

**NASHVILLE FILM FESTIVAL
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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Edmondson, Betzler & Dame
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nashville Film Festival

Opinion

We have audited the accompanying financial statements of Nashville Film Festival (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nashville Film Festival and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nashville Film Festival's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nashville Film Festival's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nashville Film Festival's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bernard, Betyer & Danc, PLLC

February 3, 2023

**NASHVILLE FILM FESTIVAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

ASSETS

	2022	2021
Current assets		
Cash	\$ 39,807	\$ 88,648
Grants receivable	52,692	36,120
Prepaid expenses	<u>-</u>	<u>3,995</u>
Total current assets	92,499	128,763
Equipment, net	<u>633</u>	<u>1,470</u>
Total assets	<u><u>\$ 93,132</u></u>	<u><u>\$ 130,233</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 2,496	\$ 5,904
Long term debt - current portion	<u>-</u>	<u>6,677</u>
Total current liabilities	2,496	12,581
Long term debt - noncurrent portion	<u>-</u>	<u>22,377</u>
Total liabilities	<u>2,496</u>	<u>34,958</u>
Net assets without donor restrictions	<u>90,636</u>	<u>95,275</u>
Total liabilities and net assets	<u><u>\$ 93,132</u></u>	<u><u>\$ 130,233</u></u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
Revenues and other support:		
Festival fees and sales	\$ 254,685	\$ 325,677
Corporate sponsors	166,150	45,458
Grants	146,972	112,200
Membership dues	34,097	24,065
Contributions	24,340	10,898
Fees for services	11,750	11,600
Interest income	<u>106</u>	<u>184</u>
Total revenues and other support	<u>638,100</u>	<u>530,082</u>
Expenses:		
Festival and programs	471,976	411,631
Management and general	135,005	121,197
Fundraising	<u>35,758</u>	<u>27,632</u>
Total expenses	<u>642,739</u>	<u>560,460</u>
Decrease in net assets without donor restrictions	(4,639)	(30,378)
Net assets, beginning of year	<u>95,275</u>	<u>125,653</u>
Net assets, end of year	<u><u>\$ 90,636</u></u>	<u><u>\$ 95,275</u></u>

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

NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	PROGRAM SERVICES	SUPPORT SERVICES		
	<u>Festival</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 94,997	\$ 53,544	\$ 24,180	\$ 172,721
Payroll taxes	9,279	5,230	2,362	16,871
Employee benefits	5,377	3,031	1,368	9,776
	<u>109,653</u>	<u>61,805</u>	<u>27,910</u>	<u>199,368</u>
Contract services	113,799	9,156	7,848	130,803
Travel and entertainment	96,275	876	-	97,151
Festival expense	63,949	-	-	63,949
Advertising	46,381	-	-	46,381
Rent	-	42,272	-	42,272
Awards	23,900	-	-	23,900
Bank and credit card fees	10,217	-	-	10,217
Office and supplies	-	8,817	-	8,817
Professional services	-	5,400	-	5,400
Communications	3,828	-	-	3,828
Dues and subscriptions	-	3,763	-	3,763
Postage	2,774	-	-	2,774
Insurance	-	2,079	-	2,079
Equipment rental	1,200	-	-	1,200
Depreciation	-	837	-	837
	<u>\$ 471,976</u>	<u>\$ 135,005</u>	<u>\$ 35,758</u>	<u>\$ 642,739</u>

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

NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES	SUPPORT SERVICES		
	<u>Festival</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 74,993	\$ 42,269	\$ 19,088	\$ 136,350
Payroll taxes	6,206	3,498	1,580	11,284
Employee benefits	2,917	1,644	742	5,303
	<u>84,116</u>	<u>47,411</u>	<u>21,410</u>	<u>152,937</u>
Total salaries and benefits				
Contract services	90,217	7,259	6,222	103,698
Festival expense	95,907	-	-	95,907
Travel and entertainment	50,216	729	-	50,945
Awards	28,904	-	-	28,904
Rent	-	26,944	-	26,944
Bank and credit card fees	23,489	160	-	23,649
Professional services	16,785	5,200	-	21,985
Advertising	20,363	-	-	20,363
Office and supplies	-	15,122	-	15,122
Insurance	-	12,038	-	12,038
Dues and subscriptions	-	4,265	-	4,265
Depreciation	-	2,069	-	2,069
Postage	844	-	-	844
Equipment rental	560	-	-	560
Miscellaneous	230	-	-	230
	<u>\$ 411,631</u>	<u>\$ 121,197</u>	<u>\$ 27,632</u>	<u>\$ 560,460</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
Cash flows from operating activities		
Decrease in net assets	\$ (4,639)	\$ (30,378)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	837	2,069
Government grant recognized from PPP loan forgiveness	(29,054)	(25,600)
(Increase) decrease in prepaid expenses	3,995	(370)
Increase in accounts receivable	(16,572)	(3,675)
Increase (decrease) in accounts payable	<u>(3,409)</u>	<u>3,842</u>
Net cash used in operating activities	<u>(48,842)</u>	<u>(54,112)</u>
Cash flows from financing activities		
Proceeds from issuance of long term debt	<u>-</u>	<u>29,054</u>
Net cash provided by financing activities	<u>-</u>	<u>29,054</u>
Net decrease in cash	(48,842)	(25,058)
Cash, beginning of year	<u>88,648</u>	<u>113,706</u>
Cash, end of year	<u><u>\$ 39,806</u></u>	<u><u>\$ 88,648</u></u>

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

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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, 2022 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, 2022 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, 2022 AND 2021**

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, 2022 and 2021.

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, 2022. 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, 2022 AND 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

The Organization maintains two bank accounts at two financial institutions. 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 \$46,381 and \$20,363 in 2022 and 2021, 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, 2022, 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, 2022 and 2021, is as follows:

	2022	2021
Office Equipment	\$ 41,732	\$ 41,732
Less: accumulated depreciation	<u>(41,099)</u>	<u>(40,262)</u>
	<u><u>\$ 633</u></u>	<u><u>\$ 1,470</u></u>

Depreciation expense was \$837 and \$2,069 for the years ended December 31, 2022 and 2021, respectively.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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. As of December 31, 2022, the rate was 9.25%. The line is renewed on an annual basis. There was no balance due on the line of credit as of December 31, 2022 and 2021.

The Organization maintains one line of credit on a credit card. The line has a credit limit available of \$23,200 and bears interest at a 16.49% annual rate on purchases and 24.24% annual rate on cash advances. The outstanding balance on the credit card was \$1,297 and \$4,704 as of December 31, 2022 and 2021, respectively. These balances are included in accounts payable on the Statements of Financial Position.

NOTE 4 - LONG TERM DEBT

The Organization had an unsecured note payable with ServisFirst Bank dated April 10, 2020 in the amount of \$25,600 due in monthly installments of \$1,441, including interest at a fixed rate of 1.00%. Payments were scheduled to begin on November 10, 2020 but deferred pending loan forgiveness. The note was fully forgiven in June 2021.

The Organization had an unsecured note payable with ServisFirst Bank dated February 18, 2021 in the amount of \$29,054 due in monthly installments of \$598, including interest at a fixed rate of 1.00%. Payments were scheduled to begin on January 18, 2022 but deferred pending loan forgiveness. The note was fully forgiven in February 2022.

NOTE 5 - LIQUIDITY AND AVAILABLE RESOURCES

The Organization has \$92,499 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash amount of \$39,807 and grants receivable of \$52,692. 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 \$150,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.