

**NASHVILLE FILM FESTIVAL
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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Edmondson, Betzler & Dame
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nashville Film Festival

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville Film Festival (the "Organization"), which comprise the statements of financial position as of December 31, 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the 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 the financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Film Festival as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Edmondson, Betula & Deme, PLLC

February 27, 2020

**NASHVILLE FILM FESTIVAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS

	2019	2018
Current assets		
Cash	\$ 68,366	\$ 8,892
Accounts receivable	54,636	25,085
Prepaid expenses	<u>-</u>	<u>2,895</u>
Total current assets	123,002	36,872
Equipment, net	<u>7,108</u>	<u>9,872</u>
Total assets	<u><u>\$ 130,110</u></u>	<u><u>\$ 46,744</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 40,321	\$ 2,102
Line of credit	<u>-</u>	<u>6,000</u>
Total current liabilities	40,321	8,102
Net assets without donor restrictions	<u>89,789</u>	<u>38,642</u>
Total liabilities and net assets	<u><u>\$ 130,110</u></u>	<u><u>\$ 46,744</u></u>

The accompanying notes are an integral part of these financial statements.

**NASHVILLE FILM FESTIVAL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Revenues and other support:		
Festival fees and sales	\$ 316,856	\$ 270,072
Corporate sponsors	184,540	196,750
Grants	171,674	152,338
Contributions in-kind	71,300	113,400
Membership dues	9,975	35,746
Contributions	5,836	13,791
Fundraising events	3,500	16,064
Interest income	249	143
	<u>763,930</u>	<u>798,304</u>
Total revenues and other support		
Expenses:		
Festival and programs	571,113	638,695
Management and general	113,206	131,791
Fundraising	28,464	65,324
	<u>712,783</u>	<u>835,810</u>
Total expenses		
Increase (decrease) in net assets without donor restrictions	51,147	(37,506)
Net assets, beginning of year	38,642	76,148
	<u>38,642</u>	<u>76,148</u>
Net assets, end of year	<u>\$ 89,789</u>	<u>\$ 38,642</u>

The accompanying notes are an integral part of these financial statements.

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	PROGRAM SERVICES	SUPPORT SERVICES		
	<u>Festival</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 77,752	\$ 46,978	\$ 18,360	\$ 143,090
Payroll taxes	6,240	3,814	1,502	11,556
Employee benefits	3,956	2,418	952	7,326
Total salaries and benefits	87,948	53,210	20,814	161,972
Contract services	96,181	11,148	3,349	110,678
Travel and entertainment	87,565	620	3,256	91,441
Advertising	89,559	-	-	89,559
Rent	64,575	18,354	-	82,929
Festival expense	64,254	-	-	64,254
Equipment rental	37,246	-	459	37,705
Awards	20,500	122	-	20,622
Dues and subscriptions	2,164	5,481	586	8,231
Insurance	-	8,156	-	8,156
Telephone	-	7,893	-	7,893
Grant expense	7,100	-	-	7,100
Printing and promotions	6,442	351	-	6,793
Bank and credit card fees	4,603	499	-	5,102
Depreciation	-	4,704	-	4,704
Office and supplies	26	2,631	-	2,657
Postage	1,914	37	-	1,951
Miscellaneous	1,036	-	-	1,036
	\$ 571,113	\$ 113,206	\$ 28,464	\$ 712,783

The accompanying notes are an integral part of these financial statements.

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	PROGRAM SERVICES	SUPPORT SERVICES		
	<u>Festival</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 143,839	\$ 40,923	\$ 52,982	\$ 237,744
Payroll taxes	12,080	3,367	4,357	19,804
Employee benefits	8,169	2,313	2,956	13,438
 Total salaries and benefits	 164,088	 46,603	 60,295	 270,986
 Festival expense	 191,773	 -	 -	 191,773
Rent	91,065	15,117	3,779	109,961
Contract services	51,748	11,449	-	63,197
Travel and entertainment	20,896	15,653	-	36,549
Advertising	32,485	2,605	-	35,090
Awards	32,062	2,079	-	34,141
Other events	22,459	-	-	22,459
Dues and subscriptions	-	13,380	-	13,380
Equipment rental	12,900	-	-	12,900
Depreciation	-	7,958	-	7,958
Bank and credit card fees	6,433	763	-	7,196
Insurance	-	6,583	-	6,583
Printing and promotions	5,300	995	-	6,295
Grant expense	6,000	-	-	6,000
Miscellaneous	580	3,398	-	3,978
Telephone	-	2,244	1,209	3,453
Office and supplies	-	2,800	-	2,800
Postage	906	164	41	1,111
	<u>\$ 638,695</u>	<u>\$ 131,791</u>	<u>\$ 65,324</u>	<u>\$ 835,810</u>

The accompanying notes are an integral part of these financial statements.

**NASHVILLE FILM FESTIVAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 51,147	\$ (37,506)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,704	7,958
Decrease in prepaid expenses	2,895	992
Increase in accounts receivable	(29,551)	(747)
Increase (decrease) in accounts payable	<u>38,219</u>	<u>(1,936)</u>
Net cash provided by (used in) operating activities	<u>67,414</u>	<u>(31,239)</u>
Cash flows from investing activities		
Purchase of equipment	<u>(1,940)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,940)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from (payments to) line of credit	<u>(6,000)</u>	<u>6,000</u>
Net cash provided by (used in) financing activities	<u>(6,000)</u>	<u>6,000</u>
Net increase (decrease) in cash	59,474	(25,239)
Cash, beginning of year	<u>8,892</u>	<u>34,131</u>
Cash, end of year	<u><u>\$ 68,366</u></u>	<u><u>\$ 8,892</u></u>
Supplemental cash flow information:		
Interest paid	<u><u>\$ 109</u></u>	<u><u>\$ 1,452</u></u>

The accompanying notes are an integral part of these financial statements.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Nashville Film Festival's (the "Organization") purpose is to promote or showcase independent and student films and film makers through the annual film festival. The Organization conducts an annual workshop, premiere screenings, and seminars for students ranging in age from adolescents to adults. The outreach program brings screenings and various workshops into schools and community centers in the inner city.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets which are not subject to donor-imposed restrictions. Board-designated net assets also fall under this classification. As of December 31, 2019 the Organization did not have any board-designated net assets.

Net assets with donor restrictions – Net assets which are subject to donor-imposed restrictions. This includes net assets restricted into perpetuity, restricted for specified purposes, restricted by the passage of time, and for amounts of underwater endowments. As of December 31, 2019 the Organization did not have any net assets with donor restrictions.

Contributions

Contributions received are recorded as restricted or unrestricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction.

Donated Services

Contributions of donated material that are usable for program services, fundraising, and support of management and general functions are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and which would typically need to be purchased if not donated, are recorded at their fair values in the period received.

The fair value of donated volunteer services is not reflected in the accompanying financial statements since it is not practical to objectively determine the fair value of services received. However, management estimates that a substantial number of volunteers have donated significant amounts of their time.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory Valuation

The library of films maintained by the Organization is not reflected in the financial statements as an objective basis for valuation is not available.

Compensated Absences

The Organization has not accrued compensated absences since the amount cannot be reasonably estimated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

The Organization is a not-for-profit organization that is exempt from income taxes on income other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code. The Organization is not considered a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization had no unrelated business taxable income during the years ended December 31, 2019 and 2018.

The Organization has adopted guidance concerning the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. There are no tax penalties or interest reported in the accompanying financial statements. The Organization had no uncertain tax positions at December 31, 2019. The Organization has exempt organization tax filings open to Internal Revenue Service audit generally for three years after they are filed.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

The Organization maintains a bank account at one financial institution. The balance, at times, may exceed federally insured limits. The Organization has not experienced any losses in the account. Management believes the Organization is not exposed to any significant credit risk related to cash.

Advertising Costs

The Organization expenses all advertising costs as incurred. Total advertising expense amounted to \$89,559 and \$35,090 in 2019 and 2018, respectively.

Description of Functional Expense Allocations

The financial statements report functional expenses the attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated upon the estimates of time and effort are salaries and wages, payroll taxes, and employee benefits. Rent expense is allocated based upon square footage of the facility. All other expenses are reported directly on the statement of functional expenses.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred after December 31, 2019, through the date of the issued financial statements, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - EQUIPMENT

Equipment is recorded at cost. Depreciation of equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Equipment at December 31, 2019 and 2018, is as follows:

	2019	2018
Office Equipment	\$ 41,732	\$ 39,792
Less: accumulated depreciation	<u>(34,624)</u>	<u>(29,920)</u>
	<u><u>\$ 7,108</u></u>	<u><u>\$ 9,872</u></u>

Depreciation expense was \$4,704 and \$7,958 for the years ended December 31, 2019 and 2018, respectively.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2019 and 2018 are as follows.

	2019	2018
Corporate sponsors receivable	\$ 17,000	\$ -
Grants receivable	37,636	-
Festival fees receivable	<u>-</u>	<u>25,085</u>
	<u>\$ 54,636</u>	<u>\$ 25,085</u>

All amounts are current and expected to be received during the next year.

NOTE 4 - LINES OF CREDIT

The Organization has a line of credit with ServisFirst Bank with a limit of \$100,000. The line has a variable interest rate at 1.75% over the Index. As of December 31, 2019, the rate was 6.5%. The line is renewed on an annual basis. There was no balance due on the line of credit as of December 31, 2019. The line of credit had a balance of \$6,000 as of December 31, 2018.

The Organization maintains one line of credit on a credit card. The line has a credit limit available of \$25,000 and bears interest at a 13.24% annual rate on purchases and 24.24% annual rate on cash advances. The outstanding balance on the credit card was \$811 and \$2,102 as of December 31, 2019 and 2018, respectively.

NOTE 5 - DONATED SERVICES

Donated services ("in-kind" contributions) included in the statements of activities are as follows:

	2019	2018
Contributions in-kind		
Rent	\$ 15,000	\$ 50,000
Advertising	23,800	25,600
Festival expense	20,000	27,800
Equipment rental	<u>12,500</u>	<u>10,000</u>
Total contributions in-kind	<u>\$ 71,300</u>	<u>\$ 113,400</u>
Expenses		
Functional expenses:		
Festival and programs	<u>\$ 71,300</u>	<u>\$ 113,400</u>
Increase in net assets	<u>\$ -</u>	<u>\$ -</u>

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 6 - LIQUIDITY AND AVAILABLE RESOURCES

The Organization has \$123,002 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting substantially of cash amount of \$68,366, and accounts receivable of \$54,636. None of the financial assets are subject to donor or other contractual restrictions. The Organization also maintains a line of credit to manage cash flows during intermittent times between the major program income, and the receipt of grant funds. The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet three months of normal operating expenses, which are, on average, approximately \$42,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 7 - COMMITMENTS

Effective January 2020, the Organization entered into an agreement for event space for the film festival to be held in October 2020. Per the agreement, the total minimum expected fee is \$40,875.

Effective February 2020, the Organization entered into an agreement for guest lodging for the film festival to be held in October 2020. Per the agreement, the total minimum expected fee is \$22,990.

SUPPLEMENTAL INFORMATION

NASHVILLE FILM FESTIVAL
SCHEDULE OF ACTIVITIES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Revenues and other support	
Festival fees and sales	\$ 316,856
Corporate sponsors	184,540
Grants	171,674
Membership dues	71,300
Contributions	9,975
Fundraising events	5,836
Interest	<u>3,500</u>
Total revenues and other support before in-kind contributions	<u>763,681</u>
Expenses	
Festival and programs	499,813
Management and general	113,206
Fundraising	<u>28,464</u>
Total expenses before in-kind expenses	<u>641,483</u>
Increase in net assets before in-kind activities	<u><u>\$ 122,198</u></u>

NASHVILLE FILM FESTIVAL
SCHEDULE OF FUNCTIONAL EXPENSES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	PROGRAM SERVICES	SUPPORT SERVICES		
	<u>Festival</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 77,752	\$ 46,978	\$ 18,360	\$ 143,090
Payroll taxes	6,240	3,814	1,502	11,556
Employee benefits	3,956	2,418	952	7,326
Total salaries and benefits	<u>87,948</u>	<u>53,210</u>	<u>20,814</u>	<u>161,972</u>
Contract services	96,181	11,148	3,349	110,678
Travel and entertainment	87,565	620	3,256	91,441
Rent	49,575	18,354	-	67,929
Advertising	65,759	-	-	65,759
Festival expense	44,254	-	-	44,254
Equipment rental	24,746	-	459	25,205
Awards	20,500	122	-	20,622
Dues and subscriptions	2,164	5,481	586	8,231
Insurance	-	8,156	-	8,156
Telephone	-	7,893	-	7,893
Grant expense	7,100	-	-	7,100
Printing and promotions	6,442	351	-	6,793
Bank and credit card fees	4,603	499	-	5,102
Depreciation	-	4,704	-	4,704
Office and supplies	26	2,631	-	2,657
Postage	1,914	37	-	1,951
Miscellaneous	1,036	-	-	1,036
	<u>\$ 499,813</u>	<u>\$ 113,206</u>	<u>\$ 28,464</u>	<u>\$ 641,483</u>