

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2019

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

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BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

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, 2019, 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 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 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, 2019, 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

September 9, 2019

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 57,154
Accounts Receivable	<u>12,500</u>
Total Current Assets	<u>69,654</u>

FIXED ASSETS

Fixed Assets	66,687
Less: Accumulated Depreciation	<u>(65,269)</u>
Total Fixed Assets	<u>1,418</u>
Total Assets	<u><u>\$ 71,072</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	<u>\$ 994</u>
Total Current Liabilities	<u>994</u>
Total Liabilities	<u>994</u>

NET ASSETS

Net Assets Without Donor Restrictions	<u>70,078</u>
Total Net Assets	<u>70,078</u>
Total Liabilities and Net Assets	<u><u>\$ 71,072</u></u>

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, 2019

SUPPORT AND REVENUE

Grants	\$ 57,500
Metro Grant Funds	50,000
Corporate Contributions	26,700
In-Kind Donations	206,433
Dues	9,149
Classes	10,020
Individual Gifts	4,799
Automated Monthly Giving	1,530
Production Revenue	1,250
Event Income	5,432
Other	512
	<hr/>
Total Support and Revenue	<u>373,325</u>

EXPENSES

Program Services	285,693
Management and General	35,713
Fundraising	35,713
	<hr/>
Total Expenses	<u>357,119</u>
Change in Net Assets	16,206
Net Assets, beginning of year	<u>53,872</u>
Net Assets, end of year	<u><u>\$ 70,078</u></u>

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, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 85,479	\$ 10,685	\$ 10,685	\$ 106,849
Payroll Taxes	7,123	890	890	8,903
Retirement Plan	1,003	126	126	1,255
Payroll Processing Fees	441	55	55	551
Supplies	988	124	124	1,236
Travel	207	26	26	259
Paypal	763	95	95	953
Professional Services	11,751	1,469	1,469	14,689
Advertising	474	59	59	592
Events	726	91	91	908
Insurance	1,812	227	227	2,266
Copier	1,354	169	169	1,692
Dues and Subscriptions	1,675	209	209	2,093
Internet Service	2,772	347	347	3,466
Production	2,556	320	320	3,196
Other	379	47	47	473
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses before depreciation and in-kind	119,503	14,939	14,939	149,381
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation	1,043	131	131	1,305
In-Kind	165,147	20,643	20,643	206,433
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 285,693</u>	<u>\$ 35,713</u>	<u>\$ 35,713</u>	<u>\$ 357,119</u>

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	16,206
Depreciation		1,305
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) Decrease in:		
Prepaid Expenses		141
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses		<u>(1,470)</u>
Net Cash Provided (Used) by Operating Activities		<u>16,182</u>
Net Increase (Decrease) in Cash		16,182
Cash, beginning of year		<u>40,972</u>
Cash, end of year	\$	<u><u>57,154</u></u>

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

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 \$70,078 of net assets without donor restrictions as of June 30, 2019.

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, 2019.

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

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.

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.

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.

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment 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. Property and equipment are depreciated using accelerated methods over estimated useful lives of 5 to 7 years. Donations of property and equipment 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 property and equipment 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.

Donated Services, Materials and Facilities

The Organization receives donated services from unpaid volunteers assisting in its administration 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 foot, or \$22,941 on an annual basis, for the year ended June 30, 2019. 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.

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services, Materials and Facilities (Continued)

During the year ended June 30, 2019, 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 \$166,532 for the year ended June 30, 2019. 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, 2019, 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 \$16,960 for the year ended June 30, 2019. 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.

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, 2019, the Organization received \$50,000 in direct financial assistance from Metropolitan Government of Nashville and Davidson County, consisting of cash of \$37,500 and a short-term receivable at the end of the year of \$12,500. Additionally, the Organization received donated use of facilities and long-lived equipment, and technical services, from Metropolitan Government with an estimated fair value of \$206,433. 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.

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

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, 2016 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, 2019:

Equipment, Machinery and Furniture	\$ 60,064
Studio Improvements	<u>6,623</u>
	66,687
Less: Accumulated Depreciation	<u>(65,269)</u>
Fixed Assets, net	<u>\$ 1,418</u>

5. RETIREMENT PLAN

On June 22nd, 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 \$1,255 during the year ended June 30, 2019.

NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

6. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2019, 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	<u>\$ 57,154</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 57,154</u>

There is an adequate amount of financial assets available as of June 30, 2019. The Organization effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 9, 2019 which is the date the financial statements were available to be issued.