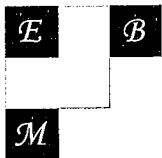


**NASHVILLE FILM FESTIVAL
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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AND
INDEPENDENT AUDITORS' REPORT
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Edmondson, Betzler & Montgomery, PLLC

(Certified Public Accountants)

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, 2010 and 2009, 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, 2010 and 2009, 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 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, Betzler & Montgomery, PLLC

March 7, 2011

**NASHVILLE FILM FESTIVAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

ASSETS			
		2010	2009
Current assets			
Cash		\$ 34,087	\$ 54,271
Accounts receivable		1,127	-
Prepaid expenses		<u>282</u>	<u>1,000</u>
Total current assets		35,496	55,271
Equipment (note 2)		<u>1,118</u>	<u>2,555</u>
Total assets		<u><u>\$ 36,614</u></u>	<u><u>\$ 57,826</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		\$ 1,146	\$ 32,779
Deferred revenue		<u>6,000</u>	<u>15,000</u>
Total current liabilities		7,146	47,779
Unrestricted net assets		<u>29,468</u>	<u>10,047</u>
Total liabilities and net assets		<u><u>\$ 36,614</u></u>	<u><u>\$ 57,826</u></u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Revenues and other support		
Grants	\$ 120,090	\$ 131,731
Festival fees and sales	129,029	171,717
Corporate sponsors	107,500	100,940
Membership dues	48,645	21,730
La Fete income	26,000	-
Contributions	11,224	19,234
Contributions in-kind (note 4)	466,909	565,190
	<u>909,397</u>	<u>1,010,542</u>
Total revenues and other support		
Expenses		
Festival and programs	725,446	898,833
Management and general	111,351	123,722
Fundraising	53,179	40,418
	<u>889,976</u>	<u>1,062,973</u>
Total expenses		
Increase (decrease) in net assets	19,421	(52,431)
Net assets, beginning of year	<u>10,047</u>	<u>62,478</u>
Net assets, end of year	<u><u>\$ 29,468</u></u>	<u><u>\$ 10,047</u></u>

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

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010**

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 57,183	\$ 48,382	\$ 20,969	\$ 126,534
Payroll taxes	6,491	4,119	1,872	12,482
Employee benefits	5,265	3,342	1,519	10,126
Total salaries and benefits	<u>68,939</u>	<u>55,843</u>	<u>24,360</u>	<u>149,142</u>
Rent	197,500	10,618	2,654	210,772
Advertising	101,545	12,159	-	113,704
Travel and entertainment	102,299	7,548	-	109,847
Contract services	72,311	730	-	73,041
Festival expense	61,597	-	-	61,597
Equipment rental	38,170	-	-	38,170
Office expense and supplies	21,469	1,561	390	23,420
Printing and promotions	20,230	202	-	20,432
La Fete expense	-	-	18,015	18,015
Miscellaneous	7,347	2,703	4,054	14,104
Awards	12,439	-	-	12,439
Postage	9,314	124	31	9,469
Grant expense	9,401	-	-	9,401
Dues and subscriptions	-	8,856	-	8,856
Insurance	2,885	5,371	-	8,256
Telephone	-	2,799	1,574	4,373
Membership	-	1,400	2,101	3,501
Depreciation	-	1,437	-	1,437
	<u>\$ 725,446</u>	<u>\$ 111,351</u>	<u>\$ 53,179</u>	<u>\$ 889,976</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009**

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 61,102	\$ 50,696	\$ 20,719	\$ 132,517
Payroll taxes	6,342	4,024	1,829	12,195
Employee benefits	<u>4,920</u>	<u>3,123</u>	<u>1,419</u>	<u>9,462</u>
Total salaries and benefits	<u>72,364</u>	<u>57,843</u>	<u>23,967</u>	<u>154,174</u>
Rent	222,500	10,310	2,578	235,388
Travel and entertainment	138,515	8,713	-	147,228
Advertising	104,345	16,677	-	121,022
Office expense and supplies	115,196	1,905	476	117,577
Contract services	93,032	940	-	93,972
Festival expense	57,300	-	-	57,300
Equipment rental	34,400	-	-	34,400
Printing and promotions	21,094	1,058	-	22,152
Miscellaneous	6,124	3,331	4,995	14,450
Awards	12,792	-	-	12,792
Membership	-	4,382	6,574	10,956
Postage	8,958	1,038	259	10,255
Insurance	3,926	4,668	-	8,594
Grant expense	8,287	-	-	8,287
Dues and subscriptions	-	8,145	-	8,145
Telephone	-	2,789	1,569	4,358
Depreciation	<u>-</u>	<u>1,923</u>	<u>-</u>	<u>1,923</u>
	<u>\$ 898,833</u>	<u>\$ 123,722</u>	<u>\$ 40,418</u>	<u>\$ 1,062,973</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 19,421	\$ (52,431)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Depreciation	1,437	1,923
Increase in accounts receivable	(1,127)	-
Decrease in employee receivable	-	1,668
Decrease in prepaid expenses	718	-
Increase (decrease) in accounts payable	(31,633)	31,198
Increase (decrease) in deferred revenue	<u>(9,000)</u>	<u>13,374</u>
Net cash used in operating activities	<u>(20,184)</u>	<u>(4,268)</u>
Net decrease in cash	(20,184)	(4,268)
Cash, beginning of year	<u>54,271</u>	<u>58,539</u>
Cash, end of year	<u><u>\$ 34,087</u></u>	<u><u>\$ 54,271</u></u>

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

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

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, 2010 and 2009.

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, 2010 and 2009.

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, 2010 AND 2009**

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, 2010 and 2009 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, 2010 AND 2009**

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

The NaFF maintains its cash in bank deposit accounts at financial institutions. The balances, at times, may exceed federally-insured limits.

Advertising Costs

The Organization expenses all advertising costs as incurred. Total advertising expense amounted to \$113,704 and \$121,022 in 2010 and 2009, respectively.

Events Occurring After Reporting Date

NaFF has evaluated events and transactions that occurred between December 31, 2010 and March 7, 2011, 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, 2010 and 2009, is as follows:

	2010	2009
Office equipment	\$ 26,931	\$ 26,931
Less: accumulated depreciation	<u>(25,813)</u>	<u>(24,376)</u>
	<u>\$ 1,118</u>	<u>\$ 2,555</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 13.24% annual rate on purchases and 24.24% annual rate on cash advances. The second line, with Chase Bank, has a credit limit of \$15,000 and bears interest at a 29.99% annual rate on purchases and 29.99% annual rate on cash advances. There were \$667 and \$11,364 of borrowings outstanding on the Chase Bank line as of December 31, 2010 and 2009, respectively, which are included in accounts payable. There were \$479 and \$11,415 of borrowings on the Bank of America line as of December 31, 2010 and 2009, respectively.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 4 - DONATED SERVICES

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

	2010	2009
Contributions in-kind		
Rent	\$ 197,500	\$ 222,500
Supplies	18,124	108,655
Advertising	100,045	98,245
Event catering	45,500	38,500
Printing	12,800	5,300
Guest travel	22,500	13,000
Equipment rental	9,700	12,250
Showcase	13,000	9,000
Contract services	35,500	50,000
Guest hotel	-	2,500
Awards	<u>12,240</u>	<u>5,240</u>
Total contributions in-kind	<u><u>\$ 466,909</u></u>	<u><u>\$ 565,190</u></u>
Expenses		
Functional expenses:		
Festival and programs	<u><u>\$ 466,909</u></u>	<u><u>\$ 565,190</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, 2010

Revenues and other support	
Grants	\$ 120,090
Festival fees and sales	129,029
Corporate sponsors	107,500
Membership dues	48,645
La Fete income	26,000
Contributions	<u>11,224</u>
Total revenues and other support before in-kind contributions	<u>442,488</u>
Expenses	
Festival and programs	260,161
Management and general	111,351
Fundraising	<u>51,555</u>
Total expenses before in-kind expenses	<u>423,067</u>
Increase in net assets before in-kind activities	<u><u>\$ 19,421</u></u>

NASHVILLE FILM FESTIVAL
SCHEDULE OF FUNCTIONAL EXPENSES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 57,183	\$ 48,382	\$ 20,969	\$ 126,534
Payroll taxes	6,491	4,119	1,872	12,482
Employee benefits	5,265	3,342	1,519	10,126
Total salaries and benefits	<u>68,939</u>	<u>55,843</u>	<u>24,360</u>	<u>149,142</u>
Travel and entertainment	34,299	7,548	-	41,847
Contract services	36,811	730	-	37,541
Festival expense	36,357	-	-	36,357
Equipment rental	28,470	-	-	28,470
La Fete expense	-	-	16,391	16,391
Miscellaneous	7,347	2,703	4,054	14,104
Advertising	1,500	12,159	-	13,659
Rent	-	10,618	2,654	13,272
Awards	12,439	-	-	12,439
Postage	9,314	124	31	9,469
Grant expense	9,401	-	-	9,401
Dues and subscriptions	-	8,856	-	8,856
Insurance	2,885	5,371	-	8,256
Printing and promotions	7,430	202	-	7,632
Office expense and supplies	4,969	1,561	390	6,920
Telephone	-	2,799	1,574	4,373
Membership	-	1,400	2,101	3,501
Depreciation	-	1,437	-	1,437
	<u>\$ 260,161</u>	<u>\$ 111,351</u>	<u>\$ 51,555</u>	<u>\$ 423,067</u>