

**NASHVILLE FILM FESTIVAL  
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Nashville Film Festival

### **Opinion**

We have audited the accompanying financial statements of Nashville Film Festival (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nashville Film Festival and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nashville Film Festival's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nashville Film Festival's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nashville Film Festival's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

February 16, 2022

**NASHVILLE FILM FESTIVAL  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

**ASSETS**

	<b>2021</b>	<b>2020</b>
Current assets		
Cash	\$ 88,648	\$ 113,706
Accounts receivable	36,120	32,445
Prepaid expenses	<u>3,995</u>	<u>3,625</u>
Total current assets	128,763	149,776
Equipment, net	<u>1,470</u>	<u>3,539</u>
Total assets	<u><u>\$ 130,233</u></u>	<u><u>\$ 153,315</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable	\$ 5,904	\$ 2,062
Long term debt - current portion	<u>6,677</u>	<u>19,849</u>
Total current liabilities	12,581	21,911
Long term debt - noncurrent portion	<u>22,377</u>	<u>5,751</u>
Total liabilities	<u>34,958</u>	<u>27,662</u>
Net assets without donor restrictions	<u>95,275</u>	<u>125,653</u>
Total liabilities and net assets	<u><u>\$ 130,233</u></u>	<u><u>\$ 153,315</u></u>

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

**NASHVILLE FILM FESTIVAL  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
Revenues and other support:		
Festival fees and sales	\$ 325,677	\$ 286,332
Grants	112,200	142,626
Corporate sponsors	45,458	7,500
Membership dues	24,065	5,857
Fees for services	11,600	8,332
Contributions	10,898	10,164
Interest income	184	228
	<u>530,082</u>	<u>461,039</u>
Total revenues and other support		
Expenses:		
Festival and programs	411,631	278,817
Management and general	121,197	116,180
Fundraising	27,632	30,178
	<u>560,460</u>	<u>425,175</u>
Total expenses		
Increase (decrease) in net assets without donor restrictions	(30,378)	35,864
Net assets, beginning of year	<u>125,653</u>	<u>89,789</u>
Net assets, end of year	<u><u>\$ 95,275</u></u>	<u><u>\$ 125,653</u></u>

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

**NASHVILLE FILM FESTIVAL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021**

	<b>PROGRAM SERVICES</b>	<b>SUPPORT SERVICES</b>		
	<u>Festival</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 74,993	\$ 42,269	\$ 19,088	\$ 136,350
Payroll taxes	6,206	3,498	1,580	11,284
Employee benefits	2,917	1,644	742	5,303
	<u>84,116</u>	<u>47,411</u>	<u>21,410</u>	<u>152,937</u>
Total salaries and benefits				
Contract services	90,217	7,259	6,222	103,698
Festival expense	95,907	-	-	95,907
Travel and entertainment	50,216	729	-	50,945
Awards	28,904	-	-	28,904
Rent	-	26,944	-	26,944
Bank and credit card fees	23,489	160	-	23,649
Professional services	16,785	5,200	-	21,985
Advertising	20,363	-	-	20,363
Office and supplies	-	15,122	-	15,122
Insurance	-	12,038	-	12,038
Dues and subscriptions	-	4,265	-	4,265
Depreciation	-	2,069	-	2,069
Postage	844	-	-	844
Equipment rental	560	-	-	560
Miscellaneous	230	-	-	230
	<u>\$ 411,631</u>	<u>\$ 121,197</u>	<u>\$ 27,632</u>	<u>\$ 560,460</u>

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

**NASHVILLE FILM FESTIVAL  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020**

	<b>PROGRAM SERVICES</b>	<b>SUPPORT SERVICES</b>		
	<u>Festival</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 92,374	\$ 52,760	\$ 22,572	\$ 167,706
Payroll taxes	8,438	4,827	2,077	15,342
Employee benefits	4,256	2,434	1,048	7,738
Total salaries and benefits	105,068	60,021	25,697	190,786
Contract services	70,719	5,750	4,481	80,950
Festival expense	29,622	-	-	29,622
Awards	28,265	-	-	28,265
Bank and credit card fees	23,045	949	-	23,994
Rent	-	19,130	-	19,130
Advertising	16,929	-	-	16,929
Insurance	-	6,323	-	6,323
Telephone and internet	-	6,049	-	6,049
Office and supplies	-	5,480	-	5,480
Travel and entertainment	2,761	1,529	-	4,290
Dues and subscriptions	-	4,082	-	4,082
Depreciation	-	3,569	-	3,569
Bad debt expense	-	3,000	-	3,000
Postage	1,120	-	-	1,120
Miscellaneous	1,033	-	-	1,033
Printing and promotions	-	298	-	298
Equipment rental	255	-	-	255
	<u>\$ 278,817</u>	<u>\$ 116,180</u>	<u>\$ 30,178</u>	<u>\$ 425,175</u>

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



**NASHVILLE FILM FESTIVAL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (30,378)	\$ 35,864
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,069	3,569
Bad debt expense	-	3,000
Government grant recognized from PPP loan forgiveness	(25,600)	-
Increase in prepaid expenses	(370)	(3,625)
(Increase) decrease in accounts receivable	(3,675)	19,191
Increase (decrease) in accounts payable	3,842	(38,259)
Net cash provided by (used in) operating activities	<u>(54,112)</u>	<u>19,740</u>
Cash flows from financing activities		
Proceeds from issuance of long term debt	<u>29,054</u>	<u>25,600</u>
Net cash provided by financing activities	<u>29,054</u>	<u>25,600</u>
Net increase (decrease) in cash	(25,058)	45,340
Cash, beginning of year	<u>113,706</u>	<u>68,366</u>
Cash, end of year	<u><u>\$ 88,648</u></u>	<u><u>\$ 113,706</u></u>

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

**NASHVILLE FILM FESTIVAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Nashville Film Festival's (the "Organization") 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 the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets which are not subject to donor-imposed restrictions. Board-designated net assets also fall under this classification. As of December 31, 2021 the Organization did not have any board-designated net assets.

Net assets with donor restrictions – Net assets which are subject to donor-imposed restrictions. This includes net assets restricted into perpetuity, restricted for specified purposes, restricted by the passage of time, and for amounts of underwater endowments. As of December 31, 2021 the Organization did not have any net assets with donor restrictions.

Contributions

Contributions received are recorded as restricted or unrestricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction.

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.

**NASHVILLE FILM FESTIVAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Inventory Valuation

The library of films maintained by the Organization is not reflected in the financial statements as an objective basis for valuation is not available.

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.

Income Tax

The Organization is a not-for-profit organization that is exempt from income taxes on income other than unrelated business income under Section 501(c)(3) of the Internal Revenue Code. The Organization is not considered a private foundation. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization had no unrelated business taxable income during the years ended December 31, 2021 and 2020.

The Organization has adopted guidance concerning the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. There are no tax penalties or interest reported in the accompanying financial statements. The Organization had no uncertain tax positions at December 31, 2021. The Organization has exempt organization tax filings open to Internal Revenue Service audit generally for three years after they are filed.

**NASHVILLE FILM FESTIVAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Concentrations of Credit Risk

The Organization maintains a bank account at one financial institution. The balance, at times, may exceed federally insured limits. The Organization has not experienced any losses in the account. Management believes the Organization is not exposed to any significant credit risk related to cash.

Advertising Costs

The Organization expenses all advertising costs as incurred. Total advertising expense amounted to \$20,363 and \$16,929 in 2021 and 2020, respectively.

Description of Functional Expense Allocations

The financial statements report functional expenses the attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated upon the estimates of time and effort are salaries and wages, payroll taxes, and employee benefits. Rent expense is allocated based upon square footage of the facility. All other expenses are reported directly on the statement of functional expenses.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred after December 31, 2021, through the date of the issued financial statements, 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, 2021 and 2020, is as follows:

	2021	2020
Office Equipment	\$ 41,732	\$ 41,732
Less: accumulated depreciation	<u>(40,262)</u>	<u>(38,193)</u>
	<u>\$ 1,470</u>	<u>\$ 3,539</u>

Depreciation expense was \$2,069 and \$3,569 for the years ended December 31, 2021 and 2020, respectively.

**NASHVILLE FILM FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable as of December 31, 2021 and 2020 are as follows.

	2021	2020
Grants receivable	<u>\$ 36,120</u>	<u>\$ 32,445</u>

All amounts are current and expected to be received during the next year.

**NOTE 4 - LINES OF CREDIT**

The Organization has a line of credit with ServisFirst Bank with a limit of \$100,000. The line has a variable interest rate at 1.75% over the Index. As of December 31, 2021, the rate was 5.0%. The line is renewed on an annual basis. There was no balance due on the line of credit as of December 31, 2021 and 2020.

The Organization maintains one line of credit on a credit card. The line has a credit limit available of \$25,000 and bears interest at a 13.24% annual rate on purchases and 24.24% annual rate on cash advances. The outstanding balance on the credit card was \$4,704 and \$862 as of December 31, 2021 and 2020, respectively. These balances are included in accounts payable on the Statements of Financial Position.

**NOTE 5 - LONG TERM DEBT**

The Organization had an unsecured note payable with ServisFirst Bank dated April 10, 2020 in the amount of \$25,600 due in monthly installments of \$1,441, including interest at a fixed rate of 1.00%. Payments were scheduled to begin on November 10, 2020 but deferred pending loan forgiveness. The note was fully forgiven in June 2021.

The Organization has an unsecured note payable with ServisFirst Bank dated February 18, 2021 in the amount of \$29,054 due in monthly installments of \$598, including interest at a fixed rate of 1.00%. Payments were scheduled to begin on January 18, 2022 but deferred pending loan forgiveness. The balance of the note at December 31, 2021 was \$29,054.

The loan from ServisFirst Bank was received under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

**NASHVILLE FILM FESTIVAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 5 - LONG TERM DEBT (CONTINUED)**

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments till January 2022. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

A summary of future maturities of notes payable is as follows:

2022	\$	6,677
2023		6,990
2024		7,060
2025		7,131
2026		1,196
	\$	<u>29,054</u>

**NOTE 6 - LIQUIDITY AND AVAILABLE RESOURCES**

The Organization has \$124,768 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash amount of \$88,648, and accounts receivable of \$36,120. None of the financial assets are subject to donor or other contractual restrictions. The Organization also maintains a line of credit to manage cash flows during intermittent times between the major program income, and the receipt of grant funds. The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet three months of normal operating expenses, which are, on average, approximately \$90,100. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.