

**NASHVILLE PUBLIC  
TELEVISION, INCORPORATED**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008 AND 2007**

# NASHVILLE PUBLIC TELEVISION, INCORPORATED

## Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities .....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 12



## Independent Auditors' Report

To the Board of Directors  
Nashville Public Television, Incorporated  
Nashville, Tennessee

We have audited the statements of financial position of Nashville Public Television, Incorporated (NPT) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of NPT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Public Television, Incorporated at June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Crosslin & Associates, P.C.*

October 23, 2008  
Nashville, Tennessee

NASHVILLE PUBLIC TELEVISION, INCORPORATED  
STATEMENTS OF FINANCIAL POSITION

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,611,733	\$1,582,384
Investments	422,185	909,871
Accounts receivable, net of allowance for doubtful accounts of \$10,000 and \$15,000 as of June 30, 2008 and 2007, respectively	772,341	177,800
Contributions receivable (Note C)	2,449,420	2,660,143
Prepaid expenses and other assets	42,279	20,469
Total current assets	<u>6,297,958</u>	<u>5,350,667</u>
Beneficial interest in trusts (Note B)	50,563	57,004
Property, plant and equipment, net (Note D)	3,936,415	3,014,494
Intangible assets, net	12,162	13,899
Long-term investments	<u>61,096</u>	<u>55,596</u>
Total assets	<u>\$10,358,194</u>	<u>\$8,491,660</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 527,091	\$ 516,653
Deferred revenue	594,163	-
Total current liabilities	<u>1,121,254</u>	<u>516,653</u>
Commitments (Note H)	-	-
Net assets:		
Unrestricted:		
Undesignated	6,620,743	5,195,157
Board designated	69,465	67,395
Total unrestricted	<u>6,690,208</u>	<u>5,262,552</u>
Temporarily restricted (Note K)	2,494,420	2,660,143
Permanently restricted (Note K)	<u>52,312</u>	<u>52,312</u>
Total net assets	<u>9,236,940</u>	<u>7,975,007</u>
Total liabilities and net assets	<u>\$10,358,194</u>	<u>\$8,491,660</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED  
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2008	2007
Changes in unrestricted net assets:		
Operating revenue:		
Contributions	\$ 3,116,463	\$ 2,998,126
Contributions from campaign	390,042	985,099
Contributions from governmental units	1,467,873	508,085
Contributions from the Corporation for Public Broadcasting	882,507	1,016,580
Sale of services, guides, and films	836,028	596,392
In-kind donations (Note E)	310,941	300,355
Grants	-	34,527
Gain on investments	2,070	9,659
(Loss) gain on beneficial interest in trusts	( 6,441)	2,573
Net assets released from restrictions	<u>532,174</u>	<u>15,000</u>
Total operating revenue	<u>7,531,657</u>	<u>6,466,396</u>
Operating expenses:		
Program services:		
Programming and production	2,872,181	2,872,131
Broadcasting	1,030,661	1,016,051
Program information	<u>373,925</u>	<u>352,922</u>
Total program services	<u>4,276,767</u>	<u>4,241,104</u>
Supporting services:		
Development and fund raising	1,144,415	1,205,960
Administration	<u>682,819</u>	<u>627,845</u>
Total supporting services	<u>1,827,234</u>	<u>1,833,805</u>
Total operating expenses	<u>6,104,001</u>	<u>6,074,909</u>
Net increase in unrestricted net assets	<u>1,427,656</u>	<u>391,487</u>
Change in temporarily restricted net assets:		
Contributions	45,000	-
Contributions from campaign (Note K)	321,451	2,660,143
Net assets released from restrictions	<u>( 532,174)</u>	<u>( 15,000)</u>
Net (decrease) increase in temporarily restricted net assets	<u>( 165,723)</u>	<u>2,645,143</u>
Net increase in net assets	1,261,933	3,036,630
Net assets at beginning of year	<u>7,975,007</u>	<u>4,938,377</u>
Net assets at end of year	<u>\$ 9,236,940</u>	<u>\$ 7,975,007</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED  
STATEMENTS OF CASH FLOWS

	<u>Years Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Operating activities:		
Net increase in net assets	\$ 1,261,933	\$ 3,036,630
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	454,879	456,007
Loss (gain) on beneficial interest in trusts	6,441	( 2,573)
Gain on investments	( 2,070)	( 9,659)
Amortization of intangible assets	1,737	1,737
Changes in assets and liabilities:		
(Increase) decrease in receivables, net	( 594,541)	221,059
Decrease (increase) in contributions receivable	210,723	(2,660,143)
(Increase) decrease in prepaid expenses and other assets	( 21,810)	41,955
Increase in accounts payable and accrued liabilities	10,438	152,287
Increase in deferred revenue	<u>594,163</u>	<u>-</u>
Net cash provided by operating activities	<u>1,921,893</u>	<u>1,237,300</u>
Cash flows used in investing activities:		
Purchases of equipment	(1,376,800)	( 165,530)
Sales (purchases) of investments, net	<u>484,256</u>	<u>( 518,017)</u>
Net cash used in investing activities	<u>( 892,544)</u>	<u>( 683,547)</u>
Net increase in cash and cash equivalents	1,029,349	553,753
Cash and cash equivalents at beginning of year	<u>1,582,384</u>	<u>1,028,631</u>
Cash and cash equivalents at end of year	<u>\$ 2,611,733</u>	<u>\$ 1,582,384</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nashville Public Television, Incorporated (NPT or the Station), a community nonprofit corporation, was incorporated on May 13, 1998 for the purpose of promoting public broadcasting and telecommunications. The Station is the FCC Licensee for WNPT, the public television station in Nashville, Tennessee.

Transfer of Net Assets from WDCN - Channel 8

As a result of a Statement of Understanding and Purpose entered into between the Metropolitan Board of Public Education of the Metropolitan Government of Nashville and Davidson County (MBPE) and the Nashville Public Television Council (NPTC), ownership and operational control of WDCN - Channel 8 was transferred to WDCN Public Television Corporation as of June 30, 1999. The assets and liabilities were transferred at the carrying value as reflected in the accounts of WDCN - Channel 8. The Station changed its legal name from WDCN Public Television Corporation to Nashville Public Television, Incorporated in January 2001. MBPE retains a perpetual right of first refusal in acquiring any broadcast-related assets that MBPE may be eligible to acquire, at such time as NPT might seek disposal.

Accrual Basis and Financial Statement Presentation

The financial statements of NPT have been prepared on the accrual basis of accounting.

NPT classifies its net assets and its revenue, expenses, gains, and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of NPT and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of NPT and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by NPT. Generally, the donors of these assets would permit NPT to use all or part of the income earned on the related investments for general or specific purposes.

NASHVILLE PUBLIC TELEVISION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The amount for each of these classes of net assets is displayed in the statements of financial position and the amount of change in each class of net assets is displayed in the statements of activities.

Contributions

NPT reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. NPT has elected to report contributions received with donor imposed restrictions as an increase to unrestricted net assets if the restrictions are met in the same fiscal year that the contributions are received.

Contributions receivable are recorded at their estimated fair value and reflect discounts for payment terms greater than one year, if applicable. Contributions receivable are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor. Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the promise to give is received.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statement of activities.

Use of Estimates in the Preparation of Financial Statements

Management of NPT has made certain estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Station considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.



NASHVILLE PUBLIC TELEVISION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Long-term investments consist of an equity interest in a joint venture created for the purpose of exploring new initiatives in digital television, which is accounted for on the cost basis since the Station's ownership interest in the joint venture is less than 10%.

Deferred Program Costs

Costs incurred to purchase or produce programs not yet broadcast which will not generate revenues through sale or distribution of broadcast rights are deferred and amortized over the life of the program. Grants related to the production of programs not yet broadcast are included in temporarily restricted net assets.

Film and Program Costs

Costs incurred to purchase or produce films and programs, which will generate revenues through sale or distribution of the broadcast rights, are deferred. The Station amortizes these costs of production of films and programs using the individual-film-forecast method under which the costs are amortized in the ratio that revenue earned for the specific title in the current period bears to management's estimate of the total revenues to be realized from all media and markets for the specific title. All exploitation costs, including advertising and marketing costs, are expensed as incurred. Estimates of total gross revenues can change due to a variety of factors, including the level of market acceptance of the production.

Property, Plant, and Equipment

The majority of equipment utilized by NPT was transferred to the Station by WDCN - Channel 8, at cost. These assets are being depreciated on a straight-line basis over their estimated useful lives, which range from three to ten years. Costs of maintenance and repairs are charged to expense as incurred.

Intangible Assets

NPT owns the rights to the call letters WNPT. The purchase of the rights to the call letters and any related name registrations occurred effective July 2000 and has been capitalized at cost (\$26,055). The copyrights are being amortized over a period of 15 years (\$1,737 per year) using the straight-line method.

NASHVILLE PUBLIC TELEVISION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Revenue

NPT recognizes certain grant amounts received for various purposes as exchange transactions. At year-end the unearned portion of these grants is recorded as deferred revenue. As the grant requirements are completed, the amounts are recognized as revenue.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the costs to sell. The Station had no impairments of long-lived assets during 2008 or 2007.

Income Taxes

NPT is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; and accordingly no provision for income taxes is included in the accompanying financial statements.

B. BENEFICIAL INTERESTS IN TRUSTS

During 2004, NPT received \$52,312 in funds held in a trust for the benefit of the Station. The funds have been recorded in the Station's financial statements as beneficial interests in trusts. NPT received immaterial interest or dividend income during 2008 and 2007. Total market value at June 30, 2008 and 2007 was \$50,563 and \$57,004, respectively.

NASHVILLE PUBLIC TELEVISION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

C. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Contributions receivable (present value)	\$2,449,420	\$2,660,143
Less: allowance for doubtful contributions	<u>-</u>	<u>-</u>
	<u>\$2,449,420</u>	<u>\$2,660,143</u>

Expected maturities of contributions receivable at June 30, 2008 were as follows:

<u>Year(s) ended June 30,</u>	<u>Amount</u>
2009	\$ 769,017
2010	574,500
2011	522,568
2012	263,500
2013	55,000
Thereafter	<u>650,000</u>
Total expected contributions	2,834,585
Less: allowance for net present value	<u>( 385,165)</u>
Present value of contributions receivable	<u>\$ 2,449,420</u>

D. PROPERTY, PLANT AND EQUIPMENT

The classification of property, plant and equipment is as follows:

	<u>2008</u>	<u>2007</u>
Land and buildings	\$ 2,435,758	\$ 2,103,658
Broadcast equipment	3,625,116	3,620,684
Production equipment	1,695,157	1,653,389
Furniture, fixtures and office equipment	476,893	437,544
Work-in-process	<u>959,151</u>	<u>-</u>
	9,192,075	7,815,275
Less accumulated depreciation	<u>(5,255,660)</u>	<u>(4,800,781)</u>
Property, plant and equipment, net	<u>\$ 3,936,415</u>	<u>\$ 3,014,494</u>

The estimated cost to complete work-in-process at June 30, 2008 was approximately \$367,000, which relates to the digital conversion project.

NASHVILLE PUBLIC TELEVISION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

D. PROPERTY, PLANT AND EQUIPMENT - Continued

Pursuant to the Statement of Understanding and Purpose between MBPE and NPT, in the event that any of the real property transferred from MBPE to NPT should cease to be used for a public television station or be mortgaged or used as collateral for a loan on or before June 30, 2009, such property is subject to reversion to MBPE under MBPE's perpetual right of first refusal to acquire such broadcast related assets. In addition, certain equipment which was partially funded by governmental grants is subject to lien in the event of sale or disposition to entities other than public broadcasting stations.

E. IN-KIND DONATIONS AND DONATED PERSONAL SERVICES VOLUNTEERS

In-kind contributions are recorded as revenue and expenses in the accompanying statements of activities. These contributions consist of services recorded at the estimated fair market value, as determined by the provider, at the date of the gift. Revenue from underwriting and related broadcasting expenses totaled \$310,941 and \$300,355 for the years ended June 30, 2008 and 2007, respectively.

F. LINE-OF-CREDIT

NPT had an unsecured line-of-credit with a commercial bank in the amount of \$500,000, which expired August 13, 2008. Borrowings were at the lender's prime rate (5.00% at June 30, 2008). NPT had no outstanding balance on the line-of-credit at June 30, 2008 or 2007. Subsequent to year-end, NPT is researching the possible extension of the line-of-credit after the aforementioned expiration date.

G. DEFERRED REVENUE

NPT had deferred revenue of \$594,163 for the year ended June 30, 2008, of which \$523,098 was received from the State of Tennessee to be used for the digital conversion. The corresponding revenue will be recognized upon completion of the grant terms.

NASHVILLE PUBLIC TELEVISION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

H. COMMITMENTS

At June 30, 2008 NPT had the following commitments related to fiscal year 2009:

Purchase of programming from the Public Broadcasting System (PBS)	\$766,309
PBS membership dues and interconnect fees	149,396
National Educational Telecommunication Association annual dues	9,420
Tennessee Public Television Council (TPTC) annual dues	15,835
BBC programming	<u>13,440</u>
	<u>\$954,400</u>

In the event that NPT should lease, license, sell or convey a portion of its digital television signal to third parties for commercial purposes, NPT is obligated to pay fifty percent of any related net proceeds to MBPE until June 30, 2009.

I. DEFINED CONTRIBUTION RETIREMENT PLAN

NPT has a 403(b) defined contribution retirement plan for eligible employees. Under this plan, the Station contributes a minimum of two percent (for which no employee contribution is required) up to a maximum of eight percent (through matching provisions) of employee salaries, subject to Internal Revenue Service limitations. The total amounts contributed under this plan were \$84,338 and \$120,942 for 2008 and 2007, respectively.

J. CONCENTRATIONS OF CREDIT RISK

NPT maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 through December 31, 2009, and subsequently up to \$100,000. NPT maintains its accounts with high credit quality financial institutions and has never experienced any losses in such accounts.

NASHVILLE PUBLIC TELEVISION, INCORPORATED  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

K. NET ASSETS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Temporarily restricted net assets at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Family Literacy Program	\$ 45,000	\$ -
Contributions Time Restricted	<u>2,449,420</u>	<u>2,660,143</u>
	<u>\$2,494,420</u>	<u>\$2,660,143</u>

Net assets of \$532,174 in fiscal 2008 and \$15,000 in fiscal 2007 were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes or by occurrence of other events specified by the various donors. The purpose restrictions accomplished were for program services and additional equipment.

Permanently restricted net assets at June 30, 2008 and 2007 consisted of a beneficial interest in a trust.