

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

**AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED  
JUNE 30, 2011**

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

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

We have audited the accompanying statement of financial position of Nashville Education, Community and Arts Television Corporation (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the year 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 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 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 audit provides 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 Education, Community and Arts Television Corporation as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*R. Scott Dixon*

October 13, 2011  
Nashville, Tennessee

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**

**ASSETS**

Cash and cash equivalents	\$ 58,690
Accounts receivable, program services	400
Prepaid expenses	1,108
Property and equipment, net (Note 4)	<u>8,198</u>

**TOTAL ASSETS**

\$ 68,396

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Line of credit (Note 5)	\$ 2,802
Accounts payable	2,280
Payroll taxes payable	<u>1,460</u>

**TOTAL LIABILITIES**

6,542

**NET ASSETS**

Unrestricted net assets	<u>61,854</u>
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**TOTAL LIABILITIES AND NET ASSETS**

\$ 68,396

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

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Local government financial assistance	\$ 93,100	\$ -	\$ 93,100
Program services revenue	39,829	-	39,829
Contributions	21,633	-	21,633
Grants	-	3,135	3,135
Interest income	26	-	26
Net assets released from restrictions	3,135	(3,135)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>157,723</u>	<u>-</u>	<u>157,723</u>
<b>EXPENSES</b>			
Program services --			
Salaries and wages	72,160	-	72,160
Payroll taxes	6,121	-	6,121
Production expenses	19,386	-	19,386
Supporting activities --			
Rent	19,942	-	19,942
Accounting fees	15,511	-	15,511
Dues and subscriptions	1,185	-	1,185
Advertising and promotional expenses	3,307	-	3,307
Internet access expenses	1,358	-	1,358
Interest expense	897	-	897
Equipment repairs	189	-	189
Conventions, meetings and conferences	1,638	-	1,638
Depreciation expense	3,578	-	3,578
Office supplies and expenses	2,437	-	2,437
Insurance	2,731	-	2,731
Taxes and licenses	316	-	316
Miscellaneous expenses	435	-	435
<b>TOTAL EXPENSES</b>	<u>151,191</u>	<u>-</u>	<u>151,191</u>
<b>INCREASE IN NET ASSETS</b>	6,532	-	6,532
<b>NET ASSETS, beginning of the year</b>	<u>55,322</u>	<u>-</u>	<u>55,322</u>
<b>NET ASSETS, end of the year</b>	<u>\$ 61,854</u>	<u>\$ -</u>	<u>\$ 61,854</u>

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

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 6,532
Adjustments to reconcile change in net assets	
Depreciation	3,578
Donated furniture included in contributions	(950)
Decrease in grants and other receivables	7,028
Increase in prepaid expenses	(1,108)
Decrease in accrued expenses	(1,070)
Increase in payroll taxes payable	231
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**NET CASH PROVIDED BY OPERATING ACTIVITIES** 14,241

**CASH FLOWS FROM INVESTING ACTIVITIES**

Payments for property and equipment	(4,299)
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on line of credit	<hr/> (13,003)
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**NET (DECREASE) IN CASH AND CASH EQUIVALENTS** (3,061)

**CASH AND CASH EQUIVALENTS, beginning of the year** 

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61,751

**CASH AND CASH EQUIVALENTS, end of the year** 

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\$ 58,690

**SUPPLEMENTAL DISCLOSURES**

Interest paid during the year	\$ 897
Noncash investing and financing activity - acquisition of equipment	
Cost of equipment	2,222
Payable on account	(2,222)

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

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

***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 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.

**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, 2011**

***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.

**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.

***NOTE 2 – DONATED SERVICES, MATERIALS AND FACILITIES***

The Organization receives donated services from unpaid volunteers assisting the Organization in the administration of its program services. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under FASB ASC 958 have not been satisfied.

The Organization utilizes approximately 4,670 square feet of production and office facilities owned by Metropolitan Government of Nashville and Davidson County on the campus of Nashville State Community College. The lease agreement stipulates a payment of \$1 per year by the Organization. Management has estimated the approximate fair value of the donated use of the facilities to be \$4.27 per square foot, or \$19,941 on an annual basis. This amount is included in support and 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.



**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2011**

***NOTE 4 – PROPERTY AND EQUIPMENT***

Property and equipment consist of the following:

Equipment, machinery and furniture	\$52,892
Accumulated depreciation	( <u>44,694</u> )
Property and equipment, net	<u>\$ 8,198</u>

***NOTE 5 – LINE OF CREDIT***

The line of credit is payable to Regions Bank. The total credit line is in the amount of \$30,000 and the balance due at June 30, 2011, in the amount of \$2,802, bears interest at the rate of 6.25%.

***NOTE 6 – FAIR VALUES OF FINANCIAL INSTRUMENTS***

The carrying amounts of cash and cash equivalents and accounts receivable reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

***NOTE 7 – SIGNIFICANT REVENUE CONCENTRATIONS***

The Organization received \$96,452 in support from Metropolitan Government of Nashville and Davidson County in the form of expense reimbursements. Additionally, the Organization received donated use of facilities from Metropolitan Government with an estimated fair value of \$19,941. 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 8 – EVALUATION OF SUBSEQUENT EVENTS***

The Organization has evaluated subsequent events through October 13, 2011, the date which the financial statements were available to be issued.

**END OF NOTES**