

**NASHVILLE PUBLIC
TELEVISION, INCORPORATED**

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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.

Changes in Financial Statement Presentation

As described in Note A of the financial statements, NPT has adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Crosslin, PLLC

Nashville, Tennessee
November 13, 2019

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|--|--------------|--------------|
| <u>ASSETS</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,160,371 | \$ 3,403,761 |
| Investments (Note C) | 1,975,226 | 1,869,979 |
| Accounts receivable, net of allowance for doubtful accounts of \$10,000 as of both June 30, 2019 and 2018 | 66,949 | 64,939 |
| Contributions receivable (Note E) | 81,250 | 76,214 |
| Prepaid expenses and other assets | 12,209 | 13,765 |
| Total current assets | 5,296,005 | 5,428,658 |
| Noncurrent assets: | | |
| Cash and cash equivalents | 764,633 | 700,563 |
| Restricted cash and cash equivalents | 445,105 | 436,750 |
| Contributions receivable (Note E) | 258,785 | 303,297 |
| Beneficial interest in trusts (Note D) | 159,952 | 158,166 |
| Property and equipment, net (Note F) | 1,983,356 | 1,870,288 |
| Intangible assets, net | 29,020 | 41,658 |
| Long-term investments | 121,196 | 112,696 |
| Total noncurrent assets | 3,762,047 | 3,623,418 |
| Total assets | \$ 9,058,052 | \$ 9,052,076 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 209,571 | \$ 235,019 |
| Total current liabilities | 209,571 | 235,019 |
| Commitments (Note H) | | |
| Net assets: | | |
| Net assets without donor restrictions: | | |
| Undesignated | 4,911,684 | 5,012,784 |
| Board designated funds - functioning as endowment | 1,975,226 | 1,869,979 |
| Board designated funds - capital campaign | 764,633 | 700,563 |
| Total net assets without donor restrictions | 7,651,543 | 7,583,326 |
| Net assets with donor restrictions: | | |
| Subject to time and purpose restrictions (Note K) | 591,881 | 638,815 |
| Permanent endowments (Note K) | 605,057 | 594,916 |
| Total net assets with donor restrictions | 1,196,938 | 1,233,731 |
| Total net assets | 8,848,481 | 8,817,057 |
| Total liabilities and net assets | \$ 9,058,052 | \$ 9,052,076 |

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Change in net assets without donor restrictions: | | |
| Operating revenues: | | |
| Contributions and grants | \$ 3,467,542 | \$ 3,569,766 |
| Contributions from governmental units | 430,793 | 430,793 |
| Contributions from the Corporation for Public Broadcasting | 1,091,088 | 1,008,763 |
| Sale of services, guides, and films | 359,815 | 405,586 |
| In-kind donations (Note G) | 333,174 | 383,845 |
| Gain on investments, net (Note C) | 105,247 | 94,252 |
| Net assets released from restrictions (Note K) | 325,934 | 188,151 |
| Total operating revenues | <u>6,113,593</u> | <u>6,081,156</u> |
| Operating expenses: | | |
| Program services: | | |
| Programming and production | 3,021,229 | 2,894,755 |
| Broadcasting | 958,332 | 1,000,152 |
| Program information | 144,710 | 131,795 |
| Total program services | <u>4,124,271</u> | <u>4,026,702</u> |
| Supporting services: | | |
| Development and fundraising | 1,044,042 | 1,009,978 |
| Administration | 877,063 | 987,294 |
| Total supporting services | <u>1,921,105</u> | <u>1,997,272</u> |
| Total operating expenses | <u>6,045,376</u> | <u>6,023,974</u> |
| Change in net assets without donor restrictions | <u>68,217</u> | <u>57,182</u> |
| Change in net assets with donor restrictions: | | |
| Contributions and project grants | 287,355 | 712,004 |
| Gain on beneficial interest in trusts | 1,786 | 1,963 |
| Net assets released from restrictions (Note K) | <u>(325,934)</u> | <u>(188,151)</u> |
| Change in net assets with donor restrictions | <u>(36,793)</u> | <u>525,816</u> |
| Change in net assets | 31,424 | 582,998 |
| Net assets at beginning of year | <u>8,817,057</u> | <u>8,234,059</u> |
| Net assets at end of year | <u>\$ 8,848,481</u> | <u>\$ 8,817,057</u> |

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

| | Program services | | Supporting services | | | Total |
|---|----------------------------|--------------|---------------------|------------------------------|----------------|--------------|
| | Programming and production | Broadcasting | Program information | Development and fund raising | Administration | |
| Salaries | \$ 855,245 | \$ 199,723 | \$ 100,178 | \$ 291,782 | \$ 572,265 | \$ 2,019,193 |
| Benefits | 224,459 | 56,173 | 29,978 | 73,929 | 126,114 | 510,653 |
| Advertising, fundraising, marketing, and printing | 23,663 | - | 2,373 | 442,908 | 366 | 469,310 |
| Purchased programming and programming services | 1,113,963 | - | - | - | - | 1,113,963 |
| Freelance and professional services | 186,230 | 13,989 | 1,550 | 66,804 | 58,047 | 326,620 |
| Memberships, dues, and subscriptions | 63,491 | 250 | - | 585 | 4,918 | 69,244 |
| Travel, conferences, and business meals, parking, and mileage | 25,000 | - | 12 | 1,763 | 24,430 | 51,205 |
| Telephone and technology | 1,479 | 27,550 | - | 2,114 | 25,227 | 56,370 |
| Supplies and postage | 41,889 | 2,743 | 269 | 16,378 | 14,905 | 76,184 |
| Utilities and building services | - | - | - | - | 197,646 | 197,646 |
| Equipment, rentals, software, and repairs and maintenance | 28,697 | 53,498 | - | 21,643 | 90,223 | 194,061 |
| Shared cost allocations | 260,099 | 48,400 | 9,690 | 23,281 | (341,470) | - |
| Donated transmitter expenses | - | 304,434 | - | - | - | 304,434 |
| Depreciation | 175,884 | 251,547 | 660 | 2,965 | 14,598 | 445,654 |
| Miscellaneous | 21,130 | 25 | - | 99,890 | 89,794 | 210,839 |
| Total operating expenses | \$ 3,021,229 | \$ 958,332 | \$ 144,710 | \$ 1,044,042 | \$ 877,063 | \$ 6,045,376 |

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

| | Program services | | | Supporting services | | Total |
|---|----------------------------|--------------|---------------------|------------------------------|----------------|--------------|
| | Programming and production | Broadcasting | Program information | Development and fund raising | Administration | |
| Salaries | \$ 776,656 | \$ 220,009 | \$ 95,528 | \$ 281,891 | \$ 561,413 | \$ 1,935,497 |
| Benefits | 206,534 | 62,332 | 22,625 | 65,744 | 118,767 | 476,002 |
| Advertising, fundraising, marketing, and printing | 62,712 | - | 2,700 | 425,505 | 424 | 491,341 |
| Purchased programming and programming services | 1,007,360 | - | - | - | - | 1,007,360 |
| Freelance and professional services | 246,035 | 4,000 | - | 57,759 | 82,107 | 389,901 |
| Memberships, dues, and subscriptions | 61,436 | 230 | - | 583 | 5,495 | 67,744 |
| Travel, conferences, and business meals, parking, and mileage | 14,962 | - | - | 1,346 | 26,072 | 42,380 |
| Telephone and technology | 1,250 | 26,594 | - | 1,459 | 25,840 | 55,143 |
| Supplies and postage | 26,000 | 4,471 | 244 | 28,329 | 9,151 | 68,195 |
| Utilities and building services | - | - | - | - | 254,964 | 254,964 |
| Equipment, rentals, software, and repairs and maintenance | 28,649 | 53,770 | - | 21,503 | 169,704 | 273,626 |
| Shared cost allocations | 270,743 | 57,014 | 10,154 | 25,041 | (362,952) | - |
| Donated transmitter expenses | - | 308,088 | - | - | - | 308,088 |
| Depreciation | 167,597 | 263,619 | 544 | 2,303 | 20,180 | 454,243 |
| Miscellaneous | 24,821 | 25 | - | 98,515 | 76,129 | 199,490 |
| Total operating expenses | \$ 2,894,755 | \$ 1,000,152 | \$ 131,795 | \$ 1,009,978 | \$ 987,294 | \$ 6,023,974 |

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 31,424 | \$ 582,998 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 445,654 | 454,243 |
| Loss (gain) on sale of equipment | 143 | (4,070) |
| Gain on beneficial interest in trusts | (1,786) | (1,963) |
| Gain on investments | (105,247) | (94,252) |
| Amortization of intangible assets | 45,618 | 30,383 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable, net | (2,010) | 33,939 |
| Decrease in contribution receivables | 39,476 | 28,701 |
| Decrease (increase) in prepaid expenses and other assets | 1,556 | (546) |
| Increase in intangible assets | (32,980) | (33,980) |
| Decrease in accounts payable and accrued expenses | (25,448) | (8,541) |
| Decrease in deferred revenue | - | (20,000) |
| Net cash provided by operating activities | <u>396,400</u> | <u>966,912</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (558,865) | (169,685) |
| Purchases of investments, net | <u>(8,500)</u> | <u>(8,500)</u> |
| Net cash used in investing activities | <u>(567,365)</u> | <u>(178,185)</u> |
| Net (decrease) increase in cash and cash equivalents | (170,965) | 788,727 |
| Cash and cash equivalents at beginning of year | <u>4,541,074</u> | <u>3,752,347</u> |
| Cash and cash equivalents at end of year | <u>\$ 4,370,109</u> | <u>\$ 4,541,074</u> |

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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.

For reporting purposes, NPT’s financial statements have been prepared to focus on the organization as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NPT and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of NPT. These net assets may be used at the discretion of NPT’s management and the board of directors.
- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NPT or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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, 2019 AND 2018

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, 2019 AND 2018

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 net assets with donor restrictions.

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, 2019 and 2018.

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.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for purchases or improvements are capitalized for items exceeding \$2,000 with a useful life greater than one year. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

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 were fully amortized as of June 30, 2015.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

NPT owns the rights to several programs. The purchase of the rights to the programs occurred on various dates throughout 2015 through 2019 and have been capitalized at cost (\$113,543). The rights are being amortized over the life of their respective contracts using the straight-line method. As of June 30, 2019 and 2018, the amortization expense recognized for these programs was \$45,618 and \$30,383, 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.

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 2019 or 2018.

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.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

Functional Allocation of Expenses

The costs of providing programs and services have been summarized and reported on a functional basis in the statements of activities. Program services expenses include costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between program and supporting services based on estimates made by management.

Reclassifications

Certain reclassifications have been made to the 2018 amounts in order to conform to the presentation adopted for 2019.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. NPT has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|---|--------------------|
| Financial assets at year-end: | |
| Cash and cash equivalents | \$3,925,004 |
| Restricted cash and cash equivalents | 445,105 |
| Investments | 1,975,226 |
| Accounts receivables, net | 66,949 |
| Contributions receivable | 340,035 |
| Beneficial interest in trusts | <u>159,952</u> |
| Total financial assets | <u>6,912,271</u> |
| Less amounts not available to be used for general expenditures within one year: | |
| Cash and cash equivalents | 764,633 |
| Restricted cash and cash equivalents | 445,105 |
| Investments | 1,975,226 |
| Contributions receivable | 258,785 |
| Beneficial interest in trusts | <u>159,952</u> |
| Financial assets not available to be used within one year | <u>3,603,701</u> |
| Financial assets available to meet general expenditures within one year | <u>\$3,308,570</u> |

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

B. LIQUIDITY AND AVAILABILITY OF RESOURCES - Continued

The Beth Curley Funds received from donors are currently included in restricted cash and cash equivalents and are not available for general expenditure. In addition, the remaining capital campaign funds have been board designated and are also not available for general expenditure. NPT is the beneficiary of two beneficial interest in trusts, which were created by donors and are not in the possession of NPT. NPT has legally enforceable rights or claims to these assets including the right to income therefrom. NPT has recorded these assets and any subsequent changes in fair value of the beneficial interest in trusts are recorded as gains or losses on beneficial interest in trusts, net in the net assets with donor restrictions classification. NPT receives significant support through restricted and unrestricted contributions and must maintain sufficient resources to meet responsibilities to its donors. Additionally, NPT maintains investments that are classified as board designated endowments. These assets are limited to use, which is more fully described in Note K and are not available for general expenditures within the next year. However, the board designated amounts could be made available, if necessary. As part of NPT's liquidity management plan, it structures its financial assets to be available as its obligations come due.

C. INVESTMENTS

Investments are presented in the financial statements at fair value. At June 30, 2019 and 2018, the fair value and cost of investments are as follows:

| | <u>2019</u> | | <u>2018</u> | |
|------------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> |
| Short-term investments | \$ 113,012 | \$ 113,012 | \$ 167,279 | \$ 167,279 |
| Equities | 1,174,104 | 858,585 | 1,096,247 | 819,501 |
| Fixed income | <u>688,110</u> | <u>671,486</u> | <u>606,453</u> | <u>620,085</u> |
| Total investments | <u>\$1,975,226</u> | <u>\$1,643,083</u> | <u>\$1,869,979</u> | <u>\$1,606,865</u> |

The following schedule summarizes the gain on investments and its classification in the statements of activities for the years ended June 30, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------|-------------------|------------------|
| Interest and dividend income | \$ 49,401 | \$ 43,170 |
| Investment fees and expenses | (24,436) | (23,920) |
| Realized gains on investments | 11,252 | 21,356 |
| Unrealized gains on investments | <u>69,030</u> | <u>53,646</u> |
| Total gain on investments, net | <u>\$ 105,247</u> | <u>\$ 94,252</u> |

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

D. 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 trusts. NPT received immaterial interest or dividend income during 2019 and 2018. Total market value of these beneficial interests at June 30, 2019 and 2018 was \$53,225 and \$51,735, respectively.

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, 2019 and 2018 was \$106,727 and \$106,431, respectively, and has been recorded in the Station's financial statements as a beneficial interest in trusts. NPT received immaterial interest or dividend income during 2019 and 2018.

E. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2019 and 2018 consisted of the following:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Contributions receivable - Beth Curley Fund | \$ 8,750 | \$ 10,950 |
| Contributions receivable - Women's Suffrage | 27,500 | 6,000 |
| Contributions receivable - Capital Campaign | <u>350,000</u> | <u>423,326</u> |
| Total contributions receivable | 386,250 | 440,276 |
| Less: discount for present value | <u>(46,215)</u> | <u>(60,765)</u> |
| Present value of contributions receivable | <u>\$ 340,035</u> | <u>\$ 379,511</u> |

Expected maturities of contributions receivable at June 30, 2019 are as follows:

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|------------------------------|------------------|
| 2020 | \$ 81,250 |
| 2021 | 53,250 |
| 2022 | 51,750 |
| 2023 | 50,000 |
| 2024 | 50,000 |
| Thereafter | <u>100,000</u> |
| Total expected contributions | <u>\$386,250</u> |

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

F. PROPERTY AND EQUIPMENT

The classification of property and equipment is as follows:

| | 2019 | 2018 |
|--|--------------|--------------|
| Land and buildings | \$ 3,139,030 | \$ 2,896,925 |
| Broadcast equipment | 6,030,212 | 5,892,104 |
| Production equipment | 2,674,955 | 2,636,837 |
| Furniture, fixtures and office equipment | 552,044 | 545,607 |
| Construction in progress | 128,045 | 5,721 |
| | 12,524,286 | 11,977,194 |
| Less accumulated depreciation | (10,540,930) | (10,106,906) |
| Property, plant, and equipment, net | \$ 1,983,356 | \$ 1,870,288 |

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.

The estimated cost to complete construction in progress is \$151,000.

G. 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 \$333,174 and \$383,845 for the years ended June 30, 2019 and 2018, respectively. NPT had 178 and 160 volunteers during the years ended June 30, 2019 and 2018, respectively. These volunteers donate their personal services to NPT and the value of their time is not recorded in the statements of activities.

H. COMMITMENTS

At June 30, 2019, NPT had the following commitments related to fiscal year 2020:

| | |
|---|-------------|
| PBS membership dues and program rights | \$1,146,031 |
| Tennessee Public Television Council (“TPTC”) annual dues | 17,419 |
| Association of Public Television Stations (“APTS”) dues | 21,190 |
| National Education Telecommunication Association (“NETA”) annual dues | 10,700 |
| American Public Television (“APT”) programming fees | 15,866 |
| Total commitments | \$1,211,206 |

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

I. 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 \$136,689 and \$127,545 for 2019 and 2018, 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. NPT has never experienced any losses in regard to the bank deposit accounts. Credit risk also extends to receivables, all of which are uncollateralized.

K. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018 have been restricted by the donors for the following purposes:

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|
| Subject to time and purpose restrictions: | | |
| Education programs and outreach services | \$ 94,220 | \$ 54,659 |
| Aging Matters | 128,876 | 206,595 |
| Family Literacy Program | 65,000 | 15,000 |
| Contributions receivable time restricted | <u>303,785</u> | <u>362,561</u> |
| Total net assets subject to time and purpose restrictions | <u>591,881</u> | <u>638,815</u> |
| Permanent endowments: | | |
| Beth Curley Fund | 445,105 | 436,750 |
| Jenkins Trust | 53,225 | 51,735 |
| CFMT Endowment Fund | <u>106,727</u> | <u>106,431</u> |
| Total permanent endowments | <u>605,057</u> | <u>594,916</u> |
| Total net assets with donor restrictions | <u>\$1,196,938</u> | <u>\$1,233,731</u> |

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

K. NET ASSETS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS - Continued

Net assets with donor restrictions of \$325,934 and \$188,151 in fiscal 2019 and 2018, 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.

L. 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, 2019 AND 2018

L. ENDOWMENT - Continued

Changes in Endowment Net Assets

| | Without Donor <u>Restrictions</u> | <u>With Donor Restrictions</u> | | <u>Total</u> |
|--|--------------------------------------|--------------------------------|--------------------------------|---------------------|
| | | <u>Temporary In Nature</u> | <u>Perpetual In Nature</u> | |
| <i>Endowment net assets,</i> June 30, 2017 | \$1,775,727 | \$ - | \$ 156,203 | \$ 1,931,930 |
| Investment return: | | | | |
| Investment income, net | 19,250 | - | 1,063 | 20,313 |
| Net appreciation (realized and unrealized) | <u>75,002</u> | <u>-</u> | <u>5,800</u> | <u>80,802</u> |
| Total investment return | <u>94,252</u> | <u>-</u> | <u>6,863</u> | <u>101,115</u> |
| Contributions and transfers | <u>-</u> | <u>-</u> | <u>436,750</u> | <u>436,750</u> |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>-</u> | <u>(4,900)</u> | <u>(4,900)</u> |
| <i>Endowment net assets,</i> June 30, 2018 | <u>1,869,979</u> | <u>-</u> | <u>594,916</u> | <u>2,464,895</u> |
| Investment return: | | | | |
| Investment income, net | 24,965 | - | 1,010 | 25,975 |
| Net appreciation (realized and unrealized) | <u>80,282</u> | <u>-</u> | <u>5,676</u> | <u>85,958</u> |
| Total investment return | <u>105,247</u> | <u>-</u> | <u>6,686</u> | <u>111,933</u> |
| Contributions and transfers | <u>-</u> | <u>-</u> | <u>8,355</u> | <u>8,355</u> |
| Appropriation of endowment assets for expenditure | <u>-</u> | <u>-</u> | <u>(4,900)</u> | <u>(4,900)</u> |
| <i>Endowment net assets,</i> June 30, 2019 | <u>\$1,975,226</u> | <u>\$ -</u> | <u>\$ 605,057</u> | <u>\$ 2,580,283</u> |

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

L. ENDOWMENT - Continued

Strategies, Spending, and Return Objectives

The Station's permanent endowments consists of two beneficial trusts held by a trustee in accordance with the donor's stipulations as well as the Beth Curley Fund, which is also being held in accordance with the donors 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.

M. 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, 2019 and 2018, for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

| | Assets Measured at Fair Value | Fair Value Measurements at Reporting Date Using | | |
|---------------------------|----------------------------------|---|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>June 30, 2019:</u> | | | | |
| Investments: | | | | |
| Short-term investments | \$ 113,012 | \$ 113,012 | \$ - | \$ - |
| Equities | 1,174,104 | 1,174,104 | - | - |
| Fixed income | <u>688,110</u> | <u>-</u> | <u>688,110</u> | <u>-</u> |
| Total investments | <u>\$1,975,226</u> | <u>\$1,287,116</u> | <u>\$688,110</u> | <u>\$ -</u> |
| Beneficial interest | | | | |
| in trusts | <u>\$ 159,952</u> | <u>\$ -</u> | <u>\$159,952</u> | <u>\$ -</u> |

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

M. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

| | <u>Assets Measured at Fair Value</u> | <u>Fair Value Measurements at Reporting Date Using</u> | | |
|-----------------------|--|---|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| <u>June 30, 2018:</u> | | | | |
| Investments: | | | | |
| Short-term | | | | |
| investments | \$ 167,279 | \$ 167,279 | \$ - | \$ - |
| Equities | 1,096,247 | 1,096,247 | - | - |
| Fixed income | <u>606,453</u> | <u>-</u> | <u>606,453</u> | <u>-</u> |
| Total investments | <u>\$1,869,979</u> | <u>\$1,263,526</u> | <u>\$606,453</u> | <u>\$ -</u> |
| Beneficial interest | | | | |
| in trusts | <u>\$ 158,166</u> | <u>\$ -</u> | <u>\$158,166</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, and accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. Contributions receivable are recorded at net present value.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

N. LEASES

NPT subleases space to various organizations. Rental revenue associated with these subleases for the years ended June 30, 2019 and 2018 amounted to \$154,769 and \$144,490, respectively. A summary of future minimum rental income under these subleases agreements as of June 30, 2019 are as follows:

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|-------------------------------|------------------|
| 2020 | \$167,081 |
| 2021 | <u>9,790</u> |
| Total expected rental revenue | <u>\$176,871</u> |

O. SUBSEQUENT EVENTS

NPT has evaluated subsequent events through November 13, 2019, the date the financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure.