

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

AUDIT OF FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2012 AND 2011**

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
TABLE OF CONTENTS
JUNE 30, 2012 AND 2011

Independent Auditors' Report.....	3
Statement of Financial Position.....	4
Statement of Activities.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-10

R. SCOTT DIXON

CERTIFIED PUBLIC ACCOUNTANT

812 18TH Avenue, South #12
P.O. Box 330941

Telephone: (615) 256-2260
Fax: (615) 256-2398
Nashville, Tennessee 37203

Independent Auditors' Report

Board of Directors
Nashville Education, Community and Arts Television Corporation
120 White Bridge Road, Suite 46
Nashville, Tennessee 37209

We have audited the accompanying statements of financial position of Nashville Education, Community and Arts Television Corporation (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities 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 audit 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 Education, Community and Arts Television Corporation as of June 30, 2012 and 2011, 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.

R. Scott Dixon

September 25, 2012
Nashville, Tennessee

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	<i>June 30,</i>	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 76,074	\$ 58,690
Accounts receivable	8,925	400
Grant receivable	1,000	-
Prepaid expenses	193	1,108
Property and equipment, net (Notes 2 and 4)	9,149	8,198
TOTAL ASSETS	<u>\$ 95,341</u>	<u>\$ 68,396</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit (Note 5)	\$ -	\$ 2,802
Accounts payable	-	2,280
Accrued expenses	418	-
Payroll taxes payable	109	1,460
TOTAL LIABILITIES	527	6,542
NET ASSETS		
Unrestricted net assets	94,814	61,854
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 95,341</u>	<u>\$ 68,396</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, 2012 AND 2011

	<i>For the Year Ended June 30, 2012</i>			<i>For the Year Ended June 30, 2011</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
SUPPORT AND REVENUE						
Local government financial assistance	\$ 94,800	\$ -	\$ 94,800	\$ 93,100	\$ -	\$ 93,100
Program services revenue	75,445	-	75,445	39,829	-	39,829
Contributions --						
Cash	1,943	-	1,943	742	-	742
In-kind donations (Notes 2 and 8)	177,308	-	177,308	166,891	-	166,891
Grants	-	1,000	1,000	-	3,135	3,135
Interest income	30	-	30	26	-	26
Other income	767	-	767	-	-	-
Net assets released from restrictions	1,000	(1,000)	-	3,135	(3,135)	-
TOTAL SUPPORT AND REVENUE	351,293	-	351,293	303,723	-	303,723
EXPENSES						
Program services --						
Salaries and wages	83,080	-	83,080	72,160	-	72,160
Payroll taxes	6,834	-	6,834	6,121	-	6,121
Production expenses (Notes 2 and 8)	179,805	-	179,805	165,386	-	165,386
Supporting activities --						
Rent (Note 2)	17,092	-	17,092	19,942	-	19,942
Legal and accounting fees (Note 2)	12,792	-	12,792	15,511	-	15,511
Fundraising expenses (Note 2)	4,669	-	4,669	-	-	-
Dues and subscriptions	350	-	350	1,185	-	1,185
Advertising and promotional expenses	1,124	-	1,124	3,307	-	3,307
Internet access expenses	1,378	-	1,378	1,358	-	1,358
Interest expense	47	-	47	897	-	897
Conventions, meetings and conferences	1,617	-	1,617	1,638	-	1,638
Depreciation expense	4,049	-	4,049	3,578	-	3,578
Office supplies and expenses	2,159	-	2,159	2,437	-	2,437
Insurance	3,133	-	3,133	2,731	-	2,731
Miscellaneous expenses	204	-	204	940	-	940
TOTAL EXPENSES	318,333	-	318,333	297,191	-	297,191
INCREASE IN NET ASSETS	32,960	-	32,960	6,532	-	6,532
NET ASSETS, beginning of the year	61,854	-	61,854	55,322	-	55,322
NET ASSETS, end of the year	\$ 94,814	\$ -	\$ 94,814	\$ 61,854	\$ -	\$ 61,854

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, 2012 AND 2011

	<i>For the year ended June 30,</i>	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 32,960	\$ 6,532
Adjustments to reconcile change in net assets		
Depreciation	4,049	3,578
Donated property included in contributions	(5,000)	(950)
Decrease (Increase) in accounts receivable	(8,525)	7,028
(Increase) in grant receivable	(1,000)	-
Decrease (Increase) in prepaid expenses	915	(1,108)
(Decrease) in accounts payable	(2,280)	
Increase (Decrease) in accrued expenses	418	(1,070)
Increase (Decrease) in payroll taxes payable	(1,351)	231
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,186	14,241
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	-	(4,299)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(2,802)	(13,003)
NET CHANGE IN CASH AND CASH EQUIVALENTS	17,384	(3,061)
CASH AND CASH EQUIVALENTS, beginning of the year	58,690	61,751
CASH AND CASH EQUIVALENTS, end of the year	\$ 76,074	\$ 58,690
Interest paid during the year	\$ 47	\$ 897
Noncash investing and financing activity - acquisition of equipment		
Cost of equipment	-	2,222
Payable on account	-	(2,222)

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

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

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 program expense reimbursements from the Metropolitan Government of Nashville and Davidson County through its local cable franchise agreement with Comcast Cable.

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 – 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. When net assets are released from the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. 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.

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.

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012 AND 2011

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Depreciation is provided for over estimated useful lives of 5 or 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 (See also, Note 4.).

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.

NOTE 2 – DONATED SERVICES, MATERIALS AND FACILITIES

The Organization receives donated services from unpaid volunteers assisting in its administration and in its program services. The Organization recognizes donated services in the accompanying statements of activities if the criteria for recognition of such volunteer effort under FASB ASC 958 have been satisfied.

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. Management has estimated the fair value of the donated use of the facilities to be \$3.66 per square foot, or \$17,092 on an annual basis, for the year ended June 30, 2012, and \$4.27 per square foot, or \$19,941 on an annual basis, for the year ended June 30, 2011. 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 in support and rent expense in the statement of activities.

During each of the years ended June 30, 2012 and 2011, 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 \$146,000 each for the years ended June 30, 2012 and 2011, based on budgeted amounts for the manager and staff as supplied by Metro Nashville ITS. These amounts are included as in-kind donations and production expenses in the statement of activities (See also, Note 8).

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012 AND 2011

NOTE 2 – DONATED SERVICES, MATERIALS AND FACILITIES (continued)

During the year ended June 30, 2012, the Organization received donated legal services from an attorney who serves on the Organization's Board of Directors. Management has estimated the fair value of the donated legal services to be \$6,000, based on the approximate amount of time the attorney devoted to providing the services and the nature of the services provided. This amount is included as in-kind donations and legal and accounting fees in the statement of activities.

During the year ended June 30, 2012, the Organization received a donated improvement to its studio with the construction of a cyclorama wall, in the amount of \$5,000. The amount is based on the time and expenses incurred by the donating contractor and is included as in-kind donations in the statement of activities and property and equipment in the statement of financial position.

During the year ended June 30, 2012, the Organization received donated catering services for a fundraising event in the amount of \$3,216. The amount is based on information supplied by the donating caterer. This amount is included as in-kind donations and fundraising expenses in the statement of activities.

During the year ended June 30, 2011, the Organization received a donation of used furniture in the amount of \$950. The amount is based on advertised prices of comparable items of used furniture and is included as in-kind donations in the statement of activities and property and equipment in the statement of financial position.

NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program services and the costs of administration have been presented in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Equipment, machinery and furniture	\$52,892	\$52,892
Studio improvement	<u>5,000</u>	<u>-0-</u>
	57,892	52,892
Less: accumulated depreciation	(48,743)	(44,694)
Property and equipment, net	<u>\$ 9,149</u>	<u>\$ 8,198</u>

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012 AND 2011

NOTE 5 – LINE OF CREDIT

The line of credit at June 30, 2011 is payable to Regions Bank. The total credit line is in the amount of \$30,000 and the balance due at June 30, 2011, in the amount of \$2,802, bears interest at the rate of 6.25%.

NOTE 6 – FAIR VALUES OF FINANCIAL INSTRUMENTS

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

NOTE 7 – SIGNIFICANT REVENUE CONCENTRATIONS

During the years ended June 30, 2012 and 2011, respectively, the Organization received \$94,800 and \$96,452 in support from Metropolitan Government of Nashville and Davidson County in the form of expense reimbursements through its local cable franchise agreement with Comcast Cable. Additionally, during the years ended June 30, 2012 and 2011, respectively, the Organization received donated use of facilities and technical services from Metropolitan Government with estimated fair values of \$163,092 and \$165,941. The concentration makes the Organization vulnerable to the risk of a near-term severe impact and the viability of the Organization depends on the continued support of Metropolitan Government.

NOTE 8 – RESTATEMENT

The financial statements as of June 30, 2011, have been restated to include in-kind donations of technical services from Metro Nashville Information Technology Services and related production expenses, each in the amount of \$146,000, previously omitted from the statement of activities. The restatement affects neither the change in net assets for the year ended June 30, 2011, nor net assets as of that date.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 25, 2012, the date which the financial statements were available to be issued.

END OF NOTES