

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

**AUDIT OF FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**TABLE OF CONTENTS**  
**JUNE 30, 2017**

<b>Independent Auditors' Report.....</b>	<b>3-4</b>
<b>Statement of Financial Position.....</b>	<b>5</b>
<b>Statement of Activities.....</b>	<b>6</b>
<b>Statement of Cash Flows.....</b>	<b>7</b>
<b>Notes to Financial Statements.....</b>	<b>8-12</b>

## **R. SCOTT DIXON**

### **CERTIFIED PUBLIC ACCOUNTANT**

**424 Church Street, Suite 2000  
Nashville, Tennessee 37219**

**P.O. Box 330941  
Nashville, Tennessee 37203**

**Telephone:  
Church Street: (615) 256-2260  
Harding Road: (615) 385-5081**

### **Independent Auditors' Report**

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

We have audited the accompanying financial statements of Nashville Education, Community and Arts Television Corporation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities 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 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 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 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.

*(continued)*

**Independent Auditors' Report, continued**

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 Education, Community and Arts Television Corporation as of June 30, 2017 and 2016, 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.

A handwritten signature in black ink, appearing to read "R. Scott Wilson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Nashville, Tennessee  
March 13, 2018

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	<i>June 30,</i>	
	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and equivalents	\$ 27,713	\$ 24,579
Accounts receivable --		
Program services	1,000	2,825
Prepaid expenses	2,151	2,363
Property and equipment, net (Note 4)	<u>4,688</u>	<u>5,828</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 35,552</u></u>	<u><u>\$ 35,595</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
 <b>LIABILITIES</b>		
Accounts payable, trade	\$ 1,599	\$ -
Payroll taxes payable	-	1,333
Accrued retirement plan expense (Note 7)	<u>740</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>2,339</u>	<u>1,333</u>
 <b>NET ASSETS</b>		
Unrestricted	33,213	34,262
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>33,213</u>	<u>34,262</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 35,552</u></u>	<u><u>\$ 35,595</u></u>

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

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<i>For the Year Ended June 30, 2017</i>			<i>For the Year Ended June 30, 2016</i>		
	<i>Temporarily</i>			<i>Temporarily</i>		
	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>
<b>INCREASES IN NET ASSETS</b>						
Local government financial assistance	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -	\$ -
Program services revenue	64,220	-	64,220	78,542	-	78,542
Contributions --						
Cash	54,443	-	54,443	50,982	-	50,982
Grants	-	-	-	-	4,700	4,700
In-kind donations (Notes 2 and 6)	263,743	-	263,743	304,369	-	304,369
Interest income	56	-	56	6	-	6
Other income	-	-	-	177	-	177
Total support and revenue	<u>432,462</u>	<u>-</u>	<u>432,462</u>	<u>434,076</u>	<u>4,700</u>	<u>438,776</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,300</u>	<u>(5,300)</u>	<u>-</u>
<b>TOTAL INCREASES IN NET ASSETS</b>	<u>432,462</u>	<u>-</u>	<u>432,462</u>	<u>439,376</u>	<u>(600)</u>	<u>438,776</u>
<b>DECREASES IN NET ASSETS</b>						
Program service expenses --						
Salaries and wages	111,258	-	111,258	94,702	-	94,702
Payroll taxes	8,552	-	8,552	7,490	-	7,490
Retirement plan expense (Note 7)	1,850	-	1,850	-	-	-
Event expenses	7,037	-	7,037	116	-	116
Production expenses and class instruction (Notes 2 and 6)	201,472	-	201,472	256,287	-	256,287
Supporting activities expenses--						
Rent (Note 2) --						
Building	23,537	-	23,537	18,820	-	18,820
Equipment	46,310	-	46,310	41,109	-	41,109
Legal and accounting services	10,940	-	10,940	7,105	-	7,105
Software and payroll processing fees	1,957	-	1,957	1,543	-	1,543
Dues and subscriptions	1,411	-	1,411	2,054	-	2,054
Advertising and promotional expenses	1,626	-	1,626	1,342	-	1,342
Internet access expenses	3,154	-	3,154	2,830	-	2,830
Conventions, meetings and conferences	2,164	-	2,164	827	-	827
Depreciation expense	2,525	-	2,525	2,955	-	2,955
Office supplies and expenses	5,453	-	5,453	3,669	-	3,669
Insurance	3,683	-	3,683	3,708	-	3,708
Miscellaneous expenses	582	-	582	572	-	572
<b>TOTAL DECREASES IN NET ASSETS</b>	<u>433,511</u>	<u>-</u>	<u>433,511</u>	<u>445,129</u>	<u>-</u>	<u>445,129</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(1,049)</u>	<u>-</u>	<u>(1,049)</u>	<u>(5,753)</u>	<u>(600)</u>	<u>(6,353)</u>
<b>NET ASSETS, beginning of the year</b>	<u>34,262</u>	<u>-</u>	<u>34,262</u>	<u>40,015</u>	<u>600</u>	<u>40,615</u>
<b>NET ASSETS, end of the year</b>	<u>\$ 33,213</u>	<u>\$ -</u>	<u>\$ 33,213</u>	<u>\$ 34,262</u>	<u>\$ -</u>	<u>\$ 34,262</u>

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

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	<i>For the Year Ended June 30,</i>	
	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,049)	\$ (6,353)
Adjustments to reconcile change in net assets		
Depreciation	2,525	2,955
Donated equipment included in contributions	-	(1,633)
Decrease (Increase) in accounts receivable	1,825	(2,088)
Decrease (Increase) in prepaid expenses	212	(225)
Increase (Decrease) in accounts payable	1,599	(620)
Increase (Decrease) in payroll taxes payable	(1,333)	1,333
Increase (Decrease) in accrued expenses	740	(2,688)
Increase (Decrease) in deferred revenue	-	(385)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	4,519	(9,704)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	(1,385)	(3,774)
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	3,134	(13,478)
<b>CASH AND EQUIVALENTS, beginning of the year</b>	24,579	38,057
<b>CASH AND EQUIVALENTS, end of the year</b>	<u>\$ 27,713</u>	<u>\$ 24,579</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, 2017 AND 2016**

***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, nonvoting, members and is governed by a board of directors. The Organization's support comes substantially through cash and in-kind contributions from the Metropolitan Government of Nashville and Davidson County (See also, Note 6).

Due to a change in Federal law effective July 1, 2013, restricting the use of NECAT's traditional source of support henceforth to capital expenditures, there has been a significant reduction in operating funds while replacement funding through corporate, foundation and membership increase sources continues to be sought and obtained.

**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** – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. 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 in the period it is earned. When net assets are released from the restriction, either as a result of achievement of the restricted purpose or from the passage of time, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities. 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.



**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017 AND 2016**

***NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***

**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 and Uncollectible Accounts** – 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 account receivable or an ultimate determination of non-collectibility based on specific customer circumstances.

**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. 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 asset to a specific purpose or for use over future time periods (See also, Note 4).

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.

**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. The Organization’s statement of activities is presented without provision for income taxes.

The Organization’s Forms 990, Return of Organization Exempt from Income Tax, or their equivalent Forms 990-EZ, for the years ending June 30, 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

**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.

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017 AND 2016**

***NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***

**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.

**Reclassifications** – Certain reclassifications have been made to the June 30, 2016 financial statements to conform to the current year's presentation. Net assets and change in nets assets are unaffected due to these reclassifications.

***NOTE 2 – 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 effort under FASB ASC 958 has 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 \$5.04 per square foot, or \$23,537 on an annual basis, for the year ended June 30, 2017, and \$4.03 per square foot, or \$18,820 on an annual basis, for the year ended June 30, 2016. 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 (See also, Note 6).

During each of the years ended June 30, 2017 and 2016, 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 \$193,896 and \$234,114 for the years ended June 30, 2017 and 2016, respectively. 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 (See also, Note 6).

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017 AND 2016**

***NOTE 2 – DONATED SERVICES, MATERIALS AND FACILITIES (continued)***

During each of the years ended June 30, 2017 and 2016, 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 \$46,310 and \$40,937 for the years ended June 30, 2017 and 2016, respectively. These amounts are equal to straight-line depreciation of the value of the underlying equipment at dates placed in service, as determined 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 expense in the statements of activities (See also, Note 6).

***NOTE 3 – FUNCTIONAL ALLOCATION OF EXPENSES***

The costs of providing the program services and the costs of administration have been presented in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

***NOTE 4 – PROPERTY AND EQUIPMENT***

Property and equipment consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Equipment, machinery and furniture	\$60,064	\$58,679
Studio improvements	<u>6,623</u>	<u>6,623</u>
	66,687	65,302
Less: accumulated depreciation	( 61,999)	( 59,474)
Property and equipment, net	<u>\$ 4,688</u>	<u>\$ 5,828</u>

***NOTE 5 – FAIR VALUES OF FINANCIAL INSTRUMENTS***

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

**NASHVILLE EDUCATION, COMMUNITY AND ARTS TELEVISION CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2017 AND 2016**

***NOTE 6 – SIGNIFICANT REVENUE CONCENTRATIONS***

During the year ended June 30, 2017, the Organization received \$50,000 in direct cash financial assistance from Metropolitan Government of Nashville and Davidson County. Additionally, during the years ended June 30, 2017 and 2016, respectively, the Organization received donated use of facilities and long-lived equipment, and technical services, from Metropolitan Government with estimated fair values of \$263,743 and \$293,871. 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.

***NOTE 7 – RETIREMENT PLAN***

On June 22, 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 \$1,850 during the year ended June 30, 2017.

***NOTE 8 – SUBSEQUENT EVENTS***

The Organization has evaluated subsequent events through March 13, 2018, the date which the financial statements were available to be issued.

**END OF NOTES**