,889	3,696	13,109,051	421,167	636,132	14,166,350
Professional Fundraiser	49,600	73,801	-	123,401	361,063	-	484,464
Office Supplies	19,512	1,778	293	21,583	8,404	3,614	33,601
Postage	208,337	31,769	4,195	244,301	162,788	60,962	468,051
Telephone and Data Services	41,580	35,265	375	77,220	11,422	1,427	90,069
Occupancy	525,275	155,405	4,796	685,476	246,614	17,876	949,966
Operating Lease Expense	16,679	150,335	185	167,200	5,619	664	173,483
Printing and Publications	238,368	57,018	4,287	299,673	298,844	61,506	660,023
Recording Media	5,384	-	-	5,384	-	-	5,384
Other Program Costs	170,463	97,607	109	268,179	39,785	4,445	312,409
Advertising	372,735	9,998	2,320	385,053	54,093	31,729	470,875
Premiums	-	50,467	-	50,467	246,415	-	296,882
Rental and Maintenance of Equipment	943,677	303,610	4,892	1,252,179	129,821	222,809	1,604,809
Travel	240,264	6,626	1,329	248,219	55,318	10,873	314,410
Conferences and Meetings	40,074	1,998	964	43,036	16,794	10,040	69,870
Miscellaneous	104,562	80,458	786	185,806	401,299	75,427	662,532
Depreciation and Amortization	938,904	86,125	10,418	1,035,447	316,302	37,367	1,389,116
Total Expenses	\$ 38,458,799	\$ 2,762,321	\$ 185,276	\$ 41,406,396	\$ 6,017,373	\$ 3,358,736	\$ 50,782,505

See accompanying Notes to Financial Statements.

TWIN CITIES PUBLIC TELEVISION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2022

	Programming and Production	Program Services			Supporting Services		Total
		Broadcasting	Program Information	Total	Fund Raising	General and Management	
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
Program Acquisition	4,536,788	-	-	4,536,788	5,800	-	4,542,588
PBS and Regional Memberships	131,064	10,094	3,151	144,309	32,743	23,492	200,544
Legal Services	67,926	2,377	1,699	72,002	8,353	150,290	230,645
Accounting Services	-	-	-	-	-	77,110	77,110
Outside Services	5,938,875	34,082	18,108	5,991,065	646,136	219,665	6,856,866
Professional Fundraiser	66,000	-	-	66,000	705,088	-	771,088
Office Supplies	58,105	4,537	1,230	63,872	19,360	4,036	87,268
Postage	7,632	1,354	49	9,035	437,896	2,968	449,899
Telephone and Data Services	27,273	32,004	466	59,743	4,773	1,197	65,713
Occupancy	500,368	264,972	10,432	775,772	117,365	116,637	1,009,774
Printing and Publications	197,376	161	4,160	201,697	347,188	38,889	587,774
Recording Media	14,892	-	-	14,892	811	-	15,703
Other Program Costs	275,711	3	23	275,737	50,472	2,666	328,875
Advertising	260,648	-	1,421	262,069	54,169	13,261	329,499
Premiums	29,208	-	-	29,208	275,196	-	304,404
Rental and Maintenance of Equipment	831,345	269,673	8,957	1,109,975	75,798	227,096	1,412,869
Travel	168,355	8,027	952	177,334	52,829	13,137	243,300
Conferences and Meetings	37,077	1,058	835	38,970	11,633	13,007	63,610
Miscellaneous	136,468	1,849	1,314	139,631	315,788	100,569	555,988
Depreciation and Amortization	890,628	172,989	20,673	1,084,290	171,049	130,076	1,385,415
Total Expenses	\$ 27,852,374	\$ 1,997,764	\$ 255,061	\$ 30,105,199	\$ 6,715,285	\$ 4,260,688	\$ 41,081,172

See accompanying Notes to Financial Statements.

TWIN CITIES PUBLIC TELEVISION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 12,048,468	\$ (1,467,187)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,389,116	1,371,017
Amortization of Debt Issuance Costs	-	14,398
Net Realized and Unrealized Gains on Investments	(3,008,962)	7,764,458
Loss on Disposal of Property and Equipment	1,885	-
Gain on Forgiveness of Debt	(1,000,000)	(2,632,200)
Change in Operating Assets:		
Accounts Receivable	(6,682)	(231,109)
Prepaid Expenses and Other Assets	3,303,506	(3,449,906)
Pledges Receivable	(208,007)	(40,518)
Grants Receivable	(761,014)	1,989,630
Operating Lease, Right-of-use Asset	(778,723)	-
Change in Operating Liabilities:		
Accounts Payable	1,020,433	(168,362)
Other Accrued Expenses	1,081,888	(994,030)
Deferred Revenue	141,458	(178,580)
Deferred Compensation	(33,690)	(275,650)
Operating Lease Liabilities	793,874	-
Contributions Restricted for Long-Term Investment	(3,856,595)	(443,999)
Net Cash Provided by Operating Activities	10,126,955	1,257,962
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,875,954)	(439,050)
Purchases of Investments	(13,731,399)	(21,659,725)
Sale of Investments	8,840,253	21,477,164
Net Cash Used by Investing Activities	(6,767,100)	(621,611)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Received Restricted for Long-Term Investment	3,856,595	443,999
NET INCREASE IN CASH	7,216,450	1,080,350
Cash and Cash Equivalents - Beginning of Year	8,441,852	7,361,502
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 15,658,302	\$ 8,441,852

See accompanying Notes to Financial Statements.

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The mission of Twin Cities Public Television, Inc. (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. TPT's particular areas of focus include: the educational readiness of children; 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.

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 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.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Asset Classifications (Continued)

Board-Designated (Continued)

Board-Designated Endowment Fund (\$26,020,212 and \$24,097,431 as of August 31, 2023 and 2022, 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% 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 2023 and 2022 was 4.2% and 3.9%, respectively.

Property Acquisition Designated Fund (\$425,387 and \$1,416,568 as of August 31, 2023 and 2022, respectively): This fund consists of assets designated by the board which can be made available to acquire new property and equipment. Spending from this fund requires board approval.

Working Capital Fund (\$15,073,909 and \$11,374,259 as of August 31, 2023 and 2022, 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 included the note payable in prior year 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 (\$323,741 and \$389,702 as of August 31, 2023 and 2022, 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.

Response Initiatives Fund (\$3,251,901 and \$3,343,773 as of August 31, 2023 and 2022, 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.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Asset Classifications (Continued)

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 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 grant conditions are met.

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.

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment

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

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

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

Leases

The Organization determines if an arrangement is a lease at inception. Leases are reported on the statement of financial position as a right-of-use (ROU) asset and lease liability.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent The Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that The Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, The Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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.

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the 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 is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. TPT is 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.

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes (Continued)

TPT follows 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 for uncertain tax positions as of August 31, 2023 and 2022. 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.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective September 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended August 31, 2023 are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

**TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 2 LIQUIDITY AND AVAILABILITY

The following table reflects TPT's financial assets available for general expenditure at August 31, 2023 and 2022. 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.

	2023	2022
Financial Assets:		
Cash and Cash Equivalents	\$ 15,658,302	\$ 8,441,852
Accounts Receivable	1,004,627	997,945
Grants Receivable for Fiscal 2024 and 2023, Respectively	3,551,862	2,790,848
Endowment Draw for Fiscal 2024 and 2023, Respectively	1,300,000	1,250,000
Contributions Receivable Due Within One Year (Without Donor Restrictions)	276,312	155,544
Nonendowment Related Investments	18,446	17,857
Total	\$ 21,809,549	\$ 13,654,046

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 \$26,020,212 and \$24,097,431 at August 31, 2023 and 2022, respectively, which could also be made available at the direction of the board.

NOTE 3 FAIR VALUE MEASUREMENTS AND INVESTMENTS FAIR VALUE HIERARCHY

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.

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

**NOTE 3 FAIR VALUE MEASUREMENTS AND INVESTMENTS FAIR VALUE HIERARCHY
(CONTINUED)**

Fair Value Hierarchy (Continued)

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 and mutual 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, 2023 and 2022.

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.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

**NOTE 3 FAIR VALUE MEASUREMENTS AND INVESTMENTS FAIR VALUE HIERARCHY
(CONTINUED)**

Valuation Techniques and Inputs (Continued)

The following table presents information about TPT's assets measured at fair value on a recurring basis as of August 31, 2023:

	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Mutual Funds:				
U.S. Equities	\$ 18,758,349	\$ 18,758,349	\$ -	\$ -
U.S. Fixed Income	14,841,991	-	14,841,991	-
U.S. Target Allocation	411,946	411,946	-	-
U.S. Real Estate	13,840	13,840	-	-
Global Equities	12,229,665	12,229,665	-	-
Emerging Markets Equities	14,222	14,222	-	-
Assets By Valuation Hierarchy	<u>\$ 46,270,013</u>	<u>\$ 31,428,022</u>	<u>\$ 14,841,991</u>	<u>\$ -</u>
Cash and Money Market	130,011			
Investments measured at NAV	4,773,627			
Investment Held at Cost	12,414			
Total Investments	<u>\$ 51,186,065</u>			

In the table above, assets held at Level 1 include TPT's investments held for its 457(b) plan totaling \$1,030,726 for the year ending August 31, 2023.

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

**NOTE 3 FAIR VALUE MEASUREMENTS AND INVESTMENTS FAIR VALUE HIERARCHY
(CONTINUED)**

Valuation Techniques and Inputs (Continued)

The following table presents information about TPT's assets measured at fair value on a recurring basis as of August 31, 2022:

	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
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	-	-
Assets By Valuation Hierarchy	<u>\$ 24,215,783</u>	<u>\$ 20,754,740</u>	<u>\$ 3,461,043</u>	<u>\$ -</u>
Cash and Money Market	7,614,656			
Investments measured at NAV	11,443,104			
Investment Held at Cost	<u>12,414</u>			
Total Investments	<u>\$ 43,285,957</u>			

In the table above, assets held at Level 1 include TPT's investments held for its 457(b) plan totaling \$1,064,416 for the year ending August 31, 2022.

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.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

**NOTE 3 FAIR VALUE MEASUREMENTS AND INVESTMENTS FAIR VALUE HIERARCHY
(CONTINUED)**

Valuation Techniques and Inputs (Continued)

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category as of August 31, 2023 and 2022:

Asset Class:	2023 Fair Value	2022 Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period	Remaining Investment Period
Private Equity (1)	\$ 1,634,313	\$ 1,515,861	\$ 60,000	Not redeemable	N/A	4 months
Private Equity (1)	1,265,835	1,174,375	123,340	Not redeemable	N/A	20 months
Private Equity (1)	976,087	655,403	664,778	Not redeemable	N/A	5 years
Private Equity (1)	463,065	-	-	Not redeemable	N/A	N/A
Private Equity (1)	150,068	160,152	-	Not redeemable	N/A	N/A
U.S. Equities (2)	-	1,476,784	-	Quarterly	45 days	N/A
U.S. Equities (2)	-	1,078,682	-	Quarterly	60 days	N/A
Global Equities (3)	284,259	1,170,287	-	Quarterly	60 days	N/A
Global Fixed Income (4)	-	1,715,302	-	Bi-monthly	5 days	N/A
Hedge Funds/Alternative (5)	-	2,496,258	-	Daily	10 days	N/A
Total	<u>\$ 4,773,627</u>	<u>\$ 11,443,104</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 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.

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

**NOTE 3 FAIR VALUE MEASUREMENTS AND INVESTMENTS FAIR VALUE HIERARCHY
(CONTINUED)**

Valuation Techniques and Inputs (Continued)

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

	<u>2023</u>	<u>2022</u>
Interest and Dividends, Net	\$ 1,277,254	\$ 504,399
Net Realized and Unrealized Gains (Losses)	3,008,961	(7,764,458)
Total	<u>\$ 4,286,215</u>	<u>\$ (7,260,059)</u>

NOTE 4 RESTRICTIONS AND LIMITATIONS ON NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Time or Purpose Restrictions:		
Project Support	\$ 231,217	\$ 319,185
Capital and Equipment Purchases	2,118,003	1,290,896
Next Avenue	79,927	94,813
Future Operations (Time Restricted)	166,485	373,333
Endowment Funds (Accumulated Earnings)	147,902	(763,009)
Total Time or Purpose Restrictions	<u>2,743,534</u>	<u>1,315,218</u>
Endowment Fund (to Be Held in Perpetuity)	14,581,206	10,368,057
Net Assets with Donor Restrictions	<u>\$ 17,324,740</u>	<u>\$ 11,683,275</u>

NOTE 5 NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Purpose Restrictions:		
Project Support	\$ 635,900	\$ 4,831,375
Capital and Equipment Purchases	2,375,076	95,704
Next Avenue	275,490	479,536
Endowment	234,956	166,196
Future Operations (Time Restricted)	373,333	323,333
Total	<u>\$ 3,894,755</u>	<u>\$ 5,896,144</u>

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 6 PLEDGES AND GRANTS RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Pledges Receivable, Net	\$ 383,551	\$ 175,544
Grants Receivable, Net	3,551,862	2,790,848
Net Pledges and Grants Receivable	<u>\$ 3,935,413</u>	<u>\$ 2,966,392</u>

Pledges and grants receivable are primarily due in one year and are therefore not discounted at August 31, 2023 and 2022.

Conditional pledges and grants are recorded as revenue when the condition has been met. TPT had conditional grants outstanding of \$27,476,713 and \$20,790,332 as of August 31, 2023 and 2022, respectively, whereby, the conditions will be met upon incurring certain qualifying expenditures.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 370,000	\$ 370,000
Building	25,893,081	25,849,898
Tower and Transmitter Equipment	3,399,937	3,399,934
Production Equipment and Fixtures	8,485,676	7,999,553
Computer Equipment	2,463,935	2,309,952
Office Furniture and Equipment	1,632,741	1,487,790
Work in Process	1,196,874	176,660
Total	<u>43,442,244</u>	<u>41,593,787</u>
Less: Accumulated Depreciation	<u>(25,406,691)</u>	<u>(24,043,188)</u>
Total	<u>\$ 18,035,553</u>	<u>\$ 17,550,599</u>

NOTE 8 LINE OF CREDIT

TPT has a \$4,000,000 line of credit agreement with Bremer Bank which expires on May 9, 2024 and carries an interest rate of the bank's index rate plus 1.75 percentage points. There was no balance outstanding at August 31, 2023 and 2022 under this agreement. The line is collateralized by certain assets of TPT and requires TPT to meet certain financial covenants.

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 9 LOANS AND NOTES PAYABLE, NET

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 was 2.11% per annum calculated and due on an annual basis. The note payable was due on December 17, 2026. In FY23, the debt was forgiven. As a result the debt balance was \$-0 and \$1,000,000 at August 31, 2023 and 2022 respectively.

NOTE 10 LEASES

TPT has various non-cancelable lease arrangements for equipment which expire at various dates from fiscal year 2024 to fiscal year 2029. TPT does not have any leases that are classified as finance leases and does not have any material office space subleases.

All lease agreements for the year ended August 30, 2023, are accounted for under ASC Topic 842; and for the year ended August 31, 2022, all leases were accounted for under the previous lease standard.

Upon adoption of ASC Topic 842 and as discussed in Note 1, TPT elected numerous practical expedients with respect to leases existing as of September 1, 2022.

Rental payments under these leases include base rental amounts for the terms of each lease unless the lease contains variable costs based on an index or rate. Any variable lease payments are determined based on actual expenses incurred by the lessor, passed to the Organization on a periodic basis, and expensed as incurred.

For leases that contain an option to extend for an additional period, management evaluated whether it is reasonably certain that TPT would, in fact, extend the lease. If TPT was not reasonably certain that a lease would be extended, the additional term was not included in the determination of the lease liability and right-of-use asset. If TPT was reasonably certain that a lease would be extended, the additional term was included in the determination of the lease liability and right-of-use asset.

Operating & variable lease expense in the Statement of Activities for the year ended August 31, 2023, which is included in the "Lease Expense" in the Statement of Functional Expenses, was:

Lease Costs:	
Operating Lease Costs	\$ 173,483
Total Lease Costs	<u>\$ 173,483</u>

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 10 LEASES (CONTINUED)

The following table provides quantitative information concerning TPT's leases for the year ending August 31, 2023:

Other Information:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 158,331
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	
	\$ 922,322
Weighted-Average Remaining Lease Term:	
Operating Leases	5.7 Years
Weighted-Average Discount Rate:	
Operating Leases	3.51%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of August 31, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2024	\$ 157,043
2025	147,103
2026	135,629
2027	140,796
2028	146,160
Therafter	151,728
Total Lease Payments	878,460
Less: Interest	(84,586)
Present Value of Lease Liabilities	<u>\$ 793,874</u>

NOTE 11 GROUND LEASE

In October 2014, TPT entered into a Ground Lease with the City of St. Paul, Minnesota (City) to lease the land owned by TPT, as well as the building, for \$-0- over a term of 30 years, which is considered to be 125% of the useful life of the building, as required. In addition, the City entered into a Lease/Use Agreement to operate the premises for the purpose of providing a broadcasting studio, media center, office headquarters and related facilities for public television for \$-0-. The Lease/Use Agreement may not exceed 50% of the useful life of the building under State Statute; therefore, the original term is 12 years with an optional 12 year renewal, followed by a 6 year renewal. The Lease/Use Agreement renewal must be approved by the City.

TWIN CITIES PUBLIC TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

NOTE 11 GROUND LEASE (CONTINUED)

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 (MMB). The City shall not sell its interest in the premises until it has first offered to sell its interest in the premises to Ground Lessor (TPT).

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

NOTE 12 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 following 30 days of their hire date unless they have made an election to opt out of the program per IRS requirements. TPT will match 100% of elective deferral contributions that are not over 1% of pay, plus 50% of elective deferral contributions which are over 1% but are not over 6% of pay. QACA matching contributions shall be made for all persons who are active at any time during that payroll period. TPT contributed \$569,241 and \$537,209 to the plan for the years ended August 31, 2023 and 2022, 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 to future years. There were no employer contributions to this plan during the years ended August 31, 2023 and 2022.

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NOTE 13 SPLIT INTEREST AGREEMENTS

TPT has arrangements with donors classified as charitable gift annuities. In general, under these arrangements, TPT receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. TPT invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by TPT as net assets with or without donor restrictions, based on the intent of the gift.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of TPT. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age of the donor. TPT used interest rates ranging from 1.0% to 7.0% in making the calculations for the years ended August 31, 2023 and 2022. The actuarial liability related to split interest agreements amounted to \$164,196 and \$182,342 at August 31, 2023 and 2022, respectively, and is included in other accrued expenses on the statements of financial position. There were no charitable gift annuities received during the years ended August 31, 2023 and 2022.

NOTE 14 COMMITMENTS AND CONTINGENCIES

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, 2023 is \$1,711,162, which includes \$953,393 for FY23 dues and \$757,769 of the total estimated commitment of \$4,546,611 for FY24 dues.

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.

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.

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NOTE 15 CONCENTRATIONS

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

NOTE 16 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 accounting principles generally accepted in the United States of America, 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

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NOTE 16 ENDOWMENT (CONTINUED)

Endowment net asset composition by type of fund consists of the following as of August 31, 2023:

<u>August 31, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 14,729,108	\$ 14,729,108
Board-Designated Endowment Funds	<u>26,020,212</u>	<u>-</u>	<u>26,020,212</u>
Total	<u>\$ 26,020,212</u>	<u>\$ 14,729,108</u>	<u>\$ 40,749,320</u>

Endowment net asset composition by type of fund consists of the following as of August 31, 2022:

<u>August 31, 2022</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 9,605,048	\$ 9,605,048
Board-Designated Endowment Funds	<u>24,097,431</u>	<u>-</u>	<u>24,097,431</u>
Total	<u>\$ 24,097,431</u>	<u>\$ 9,605,048</u>	<u>\$ 33,702,479</u>

Changes in endowment net assets for the year ended August 31, 2023 are as follows:

<u>August 31, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets Beginning of Year	\$ 24,097,431	\$ 9,605,049	\$ 33,702,480
Investment Return:			
Investment Income	1,292,099	821,205	2,113,304
Net Appreciation, Realized and Unrealized	<u>428,061</u>	<u>307,169</u>	<u>735,230</u>
Total Investment Return	1,720,160	1,128,374	2,848,534
Contributions	1,596,700	3,856,595	5,453,295
Appropriation of Endowment Assets for			
Expenditure	(1,015,044)	(234,956)	(1,250,000)
Named Endowment Transfer	(374,046)	374,046	-
Actuarial Adjustment Related to			
Split Interest Agreements	<u>(4,989)</u>	<u>-</u>	<u>(4,989)</u>
Endowment Net Assets, End of Year	<u>\$ 26,020,212</u>	<u>\$ 14,729,108</u>	<u>\$ 40,749,320</u>

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NOTE 16 ENDOWMENT (CONTINUED)

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

<u>August 31, 2022</u>			
Endowment Net Assets Beginning of Year	\$ 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>-</u>	<u>(13,953)</u>
Endowment Net Assets, End of Year	<u>\$ 24,097,431</u>	<u>\$ 9,605,049</u>	<u>\$ 33,702,480</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 TPT 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, 2023, seven donor-restricted endowment funds had a value of \$14,251,206, current fair value of \$13,706,580 and deficiency of \$544,626.

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.

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NOTE 16 ENDOWMENT (CONTINUED)

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 5% 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.

NOTE 17 EARNED INCOME

Earned Income - in the following table, earned revenue is disaggregated by type of services provided as well as sources, consists of the following as of August 31, 2023:

	<u>2023</u>	<u>2022</u>
Production Services	\$ 4,761,980	\$ 1,491,471
Licensing & Royalties	902,752	841,102
Total	<u>\$ 5,664,732</u>	<u>\$ 2,332,573</u>

More detailed information about the revenue recognition policies for the above significant other revenue sources follows:

Production Services - Production services revenue consists of production, creative design, and film services provided to other organizations. Production services are recognized as revenue as the performance obligation(s) are satisfied over the contract period.

Licensing and royalties – Licensing and royalties are generated from the distribution of media content within the US and worldwide. Licensing revenue primarily consists of content distributed via subscription video on demand (SVOD), transactional video on demand (TVOD), and program sales. Licensing and royalty revenue amounts are determined based on contractually specified amounts or percentages. Revenue from licensing is recognized at the point in time when the license period has started, all content assets have been delivered to the customer, and the usage has occurred, if applicable. Revenue from royalties is recognized over time as the customer receives the benefits over the period of the royalty term or as the subsequent sale or usage occurs for sales-based or usage-based royalties.

**TWIN CITIES PUBLIC TELEVISION, INC.
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AUGUST 31, 2023 AND 2022**

NOTE 18 SUBSEQUENT EVENTS

TPT has evaluated subsequent events through January 31, 2024, which is the date that the financial statements were approved and available to be issued.



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