

**NASHVILLE FILM FESTIVAL
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NASHVILLE FILM FESTIVAL
FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2014 AND 2013**

TABLE OF CONTENTS

| | PAGE |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional Expenses | 5 – 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8 – 12 |
| SUPPLEMENTAL INFORMATION | |
| Schedule of Activities – Before In-Kind Activities | 13 |
| Schedule of Functional Expenses – Before In-Kind Activities | 14 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nashville Film Festival

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville Film Festival (the "Organization"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, 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 the financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the 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 the financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 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 Organization'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 Organization'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.

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 Film Festival as of December 31, 2014 and 2013, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 13 and 14 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.

March 3, 2015

**NASHVILLE FILM FESTIVAL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

| ASSETS | | |
|--|--------------------------|-------------------------|
| | 2014 | 2013 |
| Current assets | | |
| Cash | \$ 114,908 | \$ 59,811 |
| Prepaid expenses | <u>-</u> | <u>1,162</u> |
| Total current assets | 114,908 | 60,973 |
| Equipment, net | <u>21,302</u> | <u>3,964</u> |
| Total assets | <u><u>\$ 136,210</u></u> | <u><u>\$ 64,937</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable | \$ - | \$ 2,100 |
| Line of credit | 61,500 | - |
| Deferred revenue | 50,000 | 72,500 |
| Current portion - capital lease payable | <u>2,088</u> | <u>1,987</u> |
| Total current liabilities | 113,588 | 76,587 |
| Capital lease payable - noncurrent portion | <u>179</u> | <u>2,267</u> |
| Total liabilities | <u>113,767</u> | <u>78,854</u> |
| Unrestricted net assets (deficit) | <u>22,443</u> | <u>(13,917)</u> |
| Total liabilities and net assets (deficit) | <u><u>\$ 136,210</u></u> | <u><u>\$ 64,937</u></u> |

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 AND 2013**

| | 2014 | 2013 |
|---|-------------------------|---------------------------|
| Revenues and other support | | |
| Grants | \$ 144,530 | \$ 101,000 |
| Festival fees and sales | 235,051 | 172,098 |
| Corporate sponsors | 248,000 | 161,600 |
| Membership dues | 34,726 | 40,983 |
| Fundraising events | 50,004 | 57,815 |
| Contributions | 7,869 | 7,238 |
| Contributions in-kind | 545,350 | 497,600 |
| Interest Income | <u>61</u> | <u>-</u> |
| Total revenues and other support | <u>1,265,591</u> | <u>1,038,334</u> |
| Expenses | | |
| Festival and programs | 1,004,648 | 850,967 |
| Management and general | 160,691 | 107,362 |
| Fundraising | <u>63,892</u> | <u>88,403</u> |
| Total expenses | <u>1,229,231</u> | <u>1,046,732</u> |
| Increase (decrease) in net assets | 36,360 | (8,398) |
| Net assets (deficit), beginning of year | <u>(13,917)</u> | <u>(5,519)</u> |
| Net assets (deficit), end of year | <u><u>\$ 22,443</u></u> | <u><u>\$ (13,917)</u></u> |

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

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014**

| | <u>Festival and Programs</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------------|----------------------------------|-----------------------------------|--------------------|---------------------|
| Salaries and wages | \$ 99,196 | \$ 64,693 | \$ 51,755 | \$ 215,644 |
| Payroll taxes | 10,650 | 6,759 | 3,072 | 20,481 |
| Employee benefits | 5,842 | 3,707 | 1,685 | 11,234 |
| Total salaries and benefits | 115,688 | 75,159 | 56,512 | 247,359 |
| Festival expense | 231,586 | - | - | 231,586 |
| Advertising | 221,565 | 1,098 | - | 222,663 |
| Rent | 128,400 | 12,915 | 3,229 | 144,544 |
| Travel and entertainment | 125,098 | 13,151 | - | 138,249 |
| Contract services | 78,031 | 788 | - | 78,819 |
| Miscellaneous | 20,643 | 11,851 | - | 32,494 |
| Office expense and supplies | 24,113 | 3,388 | 847 | 28,348 |
| Printing and promotions | 20,248 | - | - | 20,248 |
| Dues and subscriptions | - | 14,322 | - | 14,322 |
| Awards | 11,000 | 519 | - | 11,519 |
| Equipment rental | 11,341 | - | - | 11,341 |
| Insurance | - | 10,649 | - | 10,649 |
| Grant expense | 10,002 | - | - | 10,002 |
| Telephone | - | 5,379 | 3,026 | 8,405 |
| Postage | 6,933 | 1,111 | 278 | 8,322 |
| Depreciation | - | 5,298 | - | 5,298 |
| Membership | - | 5,063 | - | 5,063 |
| | <u>\$ 1,004,648</u> | <u>\$ 160,691</u> | <u>\$ 63,892</u> | <u>\$ 1,229,231</u> |

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

**NASHVILLE FILM FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013**

| | <u>Festival and Programs</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-----------------------------|----------------------------------|-----------------------------------|--------------------|---------------------|
| Salaries and wages | \$ 87,999 | \$ 31,099 | \$ 45,089 | \$ 164,187 |
| Payroll taxes | 7,152 | 4,539 | 2,063 | 13,754 |
| Employee benefits | 8,433 | 5,352 | 2,432 | 16,217 |
| Total salaries and benefits | <u>103,584</u> | <u>40,990</u> | <u>49,584</u> | <u>194,158</u> |
| Rent | 203,500 | 10,934 | 2,734 | 217,168 |
| Travel and entertainment | 118,872 | 12,421 | - | 131,293 |
| Advertising | 120,440 | 1,131 | - | 121,571 |
| Festival expense | 90,279 | - | - | 90,279 |
| Contract services | 88,280 | 892 | - | 89,172 |
| Equipment rental | 47,258 | - | - | 47,258 |
| Miscellaneous | 19,715 | 6,623 | 9,934 | 36,272 |
| Office expense and supplies | 25,578 | 3,535 | 884 | 29,997 |
| Other event expense | - | - | 18,302 | 18,302 |
| Printing and promotions | 14,781 | - | - | 14,781 |
| Dues and subscriptions | - | 11,094 | - | 11,094 |
| Awards | 8,556 | 369 | - | 8,925 |
| Telephone | - | 5,283 | 2,972 | 8,255 |
| Insurance | 350 | 7,621 | - | 7,971 |
| Grant expense | 7,174 | - | - | 7,174 |
| Membership | - | 2,281 | 3,421 | 5,702 |
| Postage | 2,600 | 2,286 | 572 | 5,458 |
| Depreciation | - | 1,902 | - | 1,902 |
| | <u>\$ 850,967</u> | <u>\$ 107,362</u> | <u>\$ 88,403</u> | <u>\$ 1,046,732</u> |

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

**NASHVILLE FILM FESTIVAL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

| | 2014 | 2013 |
|--|--------------------------|-------------------------|
| Cash flows from operating activities | | |
| Increase (decrease) in net assets | \$ 36,360 | \$ (8,398) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Depreciation | 5,298 | 1,902 |
| Increase (decrease) in prepaid expenses | 1,162 | (1,162) |
| Decrease in accounts payable | (2,100) | (6,290) |
| Increase (decrease) in deferred revenue | <u>(22,500)</u> | <u>23,000</u> |
| Net cash provided by operating activities | <u>18,220</u> | <u>9,052</u> |
| Cash flows from investing activities | | |
| Purchase of equipment | <u>(22,636)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(22,636)</u> | <u>-</u> |
| Cash flows from financing activities | | |
| Payments on capital lease payable | (1,987) | (1,890) |
| Net borrowings on line of credit | <u>61,500</u> | <u>-</u> |
| Net cash provided by (used in) financing activities | <u>59,513</u> | <u>(1,890)</u> |
| Net increase in cash | 55,097 | 7,162 |
| Cash, beginning of year | <u>59,811</u> | <u>52,649</u> |
| Cash, end of year | <u><u>\$ 114,908</u></u> | <u><u>\$ 59,811</u></u> |
| Supplemental cash flow information: | | |
| Interest paid | <u><u>\$ 2,791</u></u> | <u><u>\$ 2,455</u></u> |

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

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, 2014 and 2013.

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, 2014 and 2013.

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, 2014 AND 2013**

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, 2014 and 2013 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.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$222,663 and \$121,571 in 2014 and 2013, respectively.

Events Occurring After Reporting Date

NaFF has evaluated events and transactions that occurred between December 31, 2013 and March 3, 2015, 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, 2014 and 2013, is as follows:

| | 2014 | 2013 |
|--------------------------------|------------------|-----------------|
| Office equipment | \$ 59,080 | \$36,444 |
| Less: accumulated depreciation | <u>(37,778)</u> | <u>(32,480)</u> |
| | <u>\$ 21,302</u> | <u>\$3,964</u> |

NOTE 3 - LINES OF CREDIT

The Organization signed a line of credit with ServisFirst Bank in June 2014 with a limit of \$100,000. The line has a variable interest rate at 1.75% over the Index. The outstanding balance on the line was \$61,500 at December 31, 2014.

The Organization maintains one line of credit on a credit card. The line with Bank of America has a credit limit available of \$25,000 and bears interest at a 13.24% annual rate on purchases and 24.24% annual rate on cash advances. There were no borrowings on the Bank of America line as of December 31, 2014 and 2013.

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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, 2014, the telephone equipment is carried at a cost of \$9,513 less accumulated depreciation of \$7,452. The following is a summary by year of future minimum lease payments for this capital lease:

Fiscal Year Ending December 31,

| | |
|---|----------------|
| 2015 | \$ 2,154 |
| 2016 | <u>180</u> |
| Total minimum lease payments | 2,334 |
| Less estimated amount representing interest | <u>(67)</u> |
| Present value of net minimum capital lease payments | 2,267 |
| Less: Current portion | <u>(2,088)</u> |
| Long-term obligation under capital lease | <u>\$ 179</u> |

NOTE 5 - DONATED SERVICES

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

| | 2014 | 2013 |
|-----------------------------|-------------------|-------------------|
| Contributions in-kind | | |
| Rent | \$ 128,400 | \$ 203,500 |
| Advertising | 219,050 | 115,000 |
| Guest travel | 37,500 | 47,300 |
| Contract services | 35,000 | 35,000 |
| Awards | 47,550 | 31,500 |
| Event catering | 40,850 | 22,000 |
| Equipment rental | - | 17,500 |
| Supplies | 16,500 | 15,500 |
| Printing | 5,000 | 5,300 |
| Festival expense | 10,500 | - |
| Ticketing | <u>5,000</u> | <u>5,000</u> |
| Total contributions in-kind | <u>\$ 545,350</u> | <u>\$ 497,600</u> |
| Expenses | | |
| Functional expenses: | | |
| Festival and programs | <u>\$ 545,350</u> | <u>\$ 497,600</u> |
| Increase in net assets | <u>\$ -</u> | <u>\$ -</u> |

**NASHVILLE FILM FESTIVAL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE 6 - CONTINGENCY

The organization has been assessed a penalty of approximately \$30,000 by the Internal Revenue Service (IRS) for failure to file forms W-2 for the tax year ending December 31, 2011. NaFF utilized a payroll service firm for this period, however it appears that the payroll service did not submit all required filings on a timely basis. NaFF believes it has complied with its duties and should not be assessed any penalty. NaFF has requested that the Internal Revenue Service waive the assessed penalty, however, a response from the IRS has not yet been received.

SUPPLEMENTAL INFORMATION

NASHVILLE FILM FESTIVAL
SCHEDULE OF ACTIVITIES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

| | |
|---|-------------------------|
| Revenues and other support | |
| Grants | \$ 144,530 |
| Festival fees and sales | 235,051 |
| Corporate sponsors | 248,000 |
| Membership dues | 34,726 |
| Fundraising events | 50,004 |
| Contributions | 7,869 |
| Interest | <u>61</u> |
| Total revenues and other support before in-kind contributions | <u>720,241</u> |
| Expenses | |
| Festival and programs | 459,648 |
| Management and general | 160,341 |
| Fundraising | <u>63,892</u> |
| Total expenses before in-kind expenses | <u>683,881</u> |
| Increase in net assets before in-kind activities | <u><u>\$ 36,360</u></u> |

NASHVILLE FILM FESTIVAL
SCHEDULE OF FUNCTIONAL EXPENSES - BEFORE IN-KIND ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

| | <u>Festival and Programs</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-----------------------------|----------------------------------|-----------------------------------|--------------------|-------------------|
| Salaries and wages | \$ 99,196 | \$ 64,693 | \$ 51,755 | \$ 215,644 |
| Payroll taxes | 10,650 | 6,759 | 3,072 | 20,481 |
| Employee benefits | 5,842 | 3,707 | 1,685 | 11,234 |
| Total salaries and benefits | <u>115,688</u> | <u>75,159</u> | <u>56,512</u> | <u>247,359</u> |
| Festival expense | 173,537 | - | - | 173,537 |
| Travel and entertainment | 41,748 | 13,151 | - | 54,899 |
| Contract services | 43,381 | 438 | - | 43,819 |
| Miscellaneous | 20,642 | 11,851 | - | 32,493 |
| Printing and promotions | 15,248 | - | - | 15,248 |
| Dues and subscriptions | - | 14,322 | - | 14,322 |
| Rent | - | 12,915 | 3,229 | 16,144 |
| Office expense and supplies | 7,613 | 3,388 | 847 | 11,848 |
| Awards | 11,000 | 519 | - | 11,519 |
| Equipment rental | 11,341 | - | - | 11,341 |
| Insurance | - | 10,649 | - | 10,649 |
| Grant expense | 10,002 | - | - | 10,002 |
| Telephone | - | 5,379 | 3,026 | 8,405 |
| Postage | 6,933 | 1,111 | 278 | 8,322 |
| Depreciation | - | 5,298 | - | 5,298 |
| Membership | - | 5,063 | - | 5,063 |
| Advertising | 2,515 | 1,098 | - | 3,613 |
| | <u>\$ 459,648</u> | <u>\$ 160,341</u> | <u>\$ 63,892</u> | <u>\$ 683,881</u> |