

**NASHVILLE PUBLIC
TELEVISION, INCORPORATED**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019, 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, PLLC

Nashville, Tennessee
November 17, 2020

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 4,020,167	\$ 3,160,371
Investments (Note C)	2,062,292	1,975,226
Accounts receivable, net of allowance for doubtful accounts of \$10,000 as of both June 30, 2020 and 2019	1,074,378	66,949
Contributions receivable (Note E)	53,750	81,250
Prepaid expenses and other assets	18,077	12,209
Total current assets	<u>7,228,664</u>	<u>5,296,005</u>
Noncurrent assets:		
Cash and cash equivalents	815,120	764,633
Restricted cash and cash equivalents	444,780	445,105
Contributions receivable (Note E)	218,974	258,785
Beneficial interest in trusts (Note D)	157,710	159,952
Property and equipment, net (Note F)	1,854,365	1,983,356
Intangible assets, net	30,934	29,020
Long-term investments	129,696	121,196
Total noncurrent assets	<u>3,651,579</u>	<u>3,762,047</u>
Total assets	<u>\$ 10,880,243</u>	<u>\$ 9,058,052</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 680,995	\$ 209,571
Deferred revenue	23,451	-
Note payable, current portion (Note H)	205,306	-
Total current liabilities	<u>909,752</u>	<u>209,571</u>
Noncurrent liabilities:		
Note payable, noncurrent portion (Note H)	250,743	-
Total noncurrent liabilities	<u>250,743</u>	<u>-</u>
Total liabilities	<u>1,160,495</u>	<u>209,571</u>
Commitments (Note I)		
Net assets:		
Net assets without donor restrictions:		
Undesignated	5,733,272	4,911,684
Board designated funds - functioning as endowment	2,062,292	1,975,226
Board designated funds - capital campaign	815,120	764,633
Total net assets without donor restrictions	<u>8,610,684</u>	<u>7,651,543</u>
Net assets with donor restrictions:		
Subject to time and purpose restrictions (Note L)	500,324	591,881
Permanent endowments (Note L)	608,740	605,057
Total net assets with donor restrictions	<u>1,109,064</u>	<u>1,196,938</u>
Total net assets	<u>9,719,748</u>	<u>8,848,481</u>
Total liabilities and net assets	<u>\$ 10,880,243</u>	<u>\$ 9,058,052</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Change in net assets without donor restrictions:		
Operating revenues:		
Contributions and grants	\$ 4,341,903	\$ 3,467,542
Contributions from governmental units	430,793	430,793
Contributions from the Corporation for Public Broadcasting	1,396,712	1,091,088
Sale of services, guides, and films	417,810	359,815
In-kind donations (Note G)	337,981	333,174
Gain on investments, net (Note C)	87,066	105,247
Net assets released from restrictions (Note L)	325,407	325,934
Total operating revenues	<u>7,337,672</u>	<u>6,113,593</u>
Operating expenses:		
Program services:		
Programming and production	3,310,978	3,021,229
Broadcasting	988,331	958,332
Program information	155,065	144,710
Total program services	<u>4,454,374</u>	<u>4,124,271</u>
Supporting services:		
Development and fundraising	1,036,007	1,044,042
Administration	888,150	877,063
Total supporting services	<u>1,924,157</u>	<u>1,921,105</u>
Total operating expenses	<u>6,378,531</u>	<u>6,045,376</u>
Change in net assets without donor restrictions	<u>959,141</u>	<u>68,217</u>
Change in net assets with donor restrictions:		
Contributions and project grants	239,775	287,355
Gain on beneficial interest in trusts	(2,242)	1,786
Net assets released from restrictions (Note L)	<u>(325,407)</u>	<u>(325,934)</u>
Change in net assets with donor restrictions	<u>(87,874)</u>	<u>(36,793)</u>
Change in net assets	871,267	31,424
Net assets at beginning of year	<u>8,848,481</u>	<u>8,817,057</u>
Net assets at end of year	<u>\$ 9,719,748</u>	<u>\$ 8,848,481</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program services			Supporting services		Total
	Programming and production	Broadcasting	Program information	Development and fund raising	Administration	
Salaries	\$ 893,635	\$ 231,684	\$ 105,093	\$ 300,567	\$ 596,170	\$ 2,127,149
Benefits	236,881	55,881	35,774	79,971	129,299	537,806
Advertising, fundraising, marketing, and printing	19,072	-	2,497	405,166	154	426,889
Purchased programming and programming services	1,179,828	-	-	-	-	1,179,828
Freelance and professional services	284,913	32,780	1,075	85,442	71,661	475,871
Memberships, dues, and subscriptions	65,699	85	-	624	6,449	72,857
Travel, conferences, and business meals, parking, and mileage	12,552	-	39	419	18,857	31,867
Telephone and technology	1,604	26,382	-	1,887	25,524	55,397
Supplies and postage	42,928	3,736	32	19,408	10,974	77,078
Utilities and building services	-	4,048	-	(20)	195,724	199,752
Equipment, rentals, software, and repairs and maintenance	95,260	71,920	-	26,688	72,140	266,008
Shared cost allocations	248,595	48,689	9,731	23,147	(330,162)	-
Donated transmitter expenses	-	312,737	-	-	-	312,737
Depreciation	186,297	200,389	824	3,360	15,072	405,942
Miscellaneous	43,714	-	-	89,348	76,288	209,350
Total operating expenses	\$ 3,310,978	\$ 988,331	\$ 155,065	\$ 1,036,007	\$ 888,150	\$ 6,378,531

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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 871,267	\$ 31,424
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	405,942	445,654
Loss on sale of equipment	-	143
Loss (gain) on beneficial interest in trusts	2,242	(1,786)
Gain on investments	(87,066)	(105,247)
Amortization of intangible assets	32,076	45,618
Changes in assets and liabilities:		
Increase in accounts receivable, net	(1,007,429)	(2,010)
Decrease in contribution receivables	67,311	39,476
(Increase) decrease in prepaid expenses and other assets	(5,868)	1,556
Increase in intangible assets	(33,990)	(32,980)
Increase (decrease) in accounts payable and accrued expenses	471,424	(25,448)
Increase in deferred revenue	23,451	-
Net cash provided by operating activities	<u>739,360</u>	<u>396,400</u>
Cash flows from investing activities:		
Purchases of property and equipment	(276,951)	(558,865)
Purchases of investments, net	(8,500)	(8,500)
Net cash used in investing activities	<u>(285,451)</u>	<u>(567,365)</u>
Cash flows from financing activities:		
Borrowings on note payable	456,049	-
Net cash provided by financing activities	<u>456,049</u>	<u>-</u>
Net change in cash, cash equivalents, and restricted cash	909,958	(170,965)
Cash, cash equivalents, and restricted cash, beginning of year	<u>4,370,109</u>	<u>4,541,074</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 5,280,067</u>	<u>\$ 4,370,109</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:		
Cash and cash equivalents - current	\$ 4,020,167	\$ 3,160,371
Cash and cash equivalents - noncurrent	815,120	764,633
Restricted cash and cash equivalents - noncurrent	444,780	445,105
Cash, cash equivalents, and restricted cash	<u>\$ 5,280,067</u>	<u>\$ 4,370,109</u>

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nashville Public Television, Incorporated (“NPT”), a community nonprofit corporation, was incorporated on May 13, 1998 for the purpose of promoting public broadcasting and telecommunications. NPT 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 support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restrictions 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, 2020 AND 2019

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 gift with donor restrictions 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, Cash Equivalents, and Restricted Cash

For purposes of the statement of cash flows, NPT considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash balances as of June 30, 2020 and 2019, are \$451,030 and \$445,105, respectively. These restricted cash balances are restricted for the Beth Curley Fund.

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 NPT'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 NPT, but held and administered by outside parties for the benefit of NPT 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, 2020 AND 2019

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. NPT 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, 2020 and 2019.

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, 2020 AND 2019

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 2020 and have been capitalized at cost (\$95,867). The rights are being amortized over the life of their respective contracts using the straight-line method. As of June 30, 2020 and 2019, the amortization expense recognized for these programs was \$32,076 and \$45,168, 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. NPT had no impairments of long-lived assets during 2020 or 2019.

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, 2020 AND 2019

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.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncement

On July 1, 2018, NPT adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “ASC 606”), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled in an exchange of goods or services. NPT adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2018. NPT recognizes revenues that fall within the scope of ASC 606 as it satisfies its obligation to the customer. The revenue streams considered in-scope for purposes of ASC 606 include sale of services, guides and films, certain grants that qualify as exchange transactions, and other sources. The adoption of ASC 606 did not result in a material change to the accounting for in-scope revenue streams; as such, NPT did not record a cumulative effect adjustment.

On July 1, 2018, NPT adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard clarified the criteria for evaluating whether transactions should be accounted for as contributions or exchange transactions. The standard also clarified whether contributions are unconditional or conditional. NPT adopted the provisions of ASU 2018-08 prospectively as allowed under the standard. The adoption of this ASU did not materially impact the financial statements and related disclosures.

On July 1, 2018, NPT adopted Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows - Restricted Cash*. The standard requires that an entity include in its cash and cash equivalent balances in the Statement of Cash Flows, those amounts that are deemed to be restricted cash and restricted cash equivalents. A reconciliation between the Statement of Financial Position Sheet and the Statement of Cash Flows must be disclosed when the Statement of Financial Position Sheet includes more than one-line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. The adoption of the standard has been retrospectively applied to the 2019 financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$4,829,037	\$3,925,004
Restricted cash and cash equivalents	451,030	445,105
Investments	2,062,292	1,975,226
Accounts receivables, net	1,074,378	66,949
Contributions receivable	272,724	340,035
Beneficial interest in trusts	157,710	159,952
Total financial assets	8,847,171	6,912,271
Less amounts not available to be used for general expenditures within one year:		
Cash and cash equivalents	815,120	764,633
Restricted cash and cash equivalents	451,030	445,105
Investments	2,062,292	1,975,226
Contributions receivable	218,974	258,785
Beneficial interest in trusts	157,710	159,952
Financial assets not available to be used within one year	3,705,126	3,603,701
Financial assets available to meet general expenditures within one year	\$5,142,045	\$3,308,570

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 L 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.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

C. INVESTMENTS

Investments are presented in the financial statements at fair value. At June 30, 2020 and 2019, the fair value and cost of investments are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 89,679	\$ 89,679	\$ 113,012	\$ 113,012
Equities	1,257,059	1,006,992	1,174,104	858,585
Fixed income	<u>715,554</u>	<u>667,452</u>	<u>688,110</u>	<u>671,486</u>
Total investments	<u>\$2,062,292</u>	<u>\$1,764,123</u>	<u>\$1,975,226</u>	<u>\$1,643,083</u>

The following schedule summarizes the gain on investments and its classification in the statements of activities for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 51,683	\$ 49,401
Investment fees and expenses	(25,755)	(24,436)
Realized gains on investments	95,112	11,252
Unrealized (losses) gains on investments	<u>(33,974)</u>	<u>69,030</u>
Total gain on investments, net	<u>\$ 87,066</u>	<u>\$ 105,247</u>

D. BENEFICIAL INTEREST IN TRUSTS

During 2004, NPT received \$52,312 in funds held in a trust for the benefit of NPT. The funds have been recorded in NPT's financial statements as a beneficial interest in trusts. NPT received immaterial interest or dividend income during 2020 and 2019. Total market value of these beneficial interests at June 30, 2020 and 2019 was \$53,100 and \$53,225, 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, 2020 and 2019 was \$104,610 and \$106,727, respectively, and has been recorded in NPT's financial statements as a beneficial interest in trusts. NPT received immaterial interest or dividend income during 2020 and 2019.

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E. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Contributions receivable - Beth Curley Fund	\$ 6,250	\$ 8,750
Contributions receivable - Women's Suffrage	-	27,500
Contributions receivable - Capital Campaign	<u>300,000</u>	<u>350,000</u>
Total contributions receivable	306,250	386,250
Less: discount for present value	<u>(33,526)</u>	<u>(46,215)</u>
Present value of contributions receivable	<u>\$ 272,724</u>	<u>\$ 340,035</u>

Expected maturities of contributions receivable at June 30, 2020 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 53,750
2022	52,000
2023	50,500
2024	50,000
2025	50,000
Thereafter	<u>50,000</u>
Total expected contributions	<u>\$306,250</u>

F. PROPERTY AND EQUIPMENT

The classification of property and equipment is as follows:

	<u>2020</u>	<u>2019</u>
Land and buildings	\$ 3,147,790	\$ 3,139,030
Broadcast equipment	5,841,126	6,030,212
Production equipment	2,736,630	2,674,955
Furniture, fixtures and office equipment	523,180	552,044
Construction in progress	<u>60,972</u>	<u>128,045</u>
	12,309,698	12,524,286
Less accumulated depreciation	<u>(10,455,333)</u>	<u>(10,540,930)</u>
Property, plant, and equipment, net	<u>\$ 1,854,365</u>	<u>\$ 1,983,356</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.

The estimated costs to complete construction in progress at year end are minimal.

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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 \$337,981 and \$333,174 for the years ended June 30, 2020 and 2019, respectively. NPT had 189 and 178 volunteers during the years ended June 30, 2020 and 2019, respectively. These volunteers donate their personal services to NPT and the value of their time is not recorded in the statements of activities.

H. PAYROLL PROTECTION PROGRAM NOTE PAYABLE

On April 28, 2020, NPT received loan proceeds in the amount of \$456,049 under the Paycheck Protection Program (the “Program”). The Program, established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The note payable and accrued interest are forgivable after twenty-four weeks as long as NPT uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The amount of forgiveness will be reduced if NPT terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the note payable is payable over two years at an interest rate of 1% and NPT’s monthly principal and interest payments total \$25,663 each month, beginning seven months from the date the note payable was dated. NPT currently believes that its use of the loan proceeds will meet the conditions for forgiveness. Until the note payable is ultimately forgiven, the principal maturities of the note payable are as follows:

<u>Year Ending December 31,</u>	
2021	\$205,306
2022	<u>250,743</u>
	<u>\$456,049</u>

I. COMMITMENTS

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

PBS membership dues and program rights	\$1,074,117
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	11,236
American Public Television (“APT”) programming fees	<u>15,866</u>
Total commitments	<u>\$1,139,828</u>

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J. 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 \$145,611 and \$136,689 for 2020 and 2019, respectively.

K. 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.

L. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 have been restricted by the donors for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to time and purpose restrictions:		
Education programs and outreach services	\$ 28,850	\$ 94,220
Aging Matters	120,000	128,876
Family Literacy Program	85,000	65,000
Contributions receivable time restricted	<u>266,474</u>	<u>303,785</u>
Total net assets subject to time and purpose restrictions	<u>500,324</u>	<u>591,881</u>
Permanent endowments:		
Beth Curley Fund	451,030	445,105
Jenkins Trust	53,100	53,225
CFMT Endowment Fund	<u>104,610</u>	<u>106,727</u>
Total permanent endowments	<u>608,740</u>	<u>605,057</u>
Total net assets with donor restrictions	<u>\$1,109,064</u>	<u>\$1,196,938</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
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L. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS - Continued

Net assets with donor restrictions of \$325,407 and \$325,934 in fiscal 2020 and 2019, 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.

M. 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

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M. ENDOWMENT - Continued

Changes in Endowment Net Assets

	<u>Without Donor 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, 2018	\$1,869,979	\$ -	\$ 594,916	\$ 2,464,895
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>
Investment return:				
Investment income, net	25,928	-	1,119	27,047
Net appreciation (realized and unrealized)	<u>61,138</u>	<u>-</u>	<u>1,839</u>	<u>62,977</u>
Total investment return	<u>87,066</u>	<u>-</u>	<u>2,958</u>	<u>90,024</u>
Contributions and transfers	<u>-</u>	<u>-</u>	<u>5,925</u>	<u>5,925</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>(5,200)</u>	<u>(5,200)</u>
<i>Endowment net assets,</i> June 30, 2020	<u>\$2,062,292</u>	<u>\$ -</u>	<u>\$ 608,740</u>	<u>\$ 2,671,032</u>

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NOTES TO FINANCIAL STATEMENTS
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M. ENDOWMENT - Continued

Strategies, Spending, and Return Objectives

NPT's permanent endowments consist 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 NPT the realized investment earnings annually. NPT 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.

N. 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 NPT's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2020 and 2019, 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>Assets Measured</u>	<u>Identical Assets</u>	<u>Inputs</u>	<u>Inputs</u>	
<u>at Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
<u>June 30, 2020:</u>				
Investments:				
Short-term				
investments	\$ 89,679	\$ 89,679	\$ -	\$ -
Equities	1,257,059	1,257,059	-	-
Fixed income	<u>715,554</u>	<u>-</u>	<u>715,554</u>	<u>-</u>
Total investments	<u>\$2,062,292</u>	<u>\$1,346,738</u>	<u>\$715,554</u>	<u>\$ -</u>
Beneficial interest				
in trusts	<u>\$ 157,710</u>	<u>\$ -</u>	<u>\$157,710</u>	<u>\$ -</u>

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N. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

	<u>Fair Value Measurements at Reporting Date Using</u>			
<u>Assets Measured</u>	<u>Quoted Prices in</u>	<u>Significant</u>	<u>Significant</u>	
<u>at Fair Value</u>	<u>Active Markets for</u>	<u>Other Observable</u>	<u>Unobservable</u>	
<u>at Fair Value</u>	<u>Identical Assets</u>	<u>Inputs</u>	<u>Inputs</u>	
<u>at Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
<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>

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.

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O. LEASES

NPT subleases space to various organizations. Rental revenue associated with these subleases for the years ended June 30, 2020 and 2019 amounted to \$166,229 and \$154,769, respectively. A summary of future minimum rental income under these subleases agreements as of June 30, 2020 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	<u>\$148,355</u>
Total expected rental revenue	<u>\$148,355</u>

P. COVID-19 PANDEMIC

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the pandemic continues to evolve as of the date of this report and has affected NPT’s operational and financial performance due to the impact on its production, and employees and vendors, which is the result of various restrictions put in place by governments to curtail the spread of the coronavirus as well as due to developments such as social distancing and shelter-in-place directives. As seen in Note H and in order to assist in the mitigation of the negative impact on its operational and financial performance, NPT applied for and received financing from the Small Business Administration (the “SBA”) totaling \$456,049 through the Paycheck Protection Program (the “Program”). Under the Program, the note payable is subject to forgiveness if it is utilized for expenditures such as certain payroll, rent, and utility costs. It was management’s intent to utilize the proceeds for purposes that qualify the loan for forgiveness under the Program, and management expects the majority of the note payable to ultimately be forgiven in fiscal year 2021. The final guidelines have not been issued; therefore, the amount of the forgiveness has not been estimated at this time. See Note H for additional details.

The pandemic has also adversely affected global economic activity and contributed to the instability and volatility in financial markets. Although, as of the date of this report, NPT’s investment portfolio has incurred gains overall since June 30, 2020, the values of NPT’s investments have and will fluctuate in response to uncertain and changing market conditions due to the pandemic. The amount of investment gains and losses that will be recognized in subsequent periods, and the related impact on NPT’s liquidity cannot be determined at this time. The pandemic may have a continued material adverse impact on economic and market conditions, triggering a continuing period of economic slowdown.

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P. COVID-19 PANDEMIC - Continued

While expected to be temporary, NPT cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on NPT's results of future operations, financial position, and liquidity in fiscal year 2021.

Q. SUBSEQUENT EVENTS

NPT has evaluated subsequent events through November 17, 2020, the date the financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure.