NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2020

BELLENFANT
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nashville Education, Community and Arts Television Corporation
Nashville, Tennessee

We have audited the accompanying financial statements of Nashville Education, Community and Arts Television Corporation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 from 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.

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 Nashville Education, Community and Arts Television Corporation, as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bellenfant, PLLC
Nashville, Tennessee
April 23, 2021

2919 Berry Hill Dr. • Nashville, TN 37204 • Tel: 615.370.8700 • Fax: 615.370.4475 • www.BellenfantCPA.com

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	$ 21,850
Accounts Receivable	-
Total Current Assets	21,850
FIXED ASSETS	
Fixed Assets	66,687
Less: Accumulated Depreciation	(66,001)
Total Fixed Assets	686
Total Assets	$ 22,536

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	$ 42
PPP Loan Payable	9,250
Total Current Liabilities	9,292
Total Liabilities	9,292
NET ASSETS	
Net Assets Without Donor Restrictions	13,244
Total Net Assets	13,244
Total Liabilities and Net Assets	$ 22,536

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

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

SUPPORT AND REVENUE	
Grants	$ 5,500
Dues	13,287
Classes	770
In-Kind Donation	408,260
Individual Gifts	2,947
Automated Monthly Giving	40
Interest	115
Other	371
Total Support and Revenue	431,290
EXPENSES	
Program Services	390,500
Management and General	48,812
Fundraising	48,812
Total Expenses	488,124
Change in Net Assets	(56,834)
Net Assets, beginning of year	70,078
Net Assets, end of year	$ 13,244

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

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries	$ 39,097	$ 4,887	$ 4,887	$ 48,871
Payroll Taxes	2,230	279	279	2,788
Retirement Plan	1,295	162	162	1,619
Payroll Processing Fees	472	59	59	590
Supplies	727	91	91	909
Travel	22	3	3	28
Paypal	522	65	65	652
Professional Services	8,795	1,099	1,099	10,993
Advertising	254	32	32	318
Insurance	3,158	395	395	3,948
Copier	1,810	226	226	2,262
Dues and Subscriptions	1,377	172	172	1,721
Internet Service	2,827	353	353	3,533
Other	720	90	90	900
Total Expenses before depreciation and in-kind	63,306	7,913	7,913	79,132
Depreciation	586	73	73	732
In-Kind	326,608	40,826	40,826	408,260
Total Expenses	$ 390,500	$ 48,812	$ 48,812	$ 488,124

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

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	(56,834)
Depreciation		732
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) Decrease in:		
Accounts Receivable		12,500
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses		(952)
Net Cash Provided (Used) by Operating Activities		(44,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP Loan		9,250
Net Cash Provided (Used) by Financing Activities		9,250
Net Increase (Decrease) in Cash		(35,304)
Cash and Cash Equivalents, beginning of year		57,154
Cash and Cash Equivalents, end of year	$	21,850

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Nashville Education, Community and Arts Television Corporation, ("the Organization"), located in Nashville, Tennessee, is exempt from income tax incorporated under the laws of the state of Tennessee. Nashville Education, Community and Arts Television Corporation. ("NECAT"), a nonprofit corporation organized 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.

Basis of Presentation

Nashville Education, Community and Arts Television Corporation, prepares its financial statements and maintains its financial accounting records on the accrual basis of accounting. Revenue is generally recognized when earned. Expenses are generally recognized when incurred.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These are net assets that are not subject to donor-imposed stipulations. The Organization had $13,244 of net assets without donor restrictions as of June 30, 2020.

Net assets with donor restrictions - These are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. This classification also includes net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no net assets with donor restrictions as of June 30, 2020.

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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Donor Contributions and Support

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unrestricted support is free from donor-imposed restrictions and is recognized as revenues and an increase in net assets without donor restrictions in the period it is earned. Restricted support is limited by donor-imposed time restrictions or purpose restrictions and is recognized as an increase in net assets with donor restrictions. When net assets are released from the restriction, either with the passage of time or fulfillment of the specific purpose, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

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 not to be 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 accounts receivable or an ultimate determination of non-collectibility based on specific customer circumstances.

Change in Accounting Principle

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for the Organization for the year ended June 30, 2020.

Revenue Recognition

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any restriction. Grant revenues are recognized as the related expenditures are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies for Future Pronouncements

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for the fiscal year ending June 30, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In February 2016, FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending June 30, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Fixed Assets

Fixed assets are 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 expenses as incurred. Fixed assets are depreciated using accelerated methods over estimated useful lives of 5 to 7 years. Donations of fixed assets are recorded as support at the date of donation. Donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose or for use over future time periods. The Organization has not adopted a policy for implying time restrictions that expire over the useful lives of donated fixed assets if those donated assets are received without stipulations about how long the assets must be used, or are acquired with gifts restricted for those acquisitions.

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.

Shipping and Handling Costs

Costs incurred for transportation and delivery of purchased goods and services are included as part of the costs of the specific goods and services purchased and are not separately stated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services, Materials and Facilities

The Organization receives donated services from unpaid volunteers assisting in its adminstration and program services. The Organization recognizes donated services in its statement of activities if the criterion for recognition of such volunteer efforts under FASB ASC 958 have 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 $4.91 per square feet, or $22,941 on an annual basis, for the year ended June 30, 2020. 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.

Donated Services, Materials and Facilities (Continued)

During the year ended June 30, 2020, the Organization received donated services from Metro Nashville Information Technology Services department (ITS) in the form of a full-time studio manager, other full and part-time technical staff, and operational support services. The manager and staff are responsible for studio 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 $379,764 for the year ended June 30, 2020. 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.

During the year ended June 30, 2020, 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 $5,555 for the year ended June 30, 2020. This amount is equal to straight-line depreciation by Metro Nashville Information Technology Services Department, over their estimated useful life of 7 years. This amount is included as in-kind donations and equipment rent expenses in the statements of activities.

Fair Values of Financial Instruments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. SIGNIFICANT REVENUE CONCENTRATIONS

During the year ended June 30, 2020, the Organization did not receive direct financial assistance from Metropolitan Government of Nashville and Davidson County as in the prior year due to limitations imposed by the pandemic. The Organization did receive donated use of facilities and long-lived equipment and technical services from Metropolitan Government. 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.

3. FEDERAL INCOME TAX STATUS

The Organization has been determined by the Internal Revenue Service to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

The Organization files a U.S. Federal Form 990-*Return of Organization Exempt from Income Tax*. The Organization's returns for the years prior to fiscal year ended June 30, 2017 are no longer open for examination.

The Organization has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

4. FIXED ASSETS

Fixed assets consist of the following as of June 30, 2020:

Equipment, Machinery and Furniture	$ 60,064
Studio Improvements	6,623
	66,687
Less: Accumulated Depreciation	(66,001)
Fixed Assets, net	$ 686

5. RETIREMENT PLAN

On June 22, 2016 the Organization's Board of Directors approved the sponsorship of a defined contribution retirement plan in the nature of a Savings Incentive Match Plan for Employees (SIMPLE) IRA plan. The plan commenced in September 2016. The plan calls for employer contributions of 2% of salary earned by each employee, as well as elective employee contributions of 2% of each electing employee's salary. Retirement plan expense was $1,619 during the year ended June 30, 2020.

6. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets, at year-end	$ 21,850
Financial assets available to meet cash needs for general expenditures within one year	$ 21,850

There is an adequate amount of financial assets available as of June 30, 2020. The Organization effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

7. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In response to the COVID-19 pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and it was signed into law on March 27, 2020. The CARES Act implemented the Payroll Protection Program (PPP), which provides loans to small businesses and charitable organizations to keep their employees on payroll. The Organization obtained a PPP loan for $9,250 on May 12, 2020. The portion of loan proceeds that is spent on qualified payroll costs and operational expenses will be forgiven. The Organization forgiveness application was approved on April 13, 2021.

8. COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation days. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees.

9. UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, the Organization has temporarily not been able to continue a portion of its community involvement activities. The decrease in activity has been offset by an increased amount of revenue from program events and activities. In addition, the extent to which these events will affect the amounts reported in future financial statements remains uncertain.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 23, 2021 which is the date the financial statements were available to be issued.