

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

AUDIT OF FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2013 AND 2012**

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
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Independent Auditors' Report

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

We have audited the accompanying financial statements of Nashville Education, Community and Arts Television Corporation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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 of 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.

(continued)

Independent Auditor's Report, continued

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 of Nashville Education, Community and Arts Television Corporation as of June 30, 2013 and 2012, 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.

R. Scott Wright

Nashville, Tennessee
September 17, 2013

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<i>June 30,</i>	
	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 103,929	\$ 76,074
Accounts receivable	325	8,925
Grant receivable	-	1,000
Prepaid expenses	1,982	193
Property and equipment, net (Notes 2 and 4)	<u>7,006</u>	<u>9,149</u>
TOTAL ASSETS	<u><u>\$ 113,242</u></u>	<u><u>\$ 95,341</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses	\$ -	\$ 418
Payroll taxes payable	<u>-</u>	<u>109</u>
TOTAL LIABILITIES	-	527
NET ASSETS		
Unrestricted net assets	<u>113,242</u>	<u>94,814</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 113,242</u></u>	<u><u>\$ 95,341</u></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, 2013 AND 2012

	<i>For the Year Ended June 30, 2013</i>			<i>For the Year Ended June 30, 2012</i>		
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
INCREASES IN NET ASSETS						
Local government financial assistance	\$ 94,800	\$ -	\$ 94,800	\$ 94,800	\$ -	\$ 94,800
Program services revenue	62,572	-	62,572	75,445	-	75,445
Contributions --						
Cash	5,483	-	5,483	1,943	-	1,943
In-kind donations (Notes 2 and 6)	179,192	-	179,192	177,308	-	177,308
Grants	-	-	-	-	1,000	1,000
Interest income	22	-	22	30	-	30
Other income	-	-	-	767	-	767
Net assets released from restrictions	-	-	-	1,000	(1,000)	-
TOTAL INCREASES IN NET ASSETS	342,069	-	342,069	351,293	-	351,293
DECREASES IN NET ASSETS						
Program service expenses --						
Salaries and wages	88,523	-	88,523	83,080	-	83,080
Payroll taxes	7,173	-	7,173	6,834	-	6,834
Production expenses (Notes 2 and 6)	184,571	-	184,571	179,805	-	179,805
Supporting activities expenses--						
Rent (Note 2)	16,252	-	16,252	17,092	-	17,092
Legal and accounting fees (Note 2)	7,429	-	7,429	12,792	-	12,792
Fundraising expenses (Note 2)	2,173	-	2,173	4,669	-	4,669
Dues and subscriptions	625	-	625	350	-	350
Advertising and promotional expenses	1,679	-	1,679	1,124	-	1,124
Internet access expenses	3,050	-	3,050	1,378	-	1,378
Interest expense	-	-	-	47	-	47
Conventions, meetings and conferences	2,531	-	2,531	1,617	-	1,617
Depreciation expense	3,266	-	3,266	4,049	-	4,049
Office supplies and expenses	3,372	-	3,372	2,159	-	2,159
Insurance	2,701	-	2,701	3,133	-	3,133
Miscellaneous expenses	296	-	296	204	-	204
TOTAL DECREASES IN NET ASSETS	323,641	-	323,641	318,333	-	318,333
INCREASE IN NET ASSETS	18,428	-	18,428	32,960	-	32,960
NET ASSETS, beginning of the year	94,814	-	94,814	61,854	-	61,854
NET ASSETS, end of the year	\$ 113,242	\$ -	\$ 113,242	\$ 94,814	\$ -	\$ 94,814

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, 2013 AND 2012

	<i>For the year ended June 30,</i>	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 18,428	\$ 32,960
Adjustments to reconcile change in net assets		
Depreciation	3,266	4,049
Donated property included in contributions	-	(5,000)
Decrease (Increase) in accounts receivable	8,600	(8,525)
Decrease (Increase) in grant receivable	1,000	(1,000)
Decrease (Increase) in prepaid expenses	(1,789)	915
(Decrease) in accounts payable	-	(2,280)
Increase (Decrease) in accrued expenses	(418)	418
(Decrease) in payroll taxes payable	(109)	(1,351)
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,978	20,186
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(1,123)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(2,802)
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,855	17,384
CASH AND CASH EQUIVALENTS, beginning of the year	76,074	58,690
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 103,929</u>	<u>\$ 76,074</u>
SUPPLEMENTAL DISCLOSURE		
Interest paid during the year	\$ -	\$ 47

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

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 AND 2012

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. The Organization's statement of activities is presented without provision for income taxes.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, or their equivalent Forms 990-EZ, for the years ending June 30, 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed.

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 \$3.48 per square foot, or \$16,252 on an annual basis, for the year ended June 30, 2013, and \$3.66 per square foot, or \$17,092 on an annual basis, for the year ended June 30, 2012. 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 rent expense in the statement of activities.

During each of the years ended June 30, 2013 and 2012, 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 \$162,940 and \$146,000 for the years ended June 30, 2013 and 2012, respectively, 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 6).

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

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.

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>2013</u>	<u>2012</u>
Equipment, machinery and furniture	\$52,892	\$52,892
Studio improvement	<u>6,123</u>	<u>5,000</u>
	59,015	57,892
Less: accumulated depreciation	(<u>52,009</u>)	(<u>48,743</u>)
Property and equipment, net	<u>\$ 7,006</u>	<u>\$ 9,149</u>

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013 AND 2012

NOTE 5 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts and grant receivable, 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 6 – SIGNIFICANT REVENUE CONCENTRATIONS

During each of the years ended June 30, 2013 and 2012, the Organization received \$94,800 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, 2013 and 2012, respectively, the Organization received donated use of facilities and technical services from Metropolitan Government with estimated fair values of \$179,192 and \$163,092. 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 7 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 17, 2013, the date which the financial statements were available to be issued.

END OF NOTES