

**NASHVILLE EDUCATION, COMMUNITY
AND ARTS TELEVISION CORPORATION**

AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2014

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
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Independent Auditors' Report

Board of Directors and Management
Nashville Education, Community and Arts Television Corporation
120 White Bridge Road, Suite 46
Nashville, Tennessee 37209

We have audited the accompanying financial statements of Nashville Education, Community and Arts Television Corporation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014 and 2013, 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 for the Financial Statements

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 audit. We conducted our audit 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 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 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.

(continued)

Independent Auditors' Report, continued

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 Education, Community and Arts Television Corporation as of June 30, 2014 and 2013, 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.

A rectangular box containing a handwritten signature in cursive script, which appears to read "R. Scott Dief".

Nashville, Tennessee
February 13, 2015

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	<i>June 30,</i>	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	\$ 36,304	\$ 103,929
Accounts receivable --		
Program services	6,900	325
Metropolitan Government PEG funds	1,746	-
Prepaid expenses	337	1,982
Property and equipment, net (Notes 2 and 4)	<u>5,367</u>	<u>7,006</u>
TOTAL ASSETS	<u><u>\$ 50,654</u></u>	<u><u>\$ 113,242</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable, trade	\$ 4,146	\$ -
Accrued expenses	<u>2,688</u>	<u>-</u>
TOTAL LIABILITIES	<u>6,834</u>	<u>-</u>
 NET ASSETS		
Unrestricted	43,820	113,242
Temporarily restricted	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>43,820</u>	<u>113,242</u>
 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 50,654</u></u>	<u><u>\$ 113,242</u></u>

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

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	<i>For the Year Ended June 30, 2014</i>			<i>For the Year Ended June 30, 2013</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
INCREASES IN NET ASSETS						
Local government financial assistance	\$ 3,046	\$ -	\$ 3,046	\$ 94,800	\$ -	\$ 94,800
Program services revenue	56,775	-	56,775	62,572	-	62,572
Contributions --						
Cash	4,500	-	4,500	5,483	-	5,483
In-kind donations (Notes 2 and 6)	201,990	-	201,990	179,192	-	179,192
Interest income	20	-	20	22	-	22
Other income	2,198	-	2,198	-	-	-
TOTAL INCREASES IN NET ASSETS	268,529	-	268,529	342,069	-	342,069
DECREASES IN NET ASSETS						
Program service expenses --						
Salaries and wages	90,327	-	90,327	88,523	-	88,523
Payroll taxes	6,942	-	6,942	7,173	-	7,173
Production expenses (Notes 2 and 6)	188,527	-	188,527	184,571	-	184,571
Supporting activities expenses--						
Rent (Note 2) --						
Building	16,673	-	16,673	16,252	-	16,252
Equipment	15,018	-	15,018	-	-	-
Legal and accounting fees	7,269	-	7,269	7,429	-	7,429
Fundraising expenses	-	-	-	2,173	-	2,173
Dues and subscriptions	642	-	642	625	-	625
Advertising and promotional expenses	1,410	-	1,410	1,679	-	1,679
Internet access expenses	2,387	-	2,387	3,050	-	3,050
Conventions, meetings and conferences	400	-	400	2,531	-	2,531
Depreciation expense	2,519	-	2,519	3,266	-	3,266
Office supplies and expenses	2,191	-	2,191	3,372	-	3,372
Insurance	3,121	-	3,121	2,701	-	2,701
Miscellaneous expenses	525	-	525	296	-	296
TOTAL DECREASES IN NET ASSETS	337,951	-	337,951	323,641	-	323,641
INCREASE (DECREASE) IN NET ASSETS	(69,422)	-	(69,422)	18,428	-	18,428
NET ASSETS, beginning of the year	113,242	-	113,242	94,814	-	94,814
NET ASSETS, end of the year	\$ 43,820	\$ -	\$ 43,820	\$ 113,242	\$ -	\$ 113,242

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

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	<i>For the Year Ended June 30,</i>	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (69,422)	\$ 18,428
Adjustments to reconcile change in net assets		
Depreciation	2,519	3,266
Decrease (Increase) in accounts receivable	(8,321)	8,600
Decrease (Increase) in grant receivable	-	1,000
Decrease (Increase) in prepaid expenses	1,645	(1,789)
Increase (Decrease) in accounts payable	4,146	-
Increase (Decrease) in accrued expenses	2,688	(418)
Increase (Decrease) in payroll taxes payable	-	(109)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(66,745)	28,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(880)	(1,123)
NET CHANGE IN CASH AND EQUIVALENTS	(67,625)	27,855
CASH AND EQUIVALENTS, beginning of the year	103,929	76,074
CASH AND EQUIVALENTS, end of the year	<u>\$ 36,304</u>	<u>\$ 103,929</u>
SUPPLEMENTAL DISCLOSURE		
Non-cash investing activities - use of equipment from receipt of a contribution	\$ 15,018	\$ -

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

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activities – Nashville Education, Community and Arts Television Corporation is an organization exempt from income tax incorporated under the laws of the state of Tennessee. The Organization's mission is to provide a communications broadcast center, through its operation of three local television broadcast stations, that encourages, nurtures and features the many diverse voices of our community, protects freedom of speech and expression, and engages all Davidson County residents equitably through the production and transmission of non-commercial programming. NECAT is public arts television. NECAT is public education television. NECAT enriches Nashville.

The Organization has dues-paying, nonvoting, members and is governed by a board of directors. The Organization's support comes substantially through cash and in-kind contributions from the Metropolitan Government of Nashville and Davidson County.

Due to a change in Federal law effective July 1, 2013, restricting the use of NECAT's traditional source of support henceforth to capital expenditures, there is a significant reduction in operating funds while replacement funding through corporate, foundation and membership increase sources is sought.

Basis of Accounting and Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendations and requirements of the Financial Accounting Standards Board in its Accounting Standards Codification No. 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Recognition of Donor Contributions and Support – Unrestricted support is recognized as revenues and an increase in unrestricted net assets in the period it is earned. Temporarily restricted support is reported as an increase in temporarily restricted net assets in the period it is earned. When net assets are released from the restriction, either as a result of achievement of the restricted purpose or from the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities. The Organization has no permanently restricted net assets.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014 AND 2013

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased and available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment – Property and equipment is reported at cost or, if donated, at the approximate fair value at the time of donation, and include improvements that significantly add to utility or extend useful lives. Costs of maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated using accelerated depreciation methods over estimated useful lives of 5 to 7 years. Donations of property and equipment are recorded as support at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose or for use over future time periods (see also, below and Note 4).

Income Taxes – The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization's statement of activities is presented without provision for income taxes.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, or their equivalent Forms 990-EZ, for the years ending June 30, 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Advertising Costs -- Costs incurred for advertising and promotion are expensed when incurred. Advertising and promotional expenses are allocated to the Organization's program services if primarily benefited or, if primarily benefiting the Organization in nature, to supporting activities.

NOTE 2 – DONATED SERVICES, MATERIALS AND FACILITIES

The Organization receives donated services from unpaid volunteers assisting in its administration and in its program services. The Organization recognizes donated services in its statement of activities if the criterion for recognition of such volunteer effort under FASB ASC 958 has been satisfied. No amounts for donated services have been recognized in the accompanying statements of activities.

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014 AND 2013

NOTE 2 – DONATED SERVICES, MATERIALS AND FACILITIES (continued)

The Organization utilizes approximately 4,670 square feet of donated production and office facilities owned by Metropolitan Government of Nashville and Davidson County on the campus of Nashville State Community College. Annual rent paid for the facilities is \$1. Management has estimated the fair value of the donated use of the facilities to be \$3.57 per square foot, or \$16,672 on an annual basis, for the year ended June 30, 2014, and \$3.48 per square foot, or \$16,252 on an annual basis, for the year ended June 30, 2013. The rates per square foot are average amounts based on comparable asking rates for industrial properties in the Nashville area as supplied by a real estate brokerage and research firm. These amounts are included as in-kind donations and rent expense in the statements of activities (See also, Note 6).

During each of the years ended June 30, 2014 and 2013, the Organization received donated services from Metro Nashville Information Technology Services (ITS) in the form of a full-time studio manager and other full and part-time technical staff. The manager and staff are responsible for studio use management, equipment repair and maintenance, technology management and certain administrative duties which are integral parts of the Organization's communications broadcast programs. Management has estimated the fair value of the donated technical services to be \$170,300 and \$162,940 for the years ended June 30, 2014 and 2013, respectively. These values are based on budgeted amounts for the manager and staff as supplied by Metro Nashville ITS. They are included as in-kind donations and production expenses in the statement of activities (See also, Note 6).

During the year ended June 30, 2014, the Organization received a donation for the use of broadcast and studio equipment owned by Metropolitan Government of Nashville. Management estimates the fair value of the donated use of the equipment to be \$15,018, which is an amount equal to straight-line depreciation of the underlying equipment over their estimated useful life of 7 years. This amount is included as in-kind donations and rent expense in the statements of activities (See also, Note 6).

NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program services and the costs of administration have been presented in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2014 AND 2013

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Equipment, machinery and furniture	\$53,773	\$52,892
Studio improvements	<u>6,123</u>	<u>6,123</u>
	59,896	59,015
Less: accumulated depreciation	<u>(54,529)</u>	<u>(52,009)</u>
Property and equipment, net	<u>\$ 5,367</u>	<u>\$ 7,006</u>

NOTE 5 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and equivalents, accounts receivable and payable, accrued expenses and payroll taxes payable reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

NOTE 6 – SIGNIFICANT REVENUE CONCENTRATIONS

During each of the years ended June 30, 2014 and 2013, the Organization received \$3,046 and \$94,800 in financial assistance from Metropolitan Government of Nashville and Davidson County. This support is in the form of operating expense reimbursements through its local cable franchise agreement with Comcast Cable. Additionally, during the years ended June 30, 2014 and 2013, respectively, the Organization received donated use of facilities and long-lived equipment, and technical services, from Metropolitan Government with estimated fair values of \$201,990 and \$179,192. The concentration of support from Metropolitan Government makes the Organization vulnerable to the risk of a near-term severe impact and the viability of the Organization continues to depend on the generous support of Metropolitan Government.

NOTE 7 – SUBSEQUENT EVENTS

The Organization was awarded a grant in the amount of \$50,000 from Metropolitan Government, under terms of a grant contract dated August 11, 2014. The grant is unrestricted and supports the Organization's general operations.

The Organization was awarded a grant in the amount of \$20,000 from the Dugas Family Foundation on November 7, 2014. The grant is restricted and is in program support for special effects makeup arts instruction.

The Organization has evaluated subsequent events through February 13, 2015, the date which the financial statements were available to be issued.