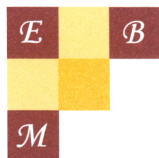


**NASHVILLE FILM FESTIVAL
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT
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Edmondson, Betzler & Montgomery, PLLC

(Certified Public Accountants)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nashville Film Festival

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville Film Festival (the "Organization"), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, 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 the financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the 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 the financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 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 Organization'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 Organization'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 of Nashville Film Festival as of December 31, 2013 and 2012, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Edmondson, Detyler & Montgomery, PLLC

February 28, 2014

**NASHVILLE FILM FESTIVAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012**

ASSETS			
		2013	2012
Current assets			
Cash		\$ 59,811	\$ 52,649
Prepaid expenses		<u>1,162</u>	<u>-</u>
Total current assets		60,973	52,649
Equipment, net		<u>3,964</u>	<u>5,866</u>
Total assets		<u><u>\$ 64,937</u></u>	<u><u>\$ 58,515</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable		\$ 2,100	\$ 8,390
Deferred revenue		72,500	49,500
Current portion - capital lease payable		<u>1,987</u>	<u>1,890</u>
Total current liabilities		76,587	59,780
Capital lease payable - noncurrent portion		<u>2,267</u>	<u>4,254</u>
Total liabilities		<u>78,854</u>	<u>64,034</u>
Unrestricted net assets (deficit)		<u>(13,917)</u>	<u>(5,519)</u>
Total liabilities and net assets (deficit)		<u><u>\$ 64,937</u></u>	<u><u>\$ 58,515</u></u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Revenues and other support		
Grants	\$ 101,000	\$ 128,200
Festival fees and sales	172,098	148,848
Corporate sponsors	161,600	116,000
Membership dues	40,983	46,267
Fundraising events	57,815	44,290
Contributions	7,238	11,104
Contributions in-kind	497,600	481,000
	<u>1,038,334</u>	<u>975,709</u>
Total revenues and other support		
Expenses		
Festival and programs	850,967	801,865
Management and general	107,362	111,865
Fundraising	88,403	73,552
	<u>1,046,732</u>	<u>987,282</u>
Total expenses		
Decrease in net assets	(8,398)	(11,573)
Net assets (deficit), beginning of year	<u>(5,519)</u>	<u>6,054</u>
Net assets (deficit), end of year	<u>\$ (13,917)</u>	<u>\$ (5,519)</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013**

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 87,999	\$ 31,099	\$ 45,089	\$ 164,187
Payroll taxes	7,152	4,539	2,063	13,754
Employee benefits	8,433	5,352	2,432	16,217
 Total salaries and benefits	 103,584	 40,990	 49,584	 194,158
 Rent	 203,500	 10,934	 2,734	 217,168
Travel and entertainment	118,872	12,421	-	131,293
Advertising	120,440	1,131	-	121,571
Festival expense	90,279	-	-	90,279
Contract services	88,280	892	-	89,172
Equipment rental	47,258	-	-	47,258
Miscellaneous	19,715	6,623	9,934	36,272
Office expense and supplies	25,578	3,535	884	29,997
Other event expense	-	-	18,302	18,302
Printing and promotions	14,781	-	-	14,781
Dues and subscriptions	-	11,094	-	11,094
Awards	8,556	369	-	8,925
Telephone	-	5,283	2,972	8,255
Insurance	350	7,621	-	7,971
Grant expense	7,174	-	-	7,174
Membership	-	2,281	3,421	5,702
Postage	2,600	2,286	572	5,458
Depreciation	-	1,902	-	1,902
	<u>\$ 850,967</u>	<u>\$ 107,362</u>	<u>\$ 88,403</u>	<u>\$ 1,046,732</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012**

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 73,708	\$ 24,045	\$ 34,698	\$ 132,451
Payroll taxes	6,105	3,875	1,761	11,741
Employee benefits	<u>5,033</u>	<u>3,194</u>	<u>1,452</u>	<u>9,679</u>
Total salaries and benefits	<u>84,846</u>	<u>31,114</u>	<u>37,911</u>	<u>153,871</u>
Rent	197,500	11,674	2,919	212,093
Advertising	119,514	16,027	-	135,541
Contract services	99,058	1,001	-	100,059
Travel and entertainment	88,368	9,374	-	97,742
Festival expense	80,980	-	-	80,980
Equipment rental	53,796	-	-	53,796
Office expense and supplies	27,818	6,398	1,600	35,816
Miscellaneous	11,881	5,526	8,288	25,695
Other event expense	-	-	18,801	18,801
Printing and promotions	15,565	1,484	-	17,049
Dues and subscriptions	-	15,348	-	15,348
Insurance	3,900	6,506	-	10,406
Awards	9,000	-	-	9,000
Telephone	-	4,096	2,304	6,400
Postage	5,612	313	78	6,003
Grant expense	4,027	-	-	4,027
Membership	-	1,101	1,651	2,752
Depreciation	<u>-</u>	<u>1,903</u>	<u>-</u>	<u>1,903</u>
	<u>\$ 801,865</u>	<u>\$ 111,865</u>	<u>\$ 73,552</u>	<u>\$ 987,282</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Cash flows from operating activities		
Decrease in net assets	\$ (8,398)	\$ (11,573)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	1,902	1,903
Increase in prepaid expenses	(1,162)	-
Increase (decrease) in accounts payable	(6,290)	3,145
Increase in deferred revenue	<u>23,000</u>	<u>47,000</u>
Net cash provided by operating activities	<u>9,052</u>	<u>40,475</u>
Cash flows from financing activities		
Payments on capital lease payable	(1,890)	(1,798)
Net borrowings (payments) on line of credit	<u>-</u>	<u>(15,000)</u>
Net cash used in financing activities	<u>(1,890)</u>	<u>(16,798)</u>
Net increase in cash	7,162	23,677
Cash, beginning of year	<u>52,649</u>	<u>28,972</u>
Cash, end of year	<u><u>\$ 59,811</u></u>	<u><u>\$ 52,649</u></u>
Supplemental cash flow information:		
Interest paid	<u><u>\$ 2,455</u></u>	<u><u>\$ 1,882</u></u>

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

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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, 2013 and 2012.

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, 2013 and 2012.

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.

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.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services (continued)

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, 2013 and 2012 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.

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 \$121,571 and \$135,541 in 2013 and 2012, respectively.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

NaFF has evaluated events and transactions that occurred between December 31, 2013 and February 28, 2014, 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, 2013 and 2012, is as follows:

	2013	2012
Office equipment	\$ 36,444	\$36,444
Less: accumulated depreciation	(32,480)	(30,578)
	<u>\$ 3,964</u>	<u>\$5,866</u>

NOTE 3 - LINES OF CREDIT

The Organization signed a line of credit with Pinnacle National Bank in January 2012 with a limit of \$50,000. The line has a variable interest rate at 1.5 over the Index, with a minimum of 5%. As of December 31, 2013, the interest rate was 5%. The outstanding balance on the line was \$0 and \$0 at December 31, 2013 and 2012, respectively.

The Organization maintains one line of credit on a credit card. The line with Bank of America 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. There were \$0 and \$2,999 of borrowings on the Bank of America line as of December 31, 2013 and 2012, respectively.

NOTE 4 - CAPITAL LEASE

The Organization entered into a capital lease for new telephone equipment in January 2011. The lease provides for monthly payments of \$180 for 60 months. At December 31, 2013, the telephone equipment is carried at a cost of \$9,513 less accumulated depreciation of \$5,549. The following is a summary by year of future minimum lease payments for this capital lease:

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 4 - CAPITAL LEASE (CONTINUED)

Fiscal Year Ending December 31,

2014	\$ 2,154
2015	2,154
2016	<u>180</u>
Total minimum lease payments	4,488
Less estimated amount representing interest	<u>(234)</u>
Present value of net minimum capital lease payments	4,254
Less: Current portion	<u>(1,987)</u>
Long-term obligation under capital lease	<u><u>\$ 2,267</u></u>

NOTE 5 - DONATED SERVICES

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

	2013	2012
Contributions in-kind		
Rent	\$ 203,500	\$ 197,500
Advertising	115,000	114,000
Guest travel	47,300	26,300
Contract services	35,000	35,000
Awards	31,500	36,500
Event catering	22,000	23,000
Equipment rental	17,500	22,900
Supplies	15,500	16,500
Printing	5,300	9,300
Ticketing	<u>5,000</u>	<u>-</u>
Total contributions in-kind	<u><u>\$ 497,600</u></u>	<u><u>\$ 481,000</u></u>
Expenses		
Functional expenses:		
Festival and programs	<u>\$ 497,600</u>	<u>\$ 481,000</u>
Increase in net assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

SUPPLEMENTAL INFORMATION

**NASHVILLE FILM FESTIVAL
SCHEDULE OF ACTIVITIES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

Revenues and other support	
Grants	\$ 101,000
Festival fees and sales	172,098
Corporate sponsors	161,600
Membership dues	40,983
Fundraising events	57,815
Contributions	<u>7,238</u>
Total revenues and other support before in-kind contributions	<u>540,734</u>
Expenses	
Festival and programs	353,367
Management and general	107,362
Fundraising	<u>88,403</u>
Total expenses before in-kind expenses	<u>549,132</u>
Decrease in net assets before in-kind activities	<u><u>\$ (8,398)</u></u>

NASHVILLE FILM FESTIVAL
SCHEDULE OF FUNCTIONAL EXPENSES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 87,999	\$ 31,099	\$ 45,089	\$ 164,187
Payroll taxes	7,152	4,539	2,063	13,754
Employee benefits	8,433	5,352	2,432	16,217
 Total salaries and benefits	 <u>103,584</u>	 <u>40,990</u>	 <u>49,584</u>	 <u>194,158</u>
 Festival expense	 58,779	 -	 -	 58,779
Travel and entertainment	44,572	12,421	-	56,993
Contract services	53,280	892	-	54,172
Miscellaneous	19,715	6,623	9,934	36,272
Equipment rental	29,758	-	-	29,758
Other event expense	-	-	18,302	18,302
Office expense and supplies	10,078	3,535	884	14,497
Rent	-	10,934	2,734	13,668
Dues and subscriptions	-	11,094	-	11,094
Printing and promotions	9,481	-	-	9,481
Awards	8,556	369	-	8,925
Telephone	-	5,283	2,972	8,255
Insurance	350	7,621	-	7,971
Grant expense	7,174	-	-	7,174
Advertising	5,440	1,131	-	6,571
Membership	-	2,281	3,421	5,702
Postage	2,600	2,286	572	5,458
Depreciation	-	1,902	-	1,902
	 <u>\$ 353,367</u>	 <u>\$ 107,362</u>	 <u>\$ 88,403</u>	 <u>\$ 549,132</u>