

**NASHVILLE FILM FESTIVAL
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2009 AND 2008**

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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, 2009 and 2008, 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, 2009 and 2008, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Edmondson, Betts & Montgomery, PLLC

March 21, 2010

**NASHVILLE FILM FESTIVAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008**

ASSETS			
		2009	2008
Current assets			
Cash		\$ 54,271	\$ 58,539
Employee receivable		-	1,668
Prepaid expenses		<u>1,000</u>	<u>1,000</u>
Total current assets		55,271	61,207
Equipment (note 2)		<u>2,555</u>	<u>4,478</u>
Total assets		<u><u>\$ 57,826</u></u>	<u><u>\$ 65,685</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		\$ 32,779	\$ 1,581
Deferred revenue		<u>15,000</u>	<u>1,626</u>
Total current liabilities		47,779	3,207
Unrestricted net assets		<u>10,047</u>	<u>62,478</u>
Total liabilities and net assets		<u><u>\$ 57,826</u></u>	<u><u>\$ 65,685</u></u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Revenues and other support		
Grants	\$ 131,731	\$ 156,298
Festival fees and sales	171,717	145,442
Corporate sponsors	100,940	86,688
Membership dues	21,730	44,290
Contributions	19,234	17,669
Interest income	-	5
Contributions in-kind (note 4)	<u>565,190</u>	<u>504,826</u>
Total revenues and other support	<u>1,010,542</u>	<u>955,218</u>
Expenses		
Festival and programs	898,833	800,673
Management and general	123,722	126,338
Fundraising	<u>40,418</u>	<u>47,073</u>
Total expenses	<u>1,062,973</u>	<u>974,084</u>
Decrease in net assets	(52,431)	(18,866)
Net assets, beginning of year	<u>62,478</u>	<u>81,344</u>
Net assets, end of year	<u>\$ 10,047</u>	<u>\$ 62,478</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	4,920	3,123	1,419	9,462
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	-	1,923	-	1,923
	<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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008**

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 70,085	\$ 55,532	\$ 20,719	\$ 146,336
Payroll taxes	6,491	4,120	1,872	12,483
Employee benefits	6,074	3,855	1,752	11,681
 Total salaries and benefits	 82,650	 63,507	 24,343	 170,500
 Rent	 220,000	 9,110	 2,278	 231,388
Advertising	150,435	11,168	-	161,603
Travel and entertainment	134,929	7,352	-	142,281
Contract services	76,180	770	-	76,950
Festival expense	49,920	-	6,861	56,781
Printing and promotions	18,093	5,166	-	23,259
Equipment rental	20,628	-	-	20,628
Miscellaneous	6,588	3,183	4,775	14,546
Awards	12,554	-	-	12,554
Membership	-	4,596	6,894	11,490
Grant expense	10,439	-	-	10,439
Postage	8,042	1,158	290	9,490
Dues and subscriptions	-	9,227	-	9,227
Insurance	5,631	3,048	-	8,679
Office expense and supplies	4,584	2,742	685	8,011
Telephone	-	3,786	947	4,733
Depreciation	-	1,525	-	1,525
	<u>\$ 800,673</u>	<u>\$ 126,338</u>	<u>\$ 47,073</u>	<u>\$ 974,084</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Cash flows from operating activities		
Decrease in net assets	\$ (52,431)	\$ (18,866)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	1,923	1,525
(Increase) decrease in employee receivable	1,668	(1,668)
Increase in prepaid expenses	-	(718)
Increase in accounts payable	31,198	1,581
Increase (decrease) in deferred revenue	<u>13,374</u>	<u>(2,200)</u>
Net cash used in operating activities	<u>(4,268)</u>	<u>(20,346)</u>
Cash flows from investing activities		
Equipment purchases	<u>-</u>	<u>(3,646)</u>
Net cash used in investing activities	<u>-</u>	<u>(3,646)</u>
Net decrease in cash	(4,268)	(23,992)
Cash, beginning of year	<u>58,539</u>	<u>82,531</u>
Cash, end of year	<u><u>\$ 54,271</u></u>	<u><u>\$ 58,539</u></u>

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

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008**

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, 2009 and 2008.

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, 2009 and 2008.

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, 2009 AND 2008**

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, 2009 and 2008 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, 2009 AND 2008**

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 \$121,022 and \$161,603 in 2009 and 2008, respectively.

Events Occurring After Reporting Date

NaFF has evaluated events and transactions that occurred between December 31, 2009 and March 21, 2010, 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, 2009 and 2008, is as follows:

	2009	2008
Office equipment	\$ 26,931	\$ 26,931
Less: accumulated depreciation	<u>(24,376)</u>	<u>(22,453)</u>
	<u>\$ 2,555</u>	<u>\$ 4,478</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 \$12,000 and bears interest at a 29.99% annual rate on purchases and 29.99% annual rate on cash advances. There were \$11,364 and \$1,438 of borrowings outstanding on the Chase Bank line as of December 31, 2009 and 2008, respectively, which are included in accounts payable. There were \$11,415 and \$143 of borrowings on the Bank of America line as of December 31, 2009 and 2008.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2009 AND 2008**

NOTE 4 - DONATED SERVICES

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

	2009	2008
Contributions in-kind		
Rent	\$ 222,500	\$ 220,000
Supplies	108,655	-
Advertising	98,245	143,350
Event catering	38,500	48,751
Printing	5,300	7,000
Guest travel	13,000	19,500
Equipment rental	12,250	12,500
Showcase	9,000	8,300
Contract services	50,000	34,175
Guest hotel	2,500	7,500
Awards	<u>5,240</u>	<u>3,750</u>
Total contributions in-kind	<u>\$ 565,190</u>	<u>\$ 504,826</u>
Expenses		
Functional expenses:		
Festival and programs	<u>\$ 565,190</u>	<u>\$ 504,826</u>
Increase in net assets	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTAL INFORMATION

**NASHVILLE FILM FESTIVAL
SCHEDULE OF ACTIVITIES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2009**

Revenues and other support	
Grants	\$ 131,731
Festival fees and sales	171,717
Corporate sponsors	100,940
Membership dues	21,730
Contributions	<u>19,234</u>
Total revenues and other support before in-kind contributions	<u>445,352</u>
Expenses	
Festival and programs	333,643
Management and general	123,722
Fundraising	<u>40,418</u>
Total expenses before in-kind expenses	<u>497,783</u>
Decrease in net assets before in-kind activities	<u>\$ (52,431)</u>

NASHVILLE FILM FESTIVAL
SCHEDULE OF FUNCTIONAL EXPENSES - BEFORE IN-KIND ACTIVITIES
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	4,920	3,123	1,419	9,462
Total salaries and benefits	<u>72,364</u>	<u>57,843</u>	<u>23,967</u>	<u>154,174</u>
Travel and entertainment	84,515	8,713	-	93,228
Festival expense	48,300	-	-	48,300
Contract services	43,032	940	-	43,972
Advertising	6,100	16,677	-	22,777
Equipment rental	22,150	-	-	22,150
Printing and promotions	15,794	1,058	-	16,852
Miscellaneous	6,124	3,331	4,995	14,450
Rent	-	10,310	2,578	12,888
Membership	-	4,382	6,574	10,956
Postage	8,958	1,038	259	10,255
Office expense and supplies	6,541	1,905	476	8,922
Insurance	3,926	4,668	-	8,594
Grant expense	8,287	-	-	8,287
Dues and subscriptions	-	8,145	-	8,145
Awards	7,552	-	-	7,552
Telephone	-	2,789	1,569	4,358
Depreciation	-	1,923	-	1,923
	<u>\$ 333,643</u>	<u>\$ 123,722</u>	<u>\$ 40,418</u>	<u>\$ 497,783</u>