

**NASHVILLE PUBLIC
TELEVISION, INCORPORATED**

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

NASHVILLE PUBLIC TELEVISION, INCORPORATED

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Nashville Public Television, Incorporated ("NPT") which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Board of Directors
Nashville Public Television, Incorporated

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NPT as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Croselin + Associates, P.C.

Nashville, Tennessee
November 11, 2015

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2015	2014
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,061,898	\$ 3,223,654
Investments (Note B)	1,591,823	1,554,851
Accounts receivable, net of allowance for doubtful accounts of \$10,000 as of June 30, 2015 and 2014	268,674	710,277
Contributions receivable (Note D)	224,089	225,589
Prepaid expenses and other assets	8,928	11,597
Total current assets	<u>5,155,412</u>	<u>5,725,968</u>
Noncurrent assets:		
Contributions receivable (Note D)	434,722	630,986
Beneficial interest in trusts (Note C)	156,090	156,738
Property and equipment, net (Note E)	2,795,710	3,231,351
Intangible assets, net	53,320	34,061
Long-term investments	87,246	80,346
Total noncurrent assets	<u>3,527,088</u>	<u>4,133,482</u>
 Total assets	 <u><u>\$ 8,682,500</u></u>	 <u><u>\$ 9,859,450</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 229,497	\$ 884,796
Deferred revenue	-	8,973
Total current liabilities	<u>229,497</u>	<u>893,769</u>
Commitments (Note G)		
Net assets:		
Unrestricted:		
Undesignated	5,901,279	6,112,267
Board designated (Note K)	1,591,823	1,554,851
Total unrestricted	<u>7,493,102</u>	<u>7,667,118</u>
Temporarily restricted (Note J)	803,811	1,141,825
Permanently restricted (Note J and K)	156,090	156,738
 Total net assets	 <u>8,453,003</u>	 <u>8,965,681</u>
 Total liabilities and net assets	 <u><u>\$ 8,682,500</u></u>	 <u><u>\$ 9,859,450</u></u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2015	2014
Changes in unrestricted net assets:		
Operating revenues:		
Contributions and grants	\$ 3,037,171	\$ 3,292,431
Contributions from governmental units	430,793	587,494
Contributions from the Corporation for Public Broadcasting	1,104,790	949,847
Sale of services, guides and films	443,935	770,574
In-kind donations (Note F)	351,034	347,040
Gain on investments, net (Note B)	36,972	54,851
Net assets released from restrictions and reclassifications (Notes C and J)	483,014	292,513
Total operating revenue	<u>5,887,709</u>	<u>6,294,750</u>
Operating expenses:		
Program services:		
Programming and production	2,940,407	3,054,810
Broadcasting	1,160,292	1,129,946
Program information	250,530	335,755
Total program services	<u>4,351,229</u>	<u>4,520,511</u>
Supporting services:		
Development and fund raising	937,523	899,352
Administration	772,973	814,747
Total supporting services	<u>1,710,496</u>	<u>1,714,099</u>
Total operating expenses	<u>6,061,725</u>	<u>6,234,610</u>
Net (decrease) increase in unrestricted net assets	<u>(174,016)</u>	<u>60,140</u>
Change in temporarily restricted net assets:		
Contributions and project grants	145,000	319,367
Net assets released from restrictions (Note J)	<u>(483,014)</u>	<u>(383,382)</u>
Net decrease in temporarily restricted net assets	<u>(338,014)</u>	<u>(64,015)</u>
Change in permanently restricted net assets:		
(Loss) gain in beneficial interest in trusts	(648)	17,136
Reclassifications (Notes C and J)	<u>-</u>	<u>90,869</u>
Net (decrease) increase in permanently restricted net assets	<u>(648)</u>	<u>108,005</u>
Net (decrease) increase in net assets	<u>(512,678)</u>	<u>104,130</u>
Net assets at beginning of year	<u>8,965,681</u>	<u>8,861,551</u>
Net assets at end of year	<u>\$ 8,453,003</u>	<u>\$ 8,965,681</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2015	2014
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (512,678)	\$ 104,130
Adjustments to reconcile net (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	602,105	556,928
Gain on sale of equipment	(6,164)	-
Loss (gain) on beneficial interest in trusts and reclassifications	648	(108,005)
Gain on investments	(36,972)	(54,851)
Amortization of intangible assets	37,073	34,444
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable, net	441,603	(167,482)
Decrease in contributions receivable	197,764	126,765
Increase in prepaid expenses and other assets	(53,663)	(10,938)
(Decrease) increase in accounts payable and accrued expenses	(655,299)	419,832
Decrease in deferred revenue	(8,973)	(827)
Net cash provided by operating activities	<u>5,444</u>	<u>899,996</u>
Cash flows from investment activities:		
Purchases of property and equipment	(166,464)	(438,279)
Proceeds from sale of equipment	6,164	-
Purchases of investments, net	(6,900)	(1,414,631)
Net cash used in investing activities	<u>(167,200)</u>	<u>(1,852,910)</u>
Net decrease in cash and cash equivalents	(161,756)	(952,914)
Cash and cash equivalents at beginning of year	<u>3,223,654</u>	<u>4,176,568</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,061,898</u></u>	<u><u>\$ 3,223,654</u></u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 AND 2014

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 statements 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 statements 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%.

Beneficial Interest in Trusts

Beneficial interest in trusts represent resources neither in possession nor under the control of the Station, but held and administered by outside parties for the benefit of the Station and its mission. These funds are recorded at their fair value based on the underlying investments.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2015 and 2014.

Property and Equipment

Property 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 were being amortized over a period of 15 years (\$1,737 per year) using the straight-line method. The copyrights are fully amortized as of June 30, 2015.

NPT owns the rights to several programs. The purchase of the rights to the programs occurred on various dates throughout 2011 through 2015 and has been capitalized at cost (\$143,752). The rights are being amortized over the life of their respective contracts using the straight-line method. As of June 30, 2015 and 2014, the amortization expense recognized for these programs was \$35,336 and \$32,706, respectively.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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 2015 or 2014.

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:

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

B. INVESTMENTS

Investments are presented in the financial statements at fair value. At June 30, 2015 and 2014, the fair value and cost of investments are as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 151,739	\$ 151,739	\$ 96,008	\$ 96,008
Equities	905,718	833,071	922,563	871,454
Fixed income	<u>534,366</u>	<u>533,302</u>	<u>536,280</u>	<u>535,137</u>
Total investments	<u>\$1,591,823</u>	<u>\$1,518,112</u>	<u>\$1,554,851</u>	<u>\$1,502,599</u>

The following schedule summarizes the gain on investments and its classification in the statements of activities for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 33,514	\$ 11,220
Investment fees and expenses	(22,254)	(8,636)
Realized gains on investments	4,253	15
Unrealized gains on investments	<u>21,459</u>	<u>52,252</u>
Total gain on investments, net	<u>\$ 36,972</u>	<u>\$ 54,851</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

C. 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 a beneficial interest in trust. NPT received immaterial interest or dividend income during 2015 and 2014. Total market value at June 30, 2015 and 2014 was \$50,916 and \$52,530, respectively.

During 2014, NPT determined that a previous investment balance of \$90,869 originally classified as investments should be reclassified to beneficial interest in trusts. NPT has established a permanent endowment fund with the Community Foundation of Middle Tennessee (the "CFMT"). The funds held by the CFMT are for the benefit of NPT. The CFMT only has variance power upon the dissolution of NPT. Until such time, all income earned on the funds is for the benefit of NPT. Total market value of the funds at June 30, 2015 and 2014 was \$105,174 and \$104,208, respectively, and has been recorded in the Station's financial statements as a beneficial interest in trust. NPT received immaterial interest or dividend income during 2015 and 2014. A reclassification of \$90,869 from unrestricted to permanently restricted net assets is reflected in the statements of activities for the year ended June 30, 2014 as a reduction of net assets released from restrictions and is included in the net assets released from restrictions and reclassification line item.

D. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Contributions receivable - capital campaign	\$ 624,151	\$ 693,579
Contributions receivable - HealthSpring	<u>150,000</u>	<u>300,000</u>
Total contributions receivable	774,151	993,579
Less: discount for present value	<u>(115,340)</u>	<u>(137,004)</u>
Present value of contributions receivable	<u>\$ 658,811</u>	<u>\$ 856,575</u>

Expected maturities of contributions receivable at June 30, 2015 were as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$224,089
2017	71,995
2018	65,067
2019	63,000
2020	50,000
Thereafter	<u>300,000</u>
Total expected contributions	<u>\$774,151</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

E. PROPERTY AND EQUIPMENT

The classification of property and equipment is as follows:

	<u>2015</u>	<u>2014</u>
Land and buildings	\$ 2,774,155	\$ 2,739,846
Broadcast equipment	5,758,914	5,719,928
Production equipment	2,567,355	2,496,739
Furniture, fixtures and office equipment	<u>545,411</u>	<u>550,051</u>
	11,645,835	11,506,564
Less accumulated depreciation	<u>(8,850,125)</u>	<u>(8,275,213)</u>
Property, plant, and equipment, net	<u>\$ 2,795,710</u>	<u>\$ 3,231,351</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.

F. 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 \$351,034 and \$347,040 for the years ended June 30, 2015 and 2014, respectively. NPT had 227 and 237 volunteers during the years ended June 30, 2015 and 2014, respectively. These volunteers donate their personal services to NPT and the value of their time is not recorded the statements of activities.

G. COMMITMENTS

At June 30, 2015, NPT had the following commitments related to fiscal year 2016:

PBS membership dues and program rights	\$1,020,345
Tennessee Public Television Council ("TPTC") annual dues	17,419
Association of Public Television Stations ("APTS") dues	20,200
National Education Telecommunication Association ("NETA") annual dues	9,966
American Public Television ("APT") programming fees	<u>13,498</u>
Total commitments	<u>\$1,081,428</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

H. 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 \$135,897 and \$137,658 for 2015 and 2014, respectively.

I. 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. NPT has never experienced any losses in regard to the bank deposit accounts. Credit risk also extends to receivables, all of which are uncollateralized.

J. NET ASSETS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Temporarily restricted net assets at June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Education programs and outreach services	\$ 30,000	\$ 170,250
Aging Matters	250,000	400,000
Family Literacy Program	15,000	15,000
Contributions receivable time restricted	<u>508,811</u>	<u>556,575</u>
	<u>\$803,811</u>	<u>\$1,141,825</u>

Temporarily restricted net assets of \$483,014 and \$383,382 in fiscal 2015 and 2014, 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, 2015 and 2014 consisted of two beneficial interest in trusts as follows:

	<u>2015</u>	<u>2014</u>
Jenkins Trust	\$ 50,916	\$ 52,530
CFMT Endowment Fund	<u>105,174</u>	<u>104,208</u>
	<u>\$156,090</u>	<u>\$156,738</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

K. 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 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

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

K. ENDOWMENT - Continued

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Endowment net assets,</i> June 30, 2013	\$ 90,869	\$ -	\$ 48,733	\$ 139,602
Investment return:				
Investment income, net	2,584	-	747	3,331
Net appreciation (realized and unrealized)	<u>52,267</u>	<u>-</u>	<u>16,389</u>	<u>68,656</u>
Total investment return	<u>54,851</u>	<u>-</u>	<u>17,136</u>	<u>71,987</u>
Contributions and transfers	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reclassifications	<u>(90,869)</u>	<u>-</u>	<u>90,869</u>	<u>-</u>
<i>Endowment net assets,</i> June 30, 2014	<u>1,554,851</u>	<u>-</u>	<u>156,738</u>	<u>1,711,589</u>
Investment return:				
Investment income, net	11,260	-	976	12,236
Net appreciation (depreciation) (realized and unrealized)	<u>25,712</u>	<u>-</u>	<u>(1,624)</u>	<u>24,088</u>
Total investment return	<u>36,972</u>	<u>-</u>	<u>(648)</u>	<u>36,324</u>
Contributions and transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Endowment net assets,</i> June 30, 2015	<u>\$ 1,591,823</u>	<u>\$ -</u>	<u>\$ 156,090</u>	<u>\$ 1,747,913</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

K. 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.

L. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Station's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2015 and 2014, for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in</u>	<u>Significant</u>	<u>Significant</u>
		<u>Active Markets for</u>	<u>Other Observable</u>	<u>Unobservable</u>
		<u>Identical Assets</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>Assets Measured</u>				
<u>at Fair Value</u>				
<u>June 30, 2015:</u>				
Investments:				
Short-term				
investments	\$ 151,739	\$ 151,739	\$ -	\$ -
Equities	905,718	905,718	-	-
Fixed income	<u>534,366</u>	<u>-</u>	<u>534,366</u>	<u>-</u>
Total investments	<u>\$1,591,823</u>	<u>\$1,057,457</u>	<u>\$534,366</u>	<u>\$ -</u>
Beneficial interest				
in trusts	<u>\$ 156,090</u>	<u>\$ -</u>	<u>\$156,090</u>	<u>\$ -</u>

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L. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

June 30, 2014:

Investments:

Short-term				
investments	\$ 96,008	\$ 96,008	\$ -	\$ -
Equities	922,563	922,563	-	-
Fixed income	<u>536,280</u>	<u>-</u>	<u>536,280</u>	<u>-</u>
Total investments	<u>\$1,554,851</u>	<u>\$1,018,571</u>	<u>\$536,280</u>	<u>\$ -</u>

Beneficial interest				
in trusts	<u>\$ 156,738</u>	<u>\$ -</u>	<u>\$156,738</u>	<u>\$ -</u>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments

The fair value of short-term investments and equities are determined using primarily Level 1 inputs in accordance with ASC 820. The fair values of fixed income investments are determined using primarily Level 2 inputs.

Beneficial Interests in Trusts

The fair value of the beneficial interest in trusts are determined using primarily Level 2 inputs.

Other

NPT's other financial instruments consist of cash equivalents, 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.

M. SUBSEQUENT EVENTS

NPT has evaluated subsequent events through November 11, 2015, the issuance date of the financial statements, and has determined that there are no subsequent events that require disclosure.