

**NASHVILLE PUBLIC
TELEVISION, INCORPORATED**

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NASHVILLE PUBLIC TELEVISION, INCORPORATED

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Nashville Public Television, Incorporated ("NPT") as of June 30, 2012 and 2011, 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 audit 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 as of June 30, 2012 and 2011, 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.

Nashville, Tennessee
November 14, 2012

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$4,323,695	\$4,330,739
Investments	80,769	82,839
Accounts receivable, net of allowance for doubtful accounts of \$10,000 as of June 30, 2012 and 2011	182,959	148,292
Contributions receivable (Note C)	62,681	441,447
Prepaid expenses and other assets	<u>13,467</u>	<u>20,989</u>
Total current assets	<u>4,663,571</u>	<u>5,024,306</u>
Contributions receivable (Note C)	477,096	499,626
Beneficial interest in trusts (Note B)	47,450	48,437
Property, plant and equipment, net (Note D)	3,712,659	4,135,999
Intangible assets, net	26,190	30,562
Long-term investments	<u>69,346</u>	<u>69,346</u>
Total assets	<u>\$8,996,312</u>	<u>\$9,808,276</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 405,605	\$ 338,623
Deferred revenue	<u>-</u>	<u>6,000</u>
Total current liabilities	<u>405,605</u>	<u>344,623</u>
Commitments (Note F)		
Net assets:		
Unrestricted:		
Undesignated	7,836,711	8,075,804
Board designated (Note J)	<u>80,769</u>	<u>82,839</u>
Total unrestricted	<u>7,917,480</u>	<u>8,158,643</u>
Temporarily restricted (Note I)	625,777	1,256,573
Permanently restricted (Note I and J)	<u>47,450</u>	<u>48,437</u>
Total net assets	<u>8,590,707</u>	<u>9,463,653</u>
Total liabilities and net assets	<u>\$8,996,312</u>	<u>\$9,808,276</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF ACTIVITIES

	<u>Years Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
Operating revenue:		
Contributions and grants	\$ 2,945,899	\$ 2,596,019
Contributions from governmental units	508,085	1,185,475
Contributions from the Corporation for		
Public Broadcasting	962,234	959,921
Sale of services, guides, and films	635,649	627,529
In-kind donations (Note E)	346,642	304,681
(Loss) gain on investments	(2,077)	14,247
Net assets released from restrictions (Note I)	<u>708,253</u>	<u>846,128</u>
Total operating revenue	<u>6,104,685</u>	<u>6,534,000</u>
Operating expenses:		
Program services:		
Programming and production	3,249,160	2,969,979
Broadcasting	1,111,885	1,148,888
Program information	<u>274,837</u>	<u>268,491</u>
Total program services	<u>4,635,882</u>	<u>4,387,358</u>
Supporting services:		
Development and fund raising	965,635	903,153
Administration	<u>744,331</u>	<u>708,515</u>
Total supporting services	<u>1,709,966</u>	<u>1,611,668</u>
Total operating expenses	<u>6,345,848</u>	<u>5,999,026</u>
Net (decrease) increase in unrestricted net assets	<u>(241,163)</u>	<u>534,974</u>
Change in temporarily restricted net assets:		
Contributions and project grants	77,457	110,500
Net assets released from restrictions (Note I)	<u>(708,253)</u>	<u>(846,128)</u>
Net decrease in temporarily restricted net assets	<u>(630,796)</u>	<u>(735,628)</u>
Change in permanently restricted net assets:		
(Loss) gain on beneficial interest in trusts	<u>(987)</u>	<u>2,915</u>
Net decrease in net assets	<u>(872,946)</u>	<u>(197,739)</u>
Net assets at beginning of year	<u>9,463,653</u>	<u>9,661,392</u>
Net assets at end of year	<u>\$ 8,590,707</u>	<u>\$ 9,463,653</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF CASH FLOWS

	<u>Years Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net decrease in net assets	\$(872,946)	\$(197,739)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	630,635	580,827
Gain on sale of property, plant and equipment	(692)	-
Loss (gain) on beneficial interest in trusts	987	(2,915)
Loss (gain) on investments	2,077	(14,247)
Amortization of intangible assets	35,789	30,426
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(34,667)	22,436
Decrease in contributions receivable	401,296	985,309
Increase in prepaid expenses and other assets	(23,895)	(26,623)
Increase (decrease) in accounts payable and accrued expenses	66,982	(13,315)
Decrease deferred revenue	(6,000)	(145,636)
Net cash provided by operating activities	<u>199,566</u>	<u>1,218,523</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(208,203)	(1,085,572)
Proceeds from sale of property, plant and equipment	1,600	-
(Purchases) sales of investments, net	<u>(7)</u>	<u>8</u>
Net cash used in investing activities	<u>(206,610)</u>	<u>(1,085,564)</u>
Net (decrease) increase in cash and cash equivalents	(7,044)	132,959
Cash and cash equivalents at beginning of year	<u>4,330,739</u>	<u>4,197,780</u>
Cash and cash equivalents at end of year	<u>\$ 4,323,695</u>	<u>\$ 4,330,739</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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.

Basis of Financial Statements

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 and endowments designated by the Board of Directors.

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.

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.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Estimates

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.

Investments

Investments are reported at fair value with gains and losses included in the statement of activities. 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 underwriting of programs not yet broadcast are included in temporarily restricted net assets.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. There were no film or program costs capitalized at June 30, 2012 and 2011.

Property, Plant, and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed on the straight-line basis over their estimated useful lives, which range from 3 to 10 years for equipment and from 15 to 30 years for buildings and improvements.

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.

NPT owns the rights to several programs. The purchase of the rights to the programs occurred on various dates throughout 2009 through 2012 and has been capitalized at cost (\$104,601). The copyrights are being amortized over the life of their respective contracts using the straight-line method. As of June 30, 2012 and 2011, the amortization expense recognized for these programs was \$34,052 and \$28,689, respectively.

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.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 2012 or 2011.

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.

NPT accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for NPT include, but are not limited to, the tax-exempt status and determination of whether certain income is subject to unrelated business income tax; however, NPT has determined that such tax positions do not result in an uncertainty requiring recognition.

Fair Value Measurements

Assets and liabilities recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by Financial Accounting Standards Board Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

NPT's financial instruments consist of cash equivalents, investments, receivables, accounts payable, accrued expenses and deferred revenue. The carrying value of cash equivalents, receivables, accounts payable, accrued expenses and deferred revenue approximate fair value because of the short maturity of these instruments. Contributions receivable are recorded at net present value. Investments are recorded at fair value using Level 1 inputs.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements in order for them to conform to the 2012 presentation.

B. BENEFICIAL INTEREST 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 2012 and 2011. Total market value at June 30, 2012 and 2011 was \$47,450 and \$48,437, respectively.

C. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Contributions receivable - capital campaign	\$ 720,681	\$ 971,447
Contributions receivable - Children's Health	<u>-</u>	<u>175,000</u>
Total contributions receivable	720,681	1,146,447
Less: discount for present value	<u>(180,904)</u>	<u>(205,374)</u>
Present value of contributions receivable	<u>\$ 539,777</u>	<u>\$ 941,073</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

C. CONTRIBUTIONS RECEIVABLE - Continued

Expected maturities of contributions receivable at June 30, 2012 were as follows:

<u>Year(s) ended June 30,</u>	<u>Amount</u>
2013	\$ 62,681
2014	54,500
2015	52,500
2016	51,000
2017	50,000
Thereafter	<u>450,000</u>
Total expected contributions	<u>\$720,681</u>

D. PROPERTY, PLANT AND EQUIPMENT

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

	<u>2012</u>	<u>2011</u>
Land and buildings	\$ 2,582,615	\$ 2,495,379
Broadcast equipment	5,226,960	5,138,098
Production equipment	2,480,278	2,881,328
Furniture, fixtures and office equipment	514,553	487,363
Work-in-process	<u>-</u>	<u>65,698</u>
	10,804,406	11,067,866
Less accumulated depreciation	<u>(7,091,747)</u>	<u>(6,931,867)</u>
Property, plant and equipment, net	<u>\$ 3,712,659</u>	<u>\$ 4,135,999</u>

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.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 \$346,642 and \$304,681 for the years ended June 30, 2012 and 2011, respectively.

F. COMMITMENTS

At June 30, 2012 NPT had the following commitments related to fiscal year 2013:

PBS membership dues and program rights	\$942,192
Tennessee Public Television Council (TPTC) annual dues	17,419
Association of Public Television Stations (APTS) dues	18,300
National Education Telecommunication Association (NETA) annual dues	9,524
American Public Television (APT) programming fees	<u>12,293</u>
	<u>\$999,728</u>

G. DEFINED CONTRIBUTION RETIREMENT PLAN

NPT has a 403(b) defined contribution retirement plan for eligible employees. Under this plan, NPT 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 \$132,595 and \$132,668 for 2012 and 2011, respectively.

H. 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, 2013. NPT maintains its accounts with financial institutions and has never experienced any losses in such accounts. Credit risk also extends to receivables, all of which are uncollateralized.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

I. NET ASSETS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Temporarily restricted net assets at June 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Children's Health	\$ 28,500	\$ 275,000
Education programs and outreach services	47,500	195,500
Family Literacy Program	10,000	20,000
Contributions receivable time restricted	<u>539,777</u>	<u>766,073</u>
	<u>\$625,777</u>	<u>\$1,256,573</u>

Net assets of \$708,253 and \$846,128 in fiscal 2012 and 2011, respectively, 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, 2012 and 2011 consisted of a beneficial interest in trusts.

J. ENDOWMENT

NPT's endowment consists of individual funds established for various purposes and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors 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 Directors of NPT has interpreted the applicable state laws as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NPT classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NPT in a manner

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

J. ENDOWMENT - Continued

consistent with the standard of prudence prescribed by applicable state laws. In accordance with applicable state laws, NPT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of NPT and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of NPT
- The investment policies of NPT

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Endowment net assets,</i> July 1, 2010	\$ 68,584	\$ -	\$ 45,522	\$ 114,106
Investment return:				
Investment income	1,427	1,809	-	3,236
Net appreciation (realized and unrealized)	<u>13,348</u>	<u>-</u>	<u>2,915</u>	<u>16,263</u>
Total investment return	<u>14,775</u>	<u>1,809</u>	<u>2,915</u>	<u>19,499</u>
Contributions	<u>27</u>	<u>-</u>	<u>-</u>	<u>27</u>
Appropriation of endowment assets for expenditure	<u>(547)</u>	<u>(1,809)</u>	<u>-</u>	<u>(2,356)</u>
<i>Endowment net assets,</i> June 30, 2011	<u>82,839</u>	<u>-</u>	<u>48,437</u>	<u>131,276</u>
Investment return:				
Investment income	(2,739)	-	-	(2,739)
Net appreciation (realized and unrealized)	<u>1,298</u>	<u>-</u>	<u>(987)</u>	<u>311</u>
Total investment return	<u>(1,441)</u>	<u>-</u>	<u>(987)</u>	<u>(2,428)</u>
Contributions	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
Appropriation of endowment assets for expenditure	<u>(634)</u>	<u>-</u>	<u>-</u>	<u>(634)</u>
<i>Endowment net assets,</i> June 30, 2012	<u>\$ 80,769</u>	<u>\$ -</u>	<u>\$ 47,450</u>	<u>\$ 128,219</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

J. ENDOWMENT - Continued

Strategies, Spending and Return Objectives

The Station's permanently restricted endowment consists of a beneficial trust held by a trustee in accordance with the donor's stipulations. The trustees are responsible for distributing to the Station the realized investment earnings annually. The Station is not responsible to replenish excess losses caused by market fluctuations because of the beneficial nature of the trust.

Additionally, NPT's Board of Directors have established a designated endowment consisting of unrestricted gifts. Currently, the return on designated endowment is being accumulated until the Board decides earnings are sufficient to supplement NPT's operations.

K. SUBSEQUENT EVENTS

NPT has evaluated subsequent events through November 14, 2012, the issuance date of the financial statements, and has determined that there are no subsequent events that require disclosure.