NASHVILLE PUBLIC TELEVISION, INCORPORATED

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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, 2013 and 2012, 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, 2013 and 2012, 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.

Crosslin + Associates, P.C.

Nashville, Tennessee
October 30, 2013

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

	June 30, 2013	June 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,176,568	$ 4,323,695
Investments	90,869	80,769
Accounts receivable, net of allowance for doubtful accounts of $10,000 as of June 30, 2013 and 2012	542,795	182,959
Contributions receivable (Note C)	214,730	62,681
Prepaid expenses and other assets	43,214	13,467
Total current assets	5,068,176	4,663,571
Contributions receivable (Note C)	768,610	477,096
Beneficial interest in trust (Note B)	48,733	47,450
Property, plant, and equipment, net (Note D)	3,350,000	3,712,659
Intangible assets, net	25,950	26,190
Long-term investments	74,846	69,346
Total assets	$ 9,336,315	$ 8,996,312
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 464,964	$ 405,605
Deferred revenue	9,800	-
Total current liabilities	474,764	405,605
Commitments (Note F)		
Net assets:		
Unrestricted:		
Undesignated	7,516,109	7,836,711
Board designated (Note J)	90,869	80,769
Total unrestricted	7,606,978	7,917,480
Temporarily restricted (Note I)	1,205,840	625,777
Permanently restricted (Note I and J)	48,733	47,450
Total net assets	8,861,551	8,590,707
Total liabilities and net assets	$ 9,336,315	$ 8,996,312

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF ACTIVITIES

	Years Ended June 30, 2013	2012
Changes in unrestricted net assets:		
Operating revenue:		
Contributions and grants	$ 3,365,311	$ 3,181,499
Contributions from governmental units	469,439	508,085
Contributions from the Corporation for Public Broadcasting	878,799	962,234
Sale of services, guides and films	540,662	400,049
In-kind donations (Note E)	341,873	346,642
Gain (loss) on investments	10,070	(2,077)
Net assets released from restrictions (Note I)	124,258	708,253
Total operating revenue	5,730,412	6,104,685
Operating expenses:		
Program services:		
Programming and production	2,862,719	3,249,160
Broadcasting	1,112,036	1,111,885
Program information	290,136	274,837
Total program services	4,264,891	4,635,882
Supporting services:		
Development and fund raising	1,022,868	965,635
Administration	753,155	744,331
Total supporting services	1,776,023	1,709,966
Total operating expenses	6,040,914	6,345,848
Net decrease in unrestricted net assets	(310,502)	(241,163)
Change in temporarily restricted net assets:		
Contributions and project grants	704,321	77,457
Net assets released from restrictions (Note I)	(124,258)	(708,253)
Net increase (decrease) in temporarily restricted net assets	580,063	(630,796)
Change in permanently restricted net assets:		
Gain (loss) on beneficial interest in trust	1,283	(987)
Net increase (decrease) in net assets	270,844	(872,946)
Net assets at beginning of year	8,590,707	9,463,653
Net assets at end of year	$ 8,861,551	$ 8,590,707

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2013	2012
Cash flows from operating activities:		
Net increase (decrease) in net assets	$ 270,844	$ (872,946)
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	626,539	630,635
Gain on sale of property, plant and equipment	-	(692)
(Gain) loss on beneficial interest in trust	(1,283)	987
(Gain) loss on investments	(10,070)	2,077
Amortization of intangible assets	29,331	35,789
Changes in assets and liabilities:		
Increase in accounts receivable, net	(359,836)	(34,667)
(Increase) decrease in contributions receivable	(443,563)	401,296
Increase in prepaid expenses and other assets	(58,838)	(23,895)
Increase in accounts payable and accrued expenses	59,359	66,982
Increase (decrease) in deferred revenue	9,800	(6,000)
Net cash provided by operating activities	122,283	199,566
Cash flows from investment activities:		
Purchases of property, plant, and equipment	(263,880)	(208,203)
Proceeds from sale of property, plant and equipment	-	1,600
(Purchases) sales of investments, net	(5,530)	(7)
Net cash used in investing activities	(269,410)	(206,610)
Net decrease in cash and cash equivalents	(147,127)	(7,044)
Cash and cash equivalents at beginning of year	4,323,695	4,330,739
Cash and cash equivalents at end of year	$ 4,176,568	$ 4,323,695

See accompanying notes to financial statements.

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.

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.

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, 2013 and 2012.

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 2010 through 2013 and has been capitalized at cost ($83,478). The rights are being amortized over the life of their respective contracts using the straight-line method. As of June 30, 2013 and 2012, the amortization expense recognized for these programs was $27,594 and $34,052, 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.

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 2013 or 2012.

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.

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 2012 financial statements in order for them to conform to the 2013 presentation.

B. BENEFICIAL INTEREST IN TRUST

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 2013 and 2012. Total market value at June 30, 2013 and 2012 was $48,733 and $47,450, respectively.

C. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Contributions receivable - capital campaign	$ 692,715	$ 720,681
Contributions receivable - HealthSpring	450,000	-
Total contributions receivable	1,142,715	720,681
Less: discount for present value	(159,375)	(180,904)
Present value of contributions receivable	$ 983,340	$ 539,777

C. CONTRIBUTIONS RECEIVABLE - Continued

Expected maturities of contributions receivable at June 30, 2013 were as follows:

Year(s) ended June 30,	Amount
2014	$ 214,730
2015	209,995
2016	208,995
2017	58,995
2018	50,000
Thereafter	400,000
Total expected contributions	$1,142,715

D. PROPERTY, PLANT, AND EQUIPMENT

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

	2013	2012
Land and buildings	$ 2,739,846	$ 2,582,615
Broadcast equipment	5,307,086	5,226,960
Production equipment	2,492,524	2,480,278
Furniture, fixtures and office equipment	528,829	514,553
	11,068,285	10,804,406
Less accumulated depreciation	(7,718,285)	(7,091,747)
Property, plant, and equipment, net	$ 3,350,000	$ 3,712,659

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 $341,873 and $346,642 for the years ended June 30, 2013 and 2012, respectively. NPT had 357 and 365 volunteers during the years ended June 30, 2013 and 2012, respectively. These volunteers donate their personal services to NPT and the value of their time is not recorded the statements of activities.

F. COMMITMENTS

At June 30, 2013, NPT had the following commitments related to fiscal year 2014:

PBS membership dues and program rights	$ 947,369
Tennessee Public Television Council (TPTC) annual dues	17,419
Association of Public Television Stations (APTS) dues	17,200
National Education Telecommunication Association (NETA) annual dues	9,491
American Public Television (APT) programming fees	12,662
	$1,004,141

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 $134,326 and $132,595 for 2013 and 2012, 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. NPT has never experienced any losses in regard to the bank deposit accounts. Credit risk also extends to receivables, all of which are uncollateralized.

I. NET ASSETS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Temporarily restricted net assets at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Children's Health	$ 50,000	$ 28,500
Education programs and outreach services	80,000	47,500
Aging Matters	530,000	-
Family Literacy Program	12,500	10,000
Contributions receivable time restricted	533,340	539,777
	$1,205,840	$625,777

Net assets of $124,258 and $708,253 in fiscal 2013 and 2012, 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, 2013 and 2012 consisted of a beneficial interest in trust.

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2011	$ 82,839	$ -	$ 48,437	$ 131,276
Investment return:				
Investment loss	(2,739)	-	-	(2,739)
Net appreciation (depreciation) (realized and unrealized)	1,298	-	(987)	311
Total investment return	(1,441)	-	(987)	(2,428)
Contributions	5	-	-	5
Appropriation of endowment assets for expenditure	(634)	-	-	(634)
Endowment net assets, June 30, 2012	80,769	-	47,450	128,219
Investment return:				
Investment income	1,414	-	-	1,414
Net appreciation (realized and unrealized)	9,329	-	1,283	10,612
Total investment return	10,743	-	1,283	12,026
Contributions	20	-	-	20
Appropriation of endowment assets for expenditure	(663)	-	-	(663)
Endowment net assets, June 30, 2013	$ 90,869	$ -	$ 48,733	$ 139,602

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 October 30, 2013, the issuance date of the financial statements, and has determined that there are no subsequent events that require disclosure.