

**NASHVILLE PUBLIC
TELEVISION, INCORPORATED**

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015, 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 9, 2016

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2016	2015
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,456,965	\$ 3,061,898
Investments (Note B)	1,634,401	1,591,823
Accounts receivable, net of allowance for doubtful accounts of \$10,000 as of June 30, 2016 and 2015	56,632	268,674
Contributions receivable (Note D)	72,264	224,089
Prepaid expenses and other assets	9,202	8,928
Total current assets	5,229,464	5,155,412
Noncurrent assets:		
Contributions receivable (Note D)	394,307	434,722
Beneficial interest in trusts (Note C)	148,146	156,090
Property and equipment, net (Note E)	2,349,472	2,795,710
Intangible assets, net	40,859	53,320
Long-term investments	95,696	87,246
Total noncurrent assets	3,028,480	3,527,088
Total assets	\$ 8,257,944	\$ 8,682,500
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 201,180	\$ 229,497
Total current liabilities	201,180	229,497
Commitments (Note G)		
Net assets:		
Unrestricted:		
Undesignated	5,673,646	5,901,279
Board designated (Note K)	1,634,401	1,591,823
Total unrestricted	7,308,047	7,493,102
Temporarily restricted (Note J)	600,571	803,811
Permanently restricted (Note J and K)	148,146	156,090
Total net assets	8,056,764	8,453,003
Total liabilities and net assets	\$ 8,257,944	\$ 8,682,500

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2016	2015
Changes in unrestricted net assets:		
Operating revenues:		
Contributions and grants	\$ 3,244,335	\$ 3,037,171
Contributions from governmental units	430,793	430,793
Contributions from the Corporation for Public Broadcasting	1,025,739	1,104,790
Sale of services, guides and films	447,421	443,935
In-kind donations (Note F)	407,919	351,034
Gain on investments, net (Note B)	42,578	36,972
Net assets released from restrictions (Note J)	337,240	483,014
Total operating revenues	5,936,025	5,887,709
Operating expenses:		
Program services:		
Programming and production	3,098,731	2,940,407
Broadcasting	1,119,634	1,160,292
Program information	129,297	250,530
Total program services	4,347,662	4,351,229
Supporting services:		
Development and fund raising	970,416	937,523
Administration	803,002	772,973
Total supporting services	1,773,418	1,710,496
Total operating expenses	6,121,080	6,061,725
Net decrease in unrestricted net assets	(185,055)	(174,016)
Change in temporarily restricted net assets:		
Contributions and project grants	134,000	145,000
Net assets released from restrictions (Note J)	(337,240)	(483,014)
Net decrease in temporarily restricted net assets	(203,240)	(338,014)
Change in permanently restricted net assets:		
Loss on beneficial interest in trusts	(7,944)	(648)
Net decrease in permanently restricted net assets	(7,944)	(648)
Net decrease in net assets	(396,239)	(512,678)
Net assets at beginning of year	8,453,003	8,965,681
Net assets at end of year	\$ 8,056,764	\$ 8,453,003

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Decrease in net assets	\$ (396,239)	\$ (512,678)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	558,610	602,105
Gain on sale of equipment	-	(6,164)
Loss on beneficial interest in trusts	7,944	648
Gain on investments	(42,578)	(36,972)
Amortization of intangible assets	36,197	37,073
Changes in assets and liabilities:		
Decrease in accounts receivable, net	212,042	441,603
Decrease in contributions receivable	192,240	197,764
(Increase) decrease in prepaid expenses and other assets	(274)	2,669
Increase in intangible assets	(23,736)	(56,332)
Decrease in accounts payable and accrued expenses	(28,317)	(655,299)
Decrease in deferred revenue	-	(8,973)
Net cash provided by operating activities	515,889	5,444
Cash flows from investment activities:		
Purchases of property and equipment	(112,372)	(166,464)
Proceeds from sale of equipment	-	6,164
Purchases of investments, net	(8,450)	(6,900)
Net cash used in investing activities	(120,822)	(167,200)
Net increase (decrease) in cash and cash equivalents	395,067	(161,756)
Cash and cash equivalents at beginning of year	3,061,898	3,223,654
Cash and cash equivalents at end of year	\$ 3,456,965	\$ 3,061,898

See accompanying notes to financial statements.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 permit NPT to use all or part of the income earned on the related investments for general or specific purposes.

The amount for each of these classes of net assets is displayed in the statements of financial position and the amount of change in each class of net assets is displayed in the statements of activities.

Contributions

NPT reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. NPT has elected to report contributions received with donor imposed restrictions as an increase to unrestricted net assets if the restrictions are met in the same fiscal year that the contributions are received.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 AND 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Program Costs

Costs incurred to purchase or produce programs not yet broadcast, which will not generate revenues through sale or distribution of broadcast rights are deferred and amortized over the life of the program. Grants related to the underwriting of programs not yet broadcast are included in temporarily restricted net assets.

Film and Program Costs

Costs incurred to purchase or produce films and programs, which will generate revenues through sale or distribution of the broadcast rights, are deferred. The Station amortizes these costs of production of films and programs using the individual-film-forecast method under which the costs are amortized in the ratio that revenue earned for the specific title in the current period bears to management's estimate of the total revenues to be realized from all media and markets for the specific title. All exploitation costs, including advertising and marketing costs, are expensed as incurred. Estimates of total gross revenues can change due to a variety of factors, including the level of market acceptance of the production. There were no film or program costs capitalized at June 30, 2016 and 2015.

Property and Equipment

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

Intangible Assets

NPT owns the rights to the call letters WNPT. The purchase of the rights to the call letters and any related name registrations occurred effective July 2000 and has been capitalized at cost (\$26,055). The copyrights were being amortized over a period of 15 years (\$1,737 per year) using the straight-line method. The copyrights were fully amortized as of June 30, 2015.

NPT owns the rights to several programs. The purchase of the rights to the programs occurred on various dates throughout 2011 through 2016 and has been capitalized at cost (\$164,014). The rights are being amortized over the life of their respective contracts using the straight-line method. As of June 30, 2016 and 2015, the amortization expense recognized for these programs was \$36,197 and \$35,336, respectively.

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Revenue

NPT recognizes certain grant amounts received for various purposes as exchange transactions. At year-end the unearned portion of these grants is recorded as deferred revenue. As the grant requirements are completed, the amounts are recognized as revenue.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the costs to sell. The Station had no impairments of long-lived assets during 2016 or 2015.

Income Taxes

NPT is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; and accordingly no provision for income taxes is included in the accompanying financial statements.

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

Fair Value Measurements

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

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

B. INVESTMENTS

Investments are presented in the financial statements at fair value. At June 30, 2016 and 2015, the fair value and cost of investments are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Short-term investments	\$ 107,999	\$ 107,999	\$ 151,739	\$ 151,739
Equities	977,253	891,028	905,718	833,071
Fixed income	<u>549,149</u>	<u>531,428</u>	<u>534,366</u>	<u>533,302</u>
Total investments	<u>\$1,634,401</u>	<u>\$1,530,455</u>	<u>\$1,591,823</u>	<u>\$1,518,112</u>

The following schedule summarizes the gain on investments and its classification in the statements of activities for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 39,165	\$ 33,514
Investment fees and expenses	(22,146)	(22,254)
Realized (losses) gains on investments	(4,676)	4,253
Unrealized gains on investments	<u>30,235</u>	<u>21,459</u>
Total gain on investments, net	<u>\$ 42,578</u>	<u>\$ 36,972</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

C. BENEFICIAL INTEREST IN TRUSTS

During 2004, NPT received \$52,312 in funds held in a trust for the benefit of the Station. The funds have been recorded in the Station's financial statements as a beneficial interest in trust. NPT received immaterial interest or dividend income during 2016 and 2015. Total market value of these beneficial interests at June 30, 2016 and 2015 was \$50,237 and \$50,916, 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, 2016 and 2015 was \$97,909 and \$105,174, respectively, and has been recorded in the Station's financial statements as a beneficial interest in trust. NPT received immaterial interest or dividend income during 2016 and 2015.

D. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Contributions receivable - capital campaign	\$ 562,326	\$ 624,151
Contributions receivable - HealthSpring	<u>-</u>	<u>150,000</u>
Total contributions receivable	562,326	774,151
Less: discount for present value	<u>(95,755)</u>	<u>(115,340)</u>
Present value of contributions receivable	<u>\$ 466,571</u>	<u>\$ 658,811</u>

Expected maturities of contributions receivable at June 30, 2016 were as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 72,264
2018	66,062
2019	64,000
2020	60,000
2021	50,000
Thereafter	<u>250,000</u>
Total expected contributions	<u>\$562,326</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

E. PROPERTY AND EQUIPMENT

The classification of property and equipment is as follows:

	2016	2015
Land and buildings	\$ 2,805,048	\$ 2,774,155
Broadcast equipment	5,758,914	5,758,914
Production equipment	2,594,824	2,567,355
Furniture, fixtures and office equipment	594,374	545,411
Construction in progress	5,046	-
	11,758,206	11,645,835
Less accumulated depreciation	(9,408,734)	(8,850,125)
Property, plant, and equipment, net	\$ 2,349,472	\$ 2,795,710

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 \$13,254.

F. IN-KIND DONATIONS AND DONATED PERSONAL SERVICES VOLUNTEERS

In-kind contributions are recorded as revenue and expenses in the accompanying statements of activities. These contributions consist of services recorded at the estimated fair market value, as determined by the provider, at the date of the gift. Revenue from underwriting and related broadcasting expenses totaled \$407,919 and \$351,034 for the years ended June 30, 2016 and 2015, respectively. NPT had 223 and 227 volunteers during the years ended June 30, 2016 and 2015, respectively. These volunteers donate their personal services to NPT and the value of their time is not recorded the statements of activities.

G. COMMITMENTS

At June 30, 2016, NPT had the following commitments related to fiscal year 2017:

PBS membership dues and program rights	\$ 941,893
Tennessee Public Television Council (“TPTC”) annual dues	17,419
Association of Public Television Stations (“APTS”) dues	20,100
National Education Telecommunication Association (“NETA”) annual dues	9,774
American Public Television (“APT”) programming fees	13,970
Total commitments	\$1,003,156

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

H. DEFINED CONTRIBUTION RETIREMENT PLAN

NPT has a 403(b) defined contribution retirement plan for eligible employees. Under this plan, NPT contributes a minimum of two percent (for which no employee contribution is required) up to a maximum of eight percent (through matching provisions) of employee salaries, subject to Internal Revenue Service limitations. The total amounts contributed under this plan were \$128,398 and \$135,897 for 2016 and 2015, respectively.

I. CONCENTRATIONS OF CREDIT RISK

NPT maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. NPT has never experienced any losses in regard to the bank deposit accounts. Credit risk also extends to receivables, all of which are uncollateralized.

J. NET ASSETS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Temporarily restricted net assets at June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Education programs and outreach services	\$ 5,000	\$ 30,000
Aging Matters	110,000	250,000
Family Literacy Program	19,000	15,000
Contributions receivable time restricted	<u>466,571</u>	<u>508,811</u>
	<u>\$600,571</u>	<u>\$803,811</u>

Temporarily restricted net assets of \$337,240 and \$483,014 in fiscal 2016 and 2015, 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, 2016 and 2015 consisted of two beneficial interest in trusts as follows:

	<u>2016</u>	<u>2015</u>
Jenkins Trust	\$ 50,237	\$ 50,916
CFMT Endowment Fund	<u>97,909</u>	<u>105,174</u>
	<u>\$148,146</u>	<u>\$156,090</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

K. ENDOWMENT

NPT's endowment consists of individual funds established for various purposes and includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of NPT has interpreted the applicable state laws as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NPT classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NPT in a manner consistent with the standard of prudence prescribed by applicable state laws. In accordance with applicable state laws, NPT considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

K. ENDOWMENT - Continued

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>Endowment net assets,</i> June 30, 2014	\$1,554,851	\$ -	\$ 156,738	\$1,711,589
Investment return:				
Investment income, net	11,260	-	976	12,236
Net appreciation (depreciation) (realized and unrealized)	<u>25,712</u>	<u>-</u>	<u>(1,624)</u>	<u>24,088</u>
Total investment return	<u>36,972</u>	<u>-</u>	<u>(648)</u>	<u>36,324</u>
Contributions and transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Endowment net assets,</i> June 30, 2015	<u>1,591,823</u>	<u>-</u>	<u>156,090</u>	<u>1,747,913</u>
Investment return:				
Investment income, net	17,018	-	734	17,752
Net appreciation (depreciation) (realized and unrealized)	<u>25,560</u>	<u>-</u>	<u>(8,678)</u>	<u>16,882</u>
Total investment return	<u>42,578</u>	<u>-</u>	<u>(7,944)</u>	<u>34,634</u>
Contributions and transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Endowment net assets,</i> June 30, 2016	<u>\$1,634,401</u>	<u>\$ -</u>	<u>\$ 148,146</u>	<u>\$1,782,547</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

K. ENDOWMENT - Continued

Strategies, Spending and Return Objectives

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

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

L. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures concerning the estimated fair value of financial instruments are presented below. The estimated fair value amounts have been determined based on the Station's assessment of available market information and appropriate valuation methodologies. The following table summarizes required fair value disclosures and measurements at June 30, 2016 and 2015, for assets measured at fair value on a recurring basis under ASC 820, *Fair Value Measurements and Disclosures*:

	<u>Assets Measured at Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using 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, 2016:</u>				
Investments:				
Short-term				
investments	\$ 107,999	\$ 107,999	\$ -	\$ -
Equities	977,253	977,253	-	-
Fixed income	<u>549,149</u>	<u>-</u>	<u>549,149</u>	<u>-</u>
Total investments	<u>\$1,634,401</u>	<u>\$1,085,252</u>	<u>\$549,149</u>	<u>\$ -</u>
Beneficial interest				
in trusts	<u>\$ 148,146</u>	<u>\$ -</u>	<u>\$148,146</u>	<u>\$ -</u>

NASHVILLE PUBLIC TELEVISION, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

L. FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

	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, 2015:</u>				
Investments:				
Short-term				
investments	\$ 151,739	\$ 151,739	\$ -	\$ -
Equities	905,718	905,718	-	-
Fixed income	<u>534,366</u>	<u>-</u>	<u>534,366</u>	<u>-</u>
Total investments	<u>\$1,591,823</u>	<u>\$1,057,457</u>	<u>\$534,366</u>	<u>\$ -</u>
Beneficial interest in trusts	<u>\$ 156,090</u>	<u>\$ -</u>	<u>\$156,090</u>	<u>\$ -</u>

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

Investments

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

Beneficial Interests in Trusts

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

Other

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

M. SUBSEQUENT EVENTS

NPT has evaluated subsequent events through November 9, 2016, the issuance date of the financial statements, and has determined that there are no subsequent events that require disclosure.