

**NASHVILLE FILM FESTIVAL  
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2007 AND 2006**

**NASHVILLE FILM FESTIVAL  
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2007 AND 2006**

**TABLE OF CONTENTS**

	<b>PAGE</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 – 5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 10
SUPPLEMENTAL INFORMATION	
Schedule of Activities – Before In-Kind Activities	11
Schedule of Functional Expenses – Before In-Kind Activities	12

# BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Nashville Film Festival

We have audited the accompanying statements of financial position of Nashville Film Festival (the "Organization") as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2007 and 2006, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Blankenship CPA Group, PLLC*

March 19, 2008

**NASHVILLE FILM FESTIVAL  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006**

**ASSETS**

	<b>2007</b>	<b>2006</b>
Current assets		
Cash	\$ 82,531	\$ 128,773
Prepaid expenses	<u>282</u>	<u>525</u>
Total current assets	82,813	129,298
Equipment (note 2)	<u>2,357</u>	<u>4,814</u>
Total assets	<u><u>\$ 85,170</u></u>	<u><u>\$ 134,112</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ -	\$ 654
Deferred revenue	<u>3,826</u>	<u>44,958</u>
Total current liabilities	3,826	45,612
Unrestricted net assets	<u>81,344</u>	<u>88,500</u>
Total liabilities and net assets	<u><u>\$ 85,170</u></u>	<u><u>\$ 134,112</u></u>

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

**NASHVILLE FILM FESTIVAL  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
Revenues and other support		
Grants	\$ 170,037	\$ 148,839
Festival fees and sales	149,444	146,355
Corporate sponsors	111,948	80,250
Membership dues	28,487	30,490
Contributions	8,294	2,765
Interest income	264	857
Other	166	-
Contributions in-kind (note 4)	<u>484,304</u>	<u>463,600</u>
Total revenues and other support	<u>952,944</u>	<u>873,156</u>
Expenses		
Festival and programs	809,619	718,970
Management and general	110,480	97,258
Fundraising	<u>40,001</u>	<u>48,716</u>
Total expenses	<u>960,100</u>	<u>864,944</u>
Increase (decrease) in net assets	(7,156)	8,212
Net assets, beginning of year	<u>88,500</u>	<u>80,288</u>
Net assets, end of year	<u><u>\$ 81,344</u></u>	<u><u>\$ 88,500</u></u>

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

**NASHVILLE FILM FESTIVAL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2007**

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 73,712	\$ 47,213	\$ 21,949	\$ 142,874
Payroll taxes	5,550	3,523	1,601	10,674
Employee benefits	8,270	5,248	2,386	15,904
 Total salaries and benefits	 <u>87,532</u>	 <u>55,984</u>	 <u>25,936</u>	 <u>169,452</u>
 Rent	 220,000	 7,680	 1,920	 229,600
Advertising	145,564	10,000	-	155,564
Travel and entertainment	111,863	6,696	-	118,559
Grant expense	62,327	-	-	62,327
Contract services	50,851	514	-	51,365
Festival expense	39,559	-	2,995	42,554
Printing and promotions	34,006	3,032	-	37,038
Equipment rental	19,507	-	-	19,507
Awards	14,553	-	-	14,553
Miscellaneous	6,076	2,990	4,486	13,552
Insurance	10,286	2,999	-	13,285
Postage	6,695	707	1,851	9,253
Office expense and supplies	-	7,226	1,806	9,032
Dues and subscriptions	-	6,165	-	6,165
Telephone	-	4,030	1,007	5,037
Depreciation	-	2,457	-	2,457
Tax and licenses	800	-	-	800
	<u>\$ 809,619</u>	<u>\$ 110,480</u>	<u>\$ 40,001</u>	<u>\$ 960,100</u>

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

**NASHVILLE FILM FESTIVAL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2006**

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 62,315	\$ 36,823	\$ 22,402	\$ 121,540
Payroll taxes	4,742	2,789	1,767	9,298
Employee benefits	4,532	2,666	1,688	8,886
 Total salaries and benefits	 <u>71,589</u>	 <u>42,278</u>	 <u>25,857</u>	 <u>139,724</u>
 Rent	 220,000	 7,488	 1,872	 229,360
Advertising	151,200	9,000	-	160,200
Travel and entertainment	90,930	7,973	-	98,903
Contract services	76,034	768	-	76,802
Festival expense	27,356	-	11,142	38,498
Grant expense	23,075	-	-	23,075
Printing and promotions	15,654	5,367	-	21,021
Postage	10,037	1,074	2,778	13,889
Insurance	10,389	3,382	-	13,771
Miscellaneous	4,321	3,174	4,762	12,257
Awards	9,725	-	-	9,725
Equipment rental	8,090	-	-	8,090
Telephone	-	5,020	1,255	6,275
Office expense and supplies	-	4,202	1,050	5,252
Dues and subscriptions	-	4,675	-	4,675
Depreciation	-	2,857	-	2,857
Tax and licenses	570	-	-	570
	<u>\$ 718,970</u>	<u>\$ 97,258</u>	<u>\$ 48,716</u>	<u>\$ 864,944</u>

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

**NASHVILLE FILM FESTIVAL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (7,156)	\$ 8,212
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Depreciation	2,457	2,857
(Increase) decrease in prepaid expenses	243	(16)
Decrease in accounts payable	(654)	(52,364)
Decrease in deferred revenue	<u>(41,132)</u>	<u>(2,250)</u>
Net cash used in operating activities	<u>(46,242)</u>	<u>(43,561)</u>
Cash flows from investing activities		
Equipment purchases	<u>-</u>	<u>(3,684)</u>
Net cash used in investing activities	<u>-</u>	<u>(3,684)</u>
Net decrease in cash	(46,242)	(47,245)
Cash, beginning of year	<u>128,773</u>	<u>176,018</u>
Cash, end of year	<u><u>\$ 82,531</u></u>	<u><u>\$ 128,773</u></u>

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



**NASHVILLE FILM FESTIVAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Nashville Film Festival's (NaFF) 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 NaFF 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 NaFF had no temporarily restricted net assets as of December 31, 2007 and 2006.

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 NaFF had no permanently restricted net assets as of December 31, 2007 and 2006.

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, 2007 AND 2006**

**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 NaFF 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, 2007 and 2006, 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, 2007 AND 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Tax

The NaFF is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been made.

Concentrations of Credit Risk

Cash balances at financial institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000 per insured entity. Balances of cash at financial institutions exceeded the limit of \$100,000 by \$0 and \$34,126 at December 31, 2007 and 2006, respectively.

Advertising Costs

The Organization expenses all advertising costs as incurred. Total advertising expense amounted to \$155,564 and \$160,200 in 2007 and 2006, respectively.

**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, 2007 and 2006, is as follows:

	2007	2006
Office equipment	\$ 23,286	\$ 23,286
Less: accumulated depreciation	<u>(20,929)</u>	<u>(18,472)</u>
	<u>\$ 2,357</u>	<u>\$ 4,814</u>

**NOTE 3 - LINES OF CREDIT**

The Organization maintains two lines of credit on credit cards. The line with Bank of America has a credit limit available of \$11,500 and bears interest at a 18.24% annual rate on purchases and 24.24% annual rate on cash advances. The second line, with Chase Bank, has a credit limit of \$12,000 and bears interest at a 16.15% annual rate on purchases and 22.24% annual rate on cash advances. There were \$0 and \$654 of borrowings outstanding on the Chase Bank line as of December 31, 2007 and 2006, respectively, which are included in accounts payable. There were no outstanding borrowings on the Bank of America line as of December 31, 2007 and 2006.

**NASHVILLE FILM FESTIVAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2007 AND 2006**

**NOTE 4 - DONATED SERVICES**

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

	2007	2006
Contributions in-kind		
Rent	\$ 220,000	\$ 220,000
Advertising	140,923	148,800
Event catering	35,651	24,150
Printing	21,000	4,850
Guest travel	15,700	14,500
Equipment rental	15,605	5,400
Showcase	12,500	7,500
Contract services	7,500	32,000
Guest hotel	7,200	600
Gifts	5,050	2,625
Awards	<u>3,175</u>	<u>3,175</u>
Total contributions in-kind	<u>\$ 484,304</u>	<u>\$ 463,600</u>
Expenses		
Functional expenses:		
Festival and programs	<u>\$ 484,304</u>	<u>\$ 463,600</u>
Increase in net assets	<u>\$ -</u>	<u>\$ -</u>

**SUPPLEMENTAL INFORMATION**

**NASHVILLE FILM FESTIVAL**  
**SCHEDULE OF FUNCTIONAL EXPENSES - BEFORE IN-KIND ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2007**

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 73,712	\$ 47,213	\$ 21,949	\$ 142,874
Payroll taxes	5,550	3,523	1,601	10,674
Employee benefits	8,270	5,248	2,386	15,904
 Total salaries and benefits	 87,532	 55,984	 25,936	 169,452
 Grant expense	 62,327	 -	 -	 62,327
Travel and entertainment	53,312	6,696	-	60,008
Contract services	43,351	514	-	43,865
Festival expense	22,009	-	2,995	25,004
Printing and promotions	13,006	3,032	-	16,038
Advertising	4,641	10,000	-	14,641
Miscellaneous	6,076	2,990	4,486	13,552
Insurance	10,286	2,999	-	13,285
Awards	11,378	-	-	11,378
Rent	-	7,680	1,920	9,600
Postage	6,695	707	1,851	9,253
Office expense and supplies	-	7,226	1,806	9,032
Dues and subscriptions	-	6,165	-	6,165
Telephone	-	4,030	1,007	5,037
Equipment rental	3,902	-	-	3,902
Depreciation	-	2,457	-	2,457
Tax and licenses	800	-	-	800
	<u>\$ 325,315</u>	<u>\$ 110,480</u>	<u>\$ 40,001</u>	<u>\$ 475,796</u>