

**NASHVILLE FILM FESTIVAL  
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED DECEMBER 31, 2008 AND 2007**

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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, 2008, and the related statements of activities, functional expenses, 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. The financial statements for 2007 were audited by other auditors whose report dated March 19, 2008, expressed an unqualified opinion on those statements.

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 Film Festival as of December 31, 2008, 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.

Our audit was 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Edmondson, Betzler & Montgomery, PLLC*

February 24, 2009

**NASHVILLE FILM FESTIVAL  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2008 AND 2007**

| <b>ASSETS</b>                     |                         |                         |
|-----------------------------------|-------------------------|-------------------------|
|                                   | <b>2008</b>             | <b>2007</b>             |
| Current assets                    |                         |                         |
| Cash                              | \$ 58,539               | \$ 82,531               |
| Employee receivable               | 1,668                   | -                       |
| Prepaid expenses                  | <u>1,000</u>            | <u>282</u>              |
| Total current assets              | 61,207                  | 82,813                  |
| Equipment (note 2)                | <u>4,478</u>            | <u>2,357</u>            |
| Total assets                      | <u><u>\$ 65,685</u></u> | <u><u>\$ 85,170</u></u> |
| <b>LIABILITIES AND NET ASSETS</b> |                         |                         |
| Current liabilities               |                         |                         |
| Accounts payable                  | \$ 1,581                | \$ -                    |
| Deferred revenue                  | <u>1,626</u>            | <u>3,826</u>            |
| Total current liabilities         | 3,207                   | 3,826                   |
| Unrestricted net assets           | <u>62,478</u>           | <u>81,344</u>           |
| Total liabilities and net assets  | <u><u>\$ 65,685</u></u> | <u><u>\$ 85,170</u></u> |

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

**NASHVILLE FILM FESTIVAL  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2008 AND 2007**

|                                  | 2008                    | 2007                    |
|----------------------------------|-------------------------|-------------------------|
| Revenues and other support       |                         |                         |
| Grants                           | \$ 156,298              | \$ 170,037              |
| Festival fees and sales          | 145,442                 | 149,444                 |
| Corporate sponsors               | 86,688                  | 111,948                 |
| Membership dues                  | 44,290                  | 28,487                  |
| Contributions                    | 17,669                  | 8,294                   |
| Interest income                  | 5                       | 264                     |
| Other                            | -                       | 166                     |
| Contributions in-kind (note 4)   | <u>504,826</u>          | <u>484,304</u>          |
| Total revenues and other support | <u>955,218</u>          | <u>952,944</u>          |
| Expenses                         |                         |                         |
| Festival and programs            | 800,673                 | 809,619                 |
| Management and general           | 126,338                 | 110,480                 |
| Fundraising                      | <u>47,073</u>           | <u>40,001</u>           |
| Total expenses                   | <u>974,084</u>          | <u>960,100</u>          |
| Decrease in net assets           | (18,866)                | (7,156)                 |
| Net assets, beginning of year    | <u>81,344</u>           | <u>88,500</u>           |
| Net assets, end of year          | <u><u>\$ 62,478</u></u> | <u><u>\$ 81,344</u></u> |

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

**NASHVILLE FILM FESTIVAL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2008**

|                                 | <u>Festival and<br/>Programs</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>      |
|---------------------------------|----------------------------------|-----------------------------------|--------------------|-------------------|
| Salaries and wages              | \$ 70,085                        | \$ 55,532                         | \$ 20,719          | \$ 146,336        |
| Payroll taxes                   | 6,491                            | 4,120                             | 1,872              | 12,483            |
| Employee benefits               | 6,074                            | 3,855                             | 1,752              | 11,681            |
| <br>Total salaries and benefits | <br>82,650                       | <br>63,507                        | <br>24,343         | <br>170,500       |
| <br>Rent                        | <br>220,000                      | <br>9,110                         | <br>2,278          | <br>231,388       |
| Advertising                     | 150,435                          | 11,168                            | -                  | 161,603           |
| Travel and entertainment        | 134,929                          | 7,352                             | -                  | 142,281           |
| Contract services               | 76,180                           | 770                               | -                  | 76,950            |
| Festival expense                | 49,920                           | -                                 | 6,861              | 56,781            |
| Printing and promotions         | 18,093                           | 5,166                             | -                  | 23,259            |
| Equipment rental                | 20,628                           | -                                 | -                  | 20,628            |
| Miscellaneous                   | 6,588                            | 3,183                             | 4,775              | 14,546            |
| Awards                          | 12,554                           | -                                 | -                  | 12,554            |
| Membership                      | -                                | 4,596                             | 6,894              | 11,490            |
| Grant expense                   | 10,439                           | -                                 | -                  | 10,439            |
| Postage                         | 8,042                            | 1,158                             | 290                | 9,490             |
| Dues and subscriptions          | -                                | 9,227                             | -                  | 9,227             |
| Insurance                       | 5,631                            | 3,048                             | -                  | 8,679             |
| Office expense and supplies     | 4,584                            | 2,742                             | 685                | 8,011             |
| Telephone                       | -                                | 3,786                             | 947                | 4,733             |
| Depreciation                    | -                                | 1,525                             | -                  | 1,525             |
|                                 | <u>\$ 800,673</u>                | <u>\$ 126,338</u>                 | <u>\$ 47,073</u>   | <u>\$ 974,084</u> |

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

**NASHVILLE FILM FESTIVAL**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2007**

|                             | <u>Festival and<br/>Programs</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>      |
|-----------------------------|----------------------------------|-----------------------------------|--------------------|-------------------|
| Salaries and wages          | \$ 73,712                        | \$ 47,213                         | \$ 21,949          | \$ 142,874        |
| Payroll taxes               | 5,550                            | 3,523                             | 1,601              | 10,674            |
| Employee benefits           | 8,270                            | 5,248                             | 2,386              | 15,904            |
| Total salaries and benefits | <u>87,532</u>                    | <u>55,984</u>                     | <u>25,936</u>      | <u>169,452</u>    |
| Rent                        | 220,000                          | 7,680                             | 1,920              | 229,600           |
| Advertising                 | 145,564                          | 10,000                            | -                  | 155,564           |
| Travel and entertainment    | 111,863                          | 6,696                             | -                  | 118,559           |
| Grant expense               | 62,327                           | -                                 | -                  | 62,327            |
| Contract services           | 50,851                           | 514                               | -                  | 51,365            |
| Festival expense            | 39,559                           | -                                 | 2,995              | 42,554            |
| Printing and promotions     | 34,006                           | 3,032                             | -                  | 37,038            |
| Equipment rental            | 19,507                           | -                                 | -                  | 19,507            |
| Awards                      | 14,553                           | -                                 | -                  | 14,553            |
| Miscellaneous               | 6,076                            | 2,990                             | 4,486              | 13,552            |
| Insurance                   | 10,286                           | 2,999                             | -                  | 13,285            |
| Postage                     | 6,695                            | 707                               | 1,851              | 9,253             |
| Office expense and supplies | -                                | 7,226                             | 1,806              | 9,032             |
| Dues and subscriptions      | -                                | 6,165                             | -                  | 6,165             |
| Telephone                   | -                                | 4,030                             | 1,007              | 5,037             |
| Depreciation                | -                                | 2,457                             | -                  | 2,457             |
| Tax and licenses            | 800                              | -                                 | -                  | 800               |
|                             | <u>\$ 809,619</u>                | <u>\$ 110,480</u>                 | <u>\$ 40,001</u>   | <u>\$ 960,100</u> |

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

**NASHVILLE FILM FESTIVAL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2008 AND 2007**

|   | 2008                    | 2007                    |
|---|-------------------------|-------------------------|
| Cash flows from operating activities  |                         |                         |
| Decrease in net assets  | \$ (18,866)             | \$ (7,156)              |
| Adjustments to reconcile decrease in net assets to<br>net cash used in operating activities |                         |                         |
| Depreciation  | 1,525                   | 2,457                   |
| Increase in employee receivable   | (1,668)                 | -                       |
| (Increase) decrease in prepaid expenses   | (718)                   | 243                     |
| Increase (decrease) in accounts payable   | 1,581                   | (654)                   |
| Decrease in deferred revenue  | <u>(2,200)</u>          | <u>(41,132)</u>         |
| Net cash used in operating activities   | <u>(20,346)</u>         | <u>(46,242)</u>         |
| Cash flows from investing activities  |                         |                         |
| Equipment purchases   | <u>(3,646)</u>          | <u>-</u>                |
| Net cash used in investing activities   | <u>(3,646)</u>          | <u>-</u>                |
| Net decrease in cash  | (23,992)                | (46,242)                |
| Cash, beginning of year   | <u>82,531</u>           | <u>128,773</u>          |
| Cash, end of year   | <u><u>\$ 58,539</u></u> | <u><u>\$ 82,531</u></u> |

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



**NASHVILLE FILM FESTIVAL  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007**

**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, 2008 and 2007.

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, 2008 and 2007.

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.

**NASHVILLE FILM FESTIVAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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, 2008 and 2007 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.

**NASHVILLE FILM FESTIVAL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 \$161,603 and \$155,564 in 2008 and 2007, respectively.

**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, 2008 and 2007, is as follows:

|                                | 2008            | 2007            |
|--------------------------------|-----------------|-----------------|
| Office equipment               | \$ 26,931       | \$ 23,285       |
| Less: accumulated depreciation | <u>(22,453)</u> | <u>(20,928)</u> |
|                                | <u>\$ 4,478</u> | <u>\$ 2,357</u> |

**NOTE 3 - LINES OF CREDIT**

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 14.99% annual rate on purchases and 20.99% annual rate on cash advances. The second line, with Chase Bank, has a credit limit of \$12,000 and bears interest at a 15.99% annual rate on purchases and 19.99% annual rate on cash advances. There were \$1,438 and \$0 of borrowings outstanding on the Chase Bank line as of December 31, 2008 and 2007, respectively, which are included in accounts payable. There were \$143 and \$0 of borrowings on the Bank of America line as of December 31, 2008 and 2007.

**NASHVILLE FILM FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 4 - DONATED SERVICES**

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

|                             | 2008              | 2007              |
|-----------------------------|-------------------|-------------------|
| Contributions in-kind       |                   |                   |
| Rent                        | \$ 220,000        | \$ 220,000        |
| Advertising                 | 143,350           | 140,923           |
| Event catering              | 48,751            | 35,651            |
| Printing                    | 7,000             | 21,000            |
| Guest travel                | 19,500            | 15,700            |
| Equipment rental            | 12,500            | 15,605            |
| Showcase                    | 8,300             | 12,500            |
| Contract services           | 34,175            | 7,500             |
| Guest hotel                 | 7,500             | 7,200             |
| Gifts                       | 3,750             | 5,050             |
| Awards                      | <u>-</u>          | <u>3,175</u>      |
| Total contributions in-kind | <u>\$ 504,826</u> | <u>\$ 484,304</u> |
| Expenses                    |                   |                   |
| Functional expenses:        |                   |                   |
| Festival and programs       | <u>\$ 504,826</u> | <u>\$ 484,304</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, 2008**

|   |                           |
|---|---------------------------|
| Revenues and other support                                    |                           |
| Grants  | \$ 156,298                |
| Festival fees and sales                                       | 145,442                   |
| Corporate sponsors  | 86,688                    |
| Membership dues   | 44,290                    |
| Contributions   | 17,669                    |
| Interest income   | <u>5</u>                  |
| Total revenues and other support before in-kind contributions | <u>450,392</u>            |
| Expenses  |                           |
| Festival and programs   | 295,847                   |
| Management and general  | 126,338                   |
| Fundraising   | <u>47,073</u>             |
| Total expenses before in-kind expenses                        | <u>469,258</u>            |
| Decrease in net assets before in-kind activities              | <u><u>\$ (18,866)</u></u> |

**NASHVILLE FILM FESTIVAL**  
**SCHEDULE OF FUNCTIONAL EXPENSES - BEFORE IN-KIND ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2008**

|                             | <u>Festival and<br/>Programs</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>      |
|-----------------------------|----------------------------------|-----------------------------------|--------------------|-------------------|
| Salaries and wages          | \$ 70,085                        | \$ 55,532                         | \$ 20,719          | \$ 146,336        |
| Payroll taxes               | 6,491                            | 4,120                             | 1,872              | 12,483            |
| Employee benefits           | <u>6,074</u>                     | <u>3,855</u>                      | <u>1,752</u>       | <u>11,681</u>     |
| Total salaries and benefits | <u>82,650</u>                    | <u>63,507</u>                     | <u>24,343</u>      | <u>170,500</u>    |
| Travel and entertainment    | 59,178                           | 7,352                             | -                  | 66,530            |
| Festival expense            | 37,870                           | -                                 | 6,861              | 44,731            |
| Contract services           | 42,005                           | 770                               | -                  | 42,775            |
| Advertising                 | 7,085                            | 11,168                            | -                  | 18,253            |
| Printing and promotions     | 11,093                           | 5,166                             | -                  | 16,259            |
| Miscellaneous               | 6,588                            | 3,183                             | 4,775              | 14,546            |
| Awards                      | 12,554                           | -                                 | -                  | 12,554            |
| Membership                  | -                                | 4,596                             | 6,894              | 11,490            |
| Rent                        | -                                | 9,110                             | 2,278              | 11,388            |
| Grant expense               | 10,439                           | -                                 | -                  | 10,439            |
| Postage                     | 8,042                            | 1,158                             | 290                | 9,490             |
| Dues and subscriptions      | -                                | 9,227                             | -                  | 9,227             |
| Insurance                   | 5,631                            | 3,048                             | -                  | 8,679             |
| Equipment rental            | 8,128                            | -                                 | -                  | 8,128             |
| Office expense and supplies | 4,584                            | 2,742                             | 685                | 8,011             |
| Telephone                   | -                                | 3,786                             | 947                | 4,733             |
| Depreciation                | -                                | 1,525                             | -                  | 1,525             |
|                             | <u>\$ 295,847</u>                | <u>\$ 126,338</u>                 | <u>\$ 47,073</u>   | <u>\$ 469,258</u> |