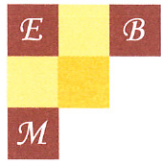


**NASHVILLE FILM FESTIVAL
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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AND
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

We have audited the accompanying statements of financial position of Nashville Film Festival (the "Organization") as of December 31, 2011 and 2010, 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, 2011 and 2010, 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 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, Betzler & Montgomery, PLLC

March 23, 2012

**NASHVILLE FILM FESTIVAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010**

ASSETS		
	2011	2010
Current assets		
Cash	\$ 28,972	\$ 34,087
Accounts receivable	-	1,127
Prepaid expenses	-	282
	<hr/>	<hr/>
Total current assets	28,972	35,496
Equipment	<hr/>	<hr/>
	7,769	1,118
	<hr/>	<hr/>
Total assets	<u>\$ 36,741</u>	<u>\$ 36,614</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 5,245	\$ 1,146
Deferred revenue	2,500	6,000
Current portion - capital lease payable	1,798	-
Line of credit	15,000	-
	<hr/>	<hr/>
Total current liabilities	24,543	7,146
Capital lease payable - noncurrent portion	<hr/>	<hr/>
	6,144	-
	<hr/>	<hr/>
Total liabilities	30,687	7,146
Unrestricted net assets	<hr/>	<hr/>
	6,054	29,468
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 36,741</u>	<u>\$ 36,614</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Revenues and other support		
Grants	\$ 103,820	\$ 120,090
Festival fees and sales	137,987	129,029
Corporate sponsors	103,350	107,500
Membership dues	45,316	48,645
La Fete income	29,270	26,000
Raffle income	25,900	-
Contributions	30,407	11,224
Contributions in-kind	<u>447,345</u>	<u>466,909</u>
Total revenues and other support	<u>923,395</u>	<u>909,397</u>
Expenses		
Festival and programs	723,855	725,446
Management and general	110,049	111,351
Fundraising	<u>112,905</u>	<u>53,179</u>
Total expenses	<u>946,809</u>	<u>889,976</u>
Increase (decrease) in net assets	(23,414)	19,421
Net assets, beginning of year	<u>29,468</u>	<u>10,047</u>
Net assets, end of year	<u><u>\$ 6,054</u></u>	<u><u>\$ 29,468</u></u>

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

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011**

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 80,885	\$ 28,554	\$ 35,433	\$ 144,872
Payroll taxes	6,315	4,008	1,822	12,145
Employee benefits	<u>5,468</u>	<u>3,470</u>	<u>1,577</u>	<u>10,515</u>
Total salaries and benefits	<u>92,668</u>	<u>36,032</u>	<u>38,832</u>	<u>167,532</u>
Rent	190,000	10,618	2,654	203,272
Advertising	117,164	16,000	-	133,164
Travel and entertainment	90,330	12,870	-	103,200
Contract services	65,302	660	-	65,962
Festival expense	54,782	-	-	54,782
Raffle expense	-	-	40,000	40,000
Equipment rental	33,520	-	-	33,520
Miscellaneous	11,489	6,476	9,712	27,677
Printing and promotions	18,923	626	-	19,549
La Fete expense	-	-	16,488	16,488
Office expense and supplies	12,629	2,617	654	15,900
Awards	14,374	-	-	14,374
Dues and subscriptions	-	11,853	-	11,853
Grant expense	10,995	-	-	10,995
Postage	7,779	701	175	8,655
Insurance	3,900	3,804	-	7,704
Telephone	-	3,205	1,803	5,008
Membership	-	1,725	2,587	4,312
Depreciation	<u>-</u>	<u>2,862</u>	<u>-</u>	<u>2,862</u>
	<u>\$ 723,855</u>	<u>\$ 110,049</u>	<u>\$ 112,905</u>	<u>\$ 946,809</u>

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

NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	Festival and Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 57,183	\$ 48,382	\$ 20,969	\$ 126,534
Payroll taxes	6,491	4,119	1,872	12,482
Employee benefits	5,265	3,342	1,519	10,126
Total salaries and benefits	68,939	55,843	24,360	149,142
Rent	197,500	10,618	2,654	210,772
Advertising	101,545	12,159	-	113,704
Travel and entertainment	102,299	7,548	-	109,847
Contract services	72,311	730	-	73,041
Festival expense	61,597	-	-	61,597
Equipment rental	38,170	-	-	38,170
Office expense and supplies	21,469	1,561	390	23,420
Printing and promotions	20,230	202	-	20,432
La Fete expense	-	-	18,015	18,015
Miscellaneous	7,347	2,703	4,054	14,104
Awards	12,439	-	-	12,439
Postage	9,314	124	31	9,469
Grant expense	9,401	-	-	9,401
Dues and subscriptions	-	8,856	-	8,856
Insurance	2,885	5,371	-	8,256
Telephone	-	2,799	1,574	4,373
Membership	-	1,400	2,101	3,501
Depreciation	-	1,437	-	1,437
	<u>\$ 725,446</u>	<u>\$ 111,351</u>	<u>\$ 53,179</u>	<u>\$ 889,976</u>

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (23,414)	\$ 19,421
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Depreciation	2,862	1,437
(Increase) decrease in accounts receivable	1,127	(1,127)
Decrease in prepaid expenses	282	718
Increase (decrease) in accounts payable	4,099	(31,633)
Decrease in deferred revenue	<u>(3,500)</u>	<u>(9,000)</u>
Net cash used in operating activities	(18,544)	(20,184)
Cash flows from financing activities		
Payments on capital lease payable	(1,571)	-
Net borrowings on line of credit	<u>15,000</u>	<u>-</u>
Net cash provided by financing activities	<u>13,429</u>	<u>-</u>
Net decrease in cash	(5,115)	(20,184)
Cash, beginning of year	<u>34,087</u>	<u>54,271</u>
Cash, end of year	<u><u>\$ 28,972</u></u>	<u><u>\$ 34,087</u></u>
Supplemental cash flow information:		
Equipment acquired through capital lease	<u><u>\$ 9,513</u></u>	<u><u>\$ -</u></u>

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

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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, 2011 and 2010.

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, 2011 and 2010.

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, 2011 AND 2010**

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, 2011 and 2010 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 \$133,164 and \$113,704 in 2011 and 2010, respectively.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

NaFF has evaluated events and transactions that occurred between December 31, 2011 and March 23, 2012, 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, 2011 and 2010, is as follows:

	2011	2010
Office equipment	\$ 36,444	\$ 26,931
Less: accumulated depreciation	(28,675)	(25,813)
	<u>\$ 7,769</u>	<u>\$ 1,118</u>

NOTE 3 - LINES OF CREDIT

The Organization signed a line of credit with Pinnacle National Bank in January 2011 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, 2011, the interest rate was 5% on the outstanding balance of \$15,000.

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 \$18,500 and bears interest at a 29.99% annual rate on purchases and 29.99% annual rate on cash advances. There were \$1,564 and \$667 of borrowings outstanding on the Chase Bank line as of December 31, 2011 and 2010, respectively, which are included in accounts payable. There were \$3,681 and \$479 of borrowings on the Bank of America line as of December 31, 2011 and 2010, 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, 2011, the telephone equipment is carried at a cost of \$9,513 less accumulated depreciation of \$1,744. 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, 2011 AND 2010

NOTE 4 - CAPITAL LEASE (CONTINUED)

Fiscal Year Ending December 31,

2012	\$ 2,154
2013	2,154
2014	2,154
2015	2,154
2016	<u>180</u>
Total minimum lease payments	8,796
Less estimated amount representing interest	<u>(854)</u>
Present value of net minimum capital lease payments	7,942
Less: Current portion	<u>(1,798)</u>
Long-term obligation under capital lease	<u>\$ 6,144</u>

NOTE 5 - DONATED SERVICES

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

	2011	2010
Contributions in-kind		
Rent	\$ 190,000	\$ 197,500
Supplies	6,000	18,124
Advertising	115,545	100,045
Event catering	28,500	45,500
Printing	10,300	12,800
Guest travel	15,000	22,500
Equipment rental	8,000	9,700
Showcase	10,000	13,000
Contract services	19,000	35,500
Nissan car	40,000	-
Awards	<u>5,000</u>	<u>12,240</u>
Total contributions in-kind	<u>\$ 447,345</u>	<u>\$ 466,909</u>
Expenses		
Functional expenses:		
Festival and programs	<u>\$ 447,345</u>	<u>\$ 466,909</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, 2011

Revenues and other support	
Grants	\$ 103,820
Festival fees and sales	137,987
Corporate sponsors	103,350
Membership dues	45,316
La Fete income	29,270
Raffle income	25,900
Contributions	<u>30,407</u>
Total revenues and other support before in-kind contributions	<u>476,050</u>
Expenses	
Festival and programs	316,510
Management and general	110,049
Fundraising	<u>72,905</u>
Total expenses before in-kind expenses	<u>499,464</u>
Decrease in net assets before in-kind activities	<u><u>\$ (23,414)</u></u>

NASHVILLE FILM FESTIVAL
SCHEDULE OF FUNCTIONAL EXPENSES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	<u>Festival and Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 80,885	\$ 28,554	\$ 35,433	\$ 144,872
Payroll taxes	6,315	4,008	1,822	12,145
Employee benefits	<u>5,468</u>	<u>3,470</u>	<u>1,577</u>	<u>10,515</u>
Total salaries and benefits	<u>92,668</u>	<u>36,032</u>	<u>38,832</u>	<u>167,532</u>
Travel and entertainment	46,830	12,870	-	59,700
Contract services	46,302	660	-	46,962
Festival expense	39,782	-	-	39,782
Miscellaneous	11,489	6,476	9,712	27,677
Equipment rental	25,520	-	-	25,520
Advertising	1,619	16,000	-	17,619
La Fete expense	-	-	16,488	16,488
Awards	14,374	-	-	14,374
Rent	-	10,618	2,654	13,272
Dues and subscriptions	-	11,853	-	11,853
Grant expense	10,995	-	-	10,995
Office expense and supplies	6,629	2,617	654	9,900
Printing and promotions	8,623	626	-	9,249
Postage	7,779	701	175	8,655
Insurance	3,900	3,804	-	7,704
Telephone	-	3,205	1,803	5,008
Membership	-	1,725	2,587	4,312
Depreciation	<u>-</u>	<u>2,862</u>	<u>-</u>	<u>2,862</u>
	<u>\$ 316,510</u>	<u>\$ 110,049</u>	<u>\$ 72,905</u>	<u>\$ 499,464</u>