

**Nashville Education, Community and Arts Television  
Corporation**

**Financial Statements**

**June 30, 2010**

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*McKerley & Noonan, P.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors' Report**

To the Board of Directors of  
Nashville Education, Community and Arts Television Corporation  
Nashville, TN

We have audited the accompanying statement of financial position of Nashville Education, Community and Arts Television Corporation (a nonprofit organization) as of June 30, 2010 and the related statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of NECAT'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, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McKerley & Noonan*

McKerley & Noonan, P.C.  
January 31, 2011

**Nashville Education, Community and Arts Television Corporation**  
**Statement of Financial Position**  
**June 30, 2010**

	<u>2010</u>
<b>Assets</b>	
Cash	\$ 61,751
Grants and Other Receivables	7,428
Total Current Assets	<u>69,179</u>
Equipment, at Cost, less Accumulated Depreciation of \$41,116 in 2010 and \$37,416 in 2009	<u>4,305</u>
<b>Total Assets</b>	<u><u>\$ 73,484</u></u>
<b>Current Liabilities</b>	
Accrued Expenses	\$ 1,128
Other Liabilities	1,229
Line of Credit	<u>15,805</u>
Total Current Liabilities	18,162
<b>Net Assets</b>	
Unrestricted	<u>55,322</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 73,484</u></u>

**Nashville Education, Community and Arts Television Corporation**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
Program Revenue	\$ 21,665	\$ -	\$ 21,665
Grants (Note 4)	-	52,000	52,000
Contributions	72,994	-	72,994
Other Income	2,635	-	2,635
Net Assets Released from Restrictions	52,000	(52,000)	-
<b>Total Support and Revenue</b>	<u>149,294</u>	<u>-</u>	<u>149,294</u>
<b>Expenses</b>			
Salaries and Wages	53,752	-	53,752
Payroll Taxes	3,576	-	3,576
Production Expenses	17,109	-	17,109
Professional Fees	12,086	-	12,086
Insurance	160	-	160
Interest Expense	979	-	979
Equipment Expense	716	-	716
Internet Expense	1,463	-	1,463
Travel	55	-	55
Supplies	1,360	-	1,360
Office Expense	530	-	530
Depreciation	3,700	-	3,700
Miscellaneous Expenses	221	-	221
<b>Total Expenses</b>	<u>95,707</u>	<u>-</u>	<u>95,707</u>
<b>Change in Net Assets</b>	53,587	-	53,587
<b>Net Assets, Beginning of Year</b>	<u>1,735</u>	<u>-</u>	<u>1,735</u>
<b>Net Assets, End of Year</b>	<u>\$ 55,322</u>	<u>\$ -</u>	<u>\$ 55,322</u>

**Nashville Education, Community and Arts Television Corporation**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2010**

**Cash Flows from Operating Activities**

Change in Net Assets	\$ 53,587
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**Adjustments to Reconcile Change in Net Assets  
to Net Cash Provided by Operating Activities**

Depreciation	3,700
Increase in Grants and Other Receivables	(482)
Decrease in Accrued Expenses and Other Liabilities	(955)
Decrease in Line of Credit	(1,550)
<b>Total Adjustments</b>	<u>713</u>

<b>Net Cash Provided by Operating Activities</b>	<u>54,300</u>
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Net Increase in Cash	54,300
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Cash in Bank, Beginning of Year	<u>7,451</u>
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Cash in Bank, End of Year	<u><u>\$ 61,751</u></u>
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**Supplemental Information:**

Interest Paid During the Year	\$ 979
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**Nashville Education, Community and Arts Television Corporation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2010**

**Note 1 - Description and Purpose of Organization**

Nashville Education, Community and Arts Television Corporation (NECAT), is a nonprofit organization with a mission to empower the Davidson County Community through access to and use of the media. With three public access television channels, NECAT provides arts, education and locally produced community access programming.

Prior to May 2010, NECAT was known as the Metropolitan Educational Access Corporation (MEAC) and was responsible for the educational access channels of the Nashville area. The Community and Arts access programming channels were managed by the Community Access Corporation (CAC). In May 2010 MEAC's name was changed to NECAT, CAC was dissolved, CAC's assets were contributed to NECAT, and NECAT assumed responsibility for all three public access television channels for the Nashville area. The CAC assets contributed to NECAT totalled \$72,885.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of NECAT have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of NECAT are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

For financial statement presentation, NECAT reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of NECAT.

**Nashville Education, Community and Arts Television Corporation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2010**

**Note 2 - Summary of Significant Accounting Policies (continued)**

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of NECAT and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2010, there were no temporarily restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by NECAT. Generally, the donors of these assets permit NECAT to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2010, there were no permanently restricted net assets.

Donations

Donations 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. 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 statement of activities as net assets released from restrictions.

Cash

For purposes of the statement of cash flows, cash includes all cash accounts held by NECAT as of June 30, 2010.

Grants and Other Receivables

Grants receivable relate to the Metropolitan Government of Nashville and Davidson County's commitment for funding support of the Organization. Other receivables are generated from customers related to station programming. Amounts included in grants and other receivables are deemed to be collectible within one year and are therefore included in the current assets section of the balance sheet. No allowance for uncollectible accounts has been provided as management believes all accounts are fully collectible.



**Nashville Education, Community and Arts Television Corporation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2010**

**Note 2 - Summary of Significant Accounting Policies (continued)**

Income Taxes

The Internal Revenue Service recognizes NECAT as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and has classified it as other than a private foundation as defined in Code Section 590(a). Therefore, no provision for federal or state income taxes is applicable.

**Note 3 – Credit Risk**

NECAT maintains a checking account at two banks. Accounts in these institutions are insured by the Federal Deposit Insurance Corporation (FDIC). Cash at these banks did not exceed the FDIC's insurance limits as of June 30, 2010.

**Note 4 – Grants and Other Receivables**

As of June 30, 2010, grants and other receivables totaled \$7,428 and consisted of \$5,028 due from the Metropolitan Government of Nashville and Davidson County and \$2,400 due from customers.

**Note 5 – Fixed Assets**

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 consists of the following:

	<u>2010</u>
Equipment	\$45,421
Less: Accumulated Depreciation	<u>(41,116)</u>
	<u>\$4,305</u>

Depreciation expense for the year ended June 30, 2010 was \$3,700.

**Note 6 – Line of Credit**

As of June 30, 2010, NECAT had a \$30,000 line of credit with Regions Bank bearing interest at 6.25% to be drawn upon as needed when experiencing temporary shortfalls of operating capital, because of the nature of grant and funding procedures. As of June 30, 2010, the outstanding balance was \$15,805.

**Nashville Education, Community and Arts Television Corporation**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2010**

**Note 7 – Commitments and Contingencies**

NECAT receives a substantial amount of its support and revenues from government agencies. In the event of a significant reduction in the level of this support, NECAT's programs and activities would likely be affected. In addition, the funding received by NECAT from government agencies is subject to audit and retroactive adjustment.

**Note 8 – Subsequent Events**

Subsequent events have been evaluated through the financial statement issuance date of January 31, 2011.