

**NASHVILLE FILM FESTIVAL
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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, Betts & Dame, PLLC

February 11, 2017

**NASHVILLE FILM FESTIVAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	ASSETS	
	2016	2015
Current assets		
Cash	\$ 38,734	\$ 139,561
Accounts receivable	-	4,250
Prepaid expenses	<u>7,487</u>	<u>-</u>
Total current assets	46,221	143,811
Equipment, net	<u>18,612</u>	<u>18,347</u>
Total assets	<u><u>\$ 64,833</u></u>	<u><u>\$ 162,158</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 9,570	\$ 10,392
Deferred revenue	-	100,000
Current portion - capital lease payable	<u>-</u>	<u>179</u>
Total current liabilities	9,570	110,571
Unrestricted net assets	<u>55,263</u>	<u>51,587</u>
Total liabilities and net assets	<u><u>\$ 64,833</u></u>	<u><u>\$ 162,158</u></u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Revenues and other support		
Corporate sponsors	\$ 311,623	\$ 280,248
Festival fees and sales	293,414	289,940
Grants	113,140	103,170
Fundraising events	99,075	4,741
Membership dues	32,759	38,839
Contributions	8,536	6,602
Interest income	203	179
Contributions in-kind	<u>281,303</u>	<u>381,500</u>
Total revenues and other support	<u>1,140,053</u>	<u>1,105,219</u>
Expenses		
Festival and programs	890,902	842,130
Management and general	189,074	181,401
Fundraising	<u>56,401</u>	<u>52,544</u>
Total expenses	<u>1,136,377</u>	<u>1,076,075</u>
Increase in net assets	3,676	29,144
Net assets, beginning of year	<u>51,587</u>	<u>22,443</u>
Net assets, end of year	<u><u>\$ 55,263</u></u>	<u><u>\$ 51,587</u></u>

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

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	Festival and Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 151,553	\$ 63,775	\$ 46,643	\$ 261,971
Payroll taxes	12,554	5,282	3,863	21,699
Employee benefits	3,949	1,801	1,179	6,929
 Total salaries and benefits	 168,056	 70,858	 51,685	 290,599
 Festival expense	 229,048	 -	 -	 229,048
Advertising	150,940	758	-	151,698
Rent	82,966	13,118	3,279	99,363
Travel and entertainment	49,128	41,558	-	90,686
Contract services	74,171	749	-	74,920
Writers conference expense	48,576	-	-	48,576
Miscellaneous	16,316	17,312	-	33,628
Awards	29,867	141	-	30,008
Dues and subscriptions	-	26,439	-	26,439
Equipment rental	16,328	-	-	16,328
Printing and promotions	13,272	1,327	-	14,599
Drive in expense	8,921	-	-	8,921
Depreciation	-	6,437	-	6,437
Insurance	-	6,428	-	6,428
Postage	3,313	2,393	598	6,304
Telephone	-	1,556	839	2,395
	<u>\$ 890,902</u>	<u>\$ 189,074</u>	<u>\$ 56,401</u>	<u>\$ 1,136,377</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 126,418	\$ 57,735	\$ 38,618	\$ 222,771
Payroll taxes	10,519	4,798	3,138	18,455
Employee benefits	<u>9,390</u>	<u>4,283</u>	<u>2,800</u>	<u>16,473</u>
Total salaries and benefits	<u>146,327</u>	<u>66,816</u>	<u>44,556</u>	<u>257,699</u>
Rent	211,000	14,165	3,541	228,706
Festival expense	151,297	-	-	151,297
Advertising	92,775	639	-	93,414
Travel and entertainment	53,122	23,765	-	76,887
Contract services	72,277	730	-	73,007
Miscellaneous	25,759	28,988	-	54,747
Line of credit	17,445	4,696	1,174	23,315
Awards	45,403	147	-	45,550
Dues and subscriptions	-	15,410	-	15,410
Equipment rental	9,420	-	-	9,420
Postage	5,349	3,178	794	9,321
Insurance	-	7,650	-	7,650
Printing and promotions	6,922	-	-	6,922
Telephone	-	4,406	2,479	6,885
Depreciation	-	6,680	-	6,680
Grant expense	5,034	-	-	5,034
Membership	<u>-</u>	<u>4,131</u>	<u>-</u>	<u>4,131</u>
	<u>\$ 842,130</u>	<u>\$ 181,401</u>	<u>\$ 52,544</u>	<u>\$ 1,076,075</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Cash flows from operating activities		
Increase in net assets	\$ 3,676	\$ 29,144
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,438	6,680
Increase in prepaid expenses	(7,487)	-
(Increase) decrease in accounts receivable	4,250	(4,250)
Increase (decrease) in accounts payable	(822)	10,392
Increase (decrease) in deferred revenue	<u>(100,000)</u>	<u>50,000</u>
Net cash provided by (used in) operating activities	<u>(93,945)</u>	<u>91,966</u>
Cash flows from investing activities		
Purchase of equipment	<u>(6,703)</u>	<u>(3,725)</u>
Net cash used in investing activities	<u>(6,703)</u>	<u>(3,725)</u>
Cash flows from financing activities		
Payments on capital lease payable	(179)	(2,088)
Net repayments on line of credit	<u>-</u>	<u>(61,500)</u>
Net cash used in financing activities	<u>(179)</u>	<u>(63,588)</u>
Net increase (decrease) in cash	(100,827)	24,653
Cash, beginning of year	<u>139,561</u>	<u>114,908</u>
Cash, end of year	<u><u>\$ 38,734</u></u>	<u><u>\$ 139,561</u></u>
Supplemental cash flow information:		
Interest paid	<u><u>\$ 1,970</u></u>	<u><u>\$ 1,022</u></u>

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

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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:

Unrestricted net assets – Net assets which are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets which are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, (that is, when a stipulated time restriction ends or purpose 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. The Organization had no temporarily restricted net assets as of December 31, 2016 and 2015.

Permanently restricted net assets – Net assets which are subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2016 and 2015.

Contributions

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

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Deferred Revenue

Nashville Film Festival records grant/contract revenue as deferred revenue until it is expended for the purpose of the grant/contract, at which time it is recognized as revenue. The balance in deferred revenue at December 31, 2016 and 2015 represents amounts received under cost reimbursable contracts that will be expended in the next calendar year in accordance with the grant/contract period.

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.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016 and 2015.

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, 2016. The Organization has exempt organization tax filings open to Internal Revenue Service audit generally for three years after they are filed.

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 \$151,698 and \$93,414 in 2016 and 2015, respectively.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred after December 31, 2016, through the date of the issued financial statements. During the period there were no material recognizable subsequent events that required recognition in the disclosures to the December 31, 2016 financial statements.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015, is as follows:

	2016	2015
Office equipment	\$ 69,508	\$ 62,806
Less: accumulated depreciation	(50,896)	(44,459)
	<u>\$ 18,612</u>	<u>\$ 18,347</u>

NOTE 3 - 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. The line is renewed on an annual basis. The line of credit had a zero balance at December 31, 2016 and 2015.

The Organization maintains a line of credit on a credit card. The line with Bank of America 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 Bank of America line was \$9,570 as of December 31, 2016. The outstanding balance on the Bank of America line was \$8,816 at December 31, 2015. Outstanding credit card balances are included in accounts payable on the statements of financial position.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 4 - DONATED SERVICES

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

	2016	2015
Contributions in-kind		
Advertising	\$ 141,732	\$ 76,000
Rent	82,966	211,000
Festival expense	12,360	51,000
Guest travel	12,000	-
Contract services	10,000	10,000
Event catering	10,000	9,000
Supplies	5,000	3,500
Ticketing	5,000	-
Printing	2,245	-
Awards	-	21,000
	<u> </u>	<u> </u>
Total contributions in-kind	<u><u>\$ 281,303</u></u>	<u><u>\$ 381,500</u></u>
Expenses		
Functional expenses:		
Festival and programs	<u><u>\$ 281,303</u></u>	<u><u>\$ 381,500</u></u>
	<u> </u>	<u> </u>
Increase in net assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SUPPLEMENTAL INFORMATION

NASHVILLE FILM FESTIVAL
SCHEDULE OF ACTIVITIES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Revenues and other support	
Corporate sponsors	\$ 311,623
Festival fees and sales	293,414
Grants	113,140
Fundraising events	99,075
Membership dues	32,759
Contributions	8,536
Interest	<u>203</u>
Total revenues and other support before in-kind contributions	<u>858,750</u>
Expenses	
Festival and programs	609,699
Management and general	188,974
Fundraising	<u>56,401</u>
Total expenses before in-kind expenses	<u>855,074</u>
Increase in net assets before in-kind activities	<u><u>\$ 3,676</u></u>

NASHVILLE FILM FESTIVAL
SCHEDULE OF FUNCTIONAL EXPENSES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 151,553	\$ 63,775	\$ 46,643	\$ 261,971
Payroll taxes	12,554	5,282	3,863	21,699
Employee benefits	3,949	1,801	1,179	6,929
Total salaries and benefits	<u>168,056</u>	<u>70,858</u>	<u>51,685</u>	<u>290,599</u>
Festival expense	199,688	-	-	199,688
Travel and entertainment	39,128	41,558	-	80,686
Contract services	64,271	649	-	64,920
Writers conference expense	48,576	-	-	48,576
Miscellaneous	16,316	17,312	-	33,628
Awards	29,867	141	-	30,008
Dues and subscriptions	-	26,439	-	26,439
Rent	-	13,118	3,279	16,397
Printing and promotions	11,027	1,327	-	12,354
Equipment rental	11,328	-	-	11,328
Advertising	9,208	758	-	9,966
Drive in expense	8,921	-	-	8,921
Depreciation	-	6,437	-	6,437
Insurance	-	6,428	-	6,428
Postage	3,313	2,393	598	6,304
Telephone	-	1,556	839	2,395
	<u>\$ 609,699</u>	<u>\$ 188,974</u>	<u>\$ 56,401</u>	<u>\$ 855,074</u>

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