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

**AUDIT OF FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
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**JUNE 30, 2015**

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## **R. SCOTT DIXON**

### **CERTIFIED PUBLIC ACCOUNTANT**

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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, 2015 and 2014, 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, 2015 and 2014, 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 black ink. The signature appears to read "R. Scott Dixon".

Nashville, Tennessee  
October 7, 2015

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

	<i>June 30,</i>	
	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 38,057	\$ 36,304
Accounts receivable --		
Program services	600	6,900
Metropolitan Government PEG funds	137	1,746
Prepaid expenses	2,138	337
Property and equipment, net (Note 5)	<u>3,376</u>	<u>5,367</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 44,308</u></u>	<u><u>\$ 50,654</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable, trade	\$ 620	\$ 4,146
Accrued expenses	2,688	2,688
Deferred revenue	<u>385</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>3,693</u>	<u>6,834</u>
<b>NET ASSETS</b>		
Unrestricted	40,015	43,820
Temporarily restricted (Note 2)	600	-
Permanently restricted	<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>40,615</u>	<u>43,820</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 44,308</u></u>	<u><u>\$ 50,654</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, 2015 AND 2014**

	<i>For the Year Ended June 30, 2015</i>			<i>For the Year Ended June 30, 2014</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<b>INCREASES IN NET ASSETS</b>						
Local government financial assistance	\$ -	\$ -	\$ -	\$ 3,046	\$ -	\$ 3,046
Program services revenue	53,353	-	53,353	56,775	-	56,775
Contributions --						
Cash	8,943	-	8,943	4,500	-	4,500
Grants	50,000	20,000	70,000			
In-kind donations (Notes 3 and 7)	237,870	-	237,870	201,990	-	201,990
Interest income	7	-	7	20	-	20
Other income	1,645	-	1,645	2,198	-	2,198
Total support and revenue	351,818	20,000	371,818	268,529	-	268,529
Net assets released from restrictions	19,400	(19,400)	-	-	-	-
<b>TOTAL INCREASES IN NET ASSETS</b>	<b>371,218</b>	<b>600</b>	<b>371,818</b>	<b>268,529</b>	<b>-</b>	<b>268,529</b>
<b>DECREASES IN NET ASSETS</b>						
Program service expenses --						
Salaries and wages	90,153	-	90,153	90,327	-	90,327
Payroll taxes	6,975	-	6,975	6,942	-	6,942
Production expenses and class instruction (Notes 3 and 7)	203,332	-	203,332	188,527	-	188,527
Supporting activities expenses--						
Rent (Note 3) --						
Building	18,260	-	18,260	16,673	-	16,673
Equipment	33,292	-	33,292	15,018	-	15,018
Accounting and payroll processing fees	7,317	-	7,317	7,269	-	7,269
Fundraising expenses	1,812	-	1,812	-	-	-
Dues and subscriptions	1,068	-	1,068	642	-	642
Advertising and promotional expenses	936	-	936	1,410	-	1,410
Internet access expenses	2,964	-	2,964	2,387	-	2,387
Conventions, meetings and conferences	50	-	50	400	-	400
Depreciation expense	1,991	-	1,991	2,519	-	2,519
Office supplies and expenses	2,801	-	2,801	2,191	-	2,191
Insurance	3,512	-	3,512	3,121	-	3,121
Bad debts	350	-	350	-	-	-
Miscellaneous expenses	210	-	210	525	-	525
<b>TOTAL DECREASES IN NET ASSETS</b>	<b>375,023</b>	<b>-</b>	<b>375,023</b>	<b>337,951</b>	<b>-</b>	<b>337,951</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(3,805)</b>	<b>600</b>	<b>(3,205)</b>	<b>(69,422)</b>	<b>-</b>	<b>(69,422)</b>
<b>NET ASSETS, beginning of the year</b>	<b>43,820</b>	<b>-</b>	<b>43,820</b>	<b>113,242</b>	<b>-</b>	<b>113,242</b>
<b>NET ASSETS, end of the year</b>	<b>\$ 40,015</b>	<b>\$ 600</b>	<b>\$ 40,615</b>	<b>\$ 43,820</b>	<b>\$ -</b>	<b>\$ 43,820</b>

*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, 2015 AND 2014**

	<i>For the Year Ended June 30,</i>	
	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (3,205)	\$ (69,422)
Adjustments to reconcile change in net assets		
Depreciation	1,991	2,519
Decrease (Increase) in accounts receivable	6,300	(8,321)
Decrease (Increase) in grant receivable	1,609	-
Decrease (Increase) in prepaid expenses	(1,801)	1,645
Increase (Decrease) in accounts payable	(3,526)	4,146
Increase (Decrease) in accrued expenses	-	2,688
Increase (Decrease) in deferred revenue	385	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	1,753	(66,745)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	-	(880)
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	1,753	(67,625)
<b>CASH AND EQUIVALENTS, beginning of the year</b>	36,304	103,929
<b>CASH AND EQUIVALENTS, end of the year</b>	<u>\$ 38,057</u>	<u>\$ 36,304</u>

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

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

***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 has been 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** – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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, 2015 AND 2014**

***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.

**Accounts Receivable and Uncollectible Accounts** – Accounts receivable represent the unpaid amounts billed as part of the Organization's program services and are initially recorded at gross sales prices. The Organization does not recognize interest on any of its receivables. Once management determines an account is not collectible, it is recognized as a bad debt in the statement of activities in the year of the determination. The Organization does not maintain an allowance for uncollectible accounts because of its high collectibility realization rate and the typically short duration of time between an initial sale and, either collection of the account receivable or an ultimate determination of non-collectibility based on specific customer circumstances.

**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 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 5).

**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, 2012, 2013 and 2014 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 – RESTRICTIONS ON NET ASSETS***

A temporary restriction on net assets at June 30, 2015, in the amount of \$600, is the remainder in program support for special effects makeup arts instruction from a current year grant received. The amount is to be recognized as program expenses in the subsequent year, thus releasing the restriction.

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2015 AND 2014**

***NOTE 3 – DONATED SERVICES, MATERIALS AND FACILITIES***

The Organization receives donated services from unpaid volunteers assisting in its administration and 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.

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 \$3.91 per square foot, or \$18,260 on an annual basis, for the year ended June 30, 2015, and \$3.57 per square foot, or \$16,672 on an annual basis, for the year ended June 30, 2014. 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 building rent expense in the statements of activities (See also, Note 7).

During each of the years ended June 30, 2015 and 2014, 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 \$185,493 and \$170,300 for the years ended June 30, 2015 and 2014, 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 7).

During each of the years ended June 30, 2015 and 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 \$33,292 and \$15,018 for the years ended June 30, 2015 and 2014, respectively. These amounts are equal to straight-line depreciation of the value of the underlying equipment at dates placed in service, as supplied by Metropolitan Government, over their estimated useful life of 7 years. This amount is included as in-kind donations and equipment rent expense in the statements of activities (See also, Note 7).

***NOTE 4 – 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, 2015 AND 2014**

***NOTE 5 – PROPERTY AND EQUIPMENT***

Property and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Equipment, machinery and furniture	\$53,773	\$53,773
Studio improvements	<u>6,123</u>	<u>6,123</u>
	59,896	59,896
Less: accumulated depreciation	<u>( 56,520)</u>	<u>( 54,529)</u>
Property and equipment, net	<u>\$ 3,376</u>	<u>\$ 5,367</u>

***NOTE 6 – FAIR VALUES OF FINANCIAL INSTRUMENTS***

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

***NOTE 7 – SIGNIFICANT REVENUE CONCENTRATIONS***

During each of the years ended June 30, 2015 and 2014, the Organization received \$49,863 and \$3,046, respectively, in direct cash financial assistance from Metropolitan Government of Nashville and Davidson County. This support is in the form of a grant in the year ended June 30, 2015, and local government financial assistance for the year ended June 30, 2014. Additionally, during the years ended June 30, 2015 and 2014, respectively, the Organization received donated use of facilities and long-lived equipment, and technical services, from Metropolitan Government with estimated fair values of \$237,045 and \$201,990. 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 8 – SUBSEQUENT EVENTS***

The Organization was awarded a grant in the amount of \$43,285 from the Dugas Family Foundation on July 15, 2015. The grant supports general operations and is unrestricted.

The Organization has evaluated subsequent events through October 7, 2015, the date which the financial statements were available to be issued.

**END OF NOTES**