

**Nashville Academy Theatre
and Nashville Children's
Theatre Association**

Financial Statements
For the Years Ended June 30, 2021 and 2020

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Financial Statements
For the Years Ended June 30, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Nashville Academy Theatre and
Nashville Children's Theatre Association

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville Academy Theatre and Nashville Children's Theatre Association, which comprise the statements of financial position as of June 30, 2021 and 2020, 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 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 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 audit to obtain reasonable assurance about whether the financial statements are free from 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.

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 Academy Theatre and Nashville Children's Theatre Association as of June 30, 2021 and 2020, 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.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
January 22, 2022

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 411,518	\$ 56,449
Restricted certificate of deposit	-	30,465
Contributions receivable, net	260,701	22,193
Contributions receivable, facilities use	120,000	74,333
Prepaid expenses and other	7,164	29,437
Property and equipment, net	2,436,505	2,662,866
Beneficial interest in assets held by Community Foundation of Middle Tennessee	<u>387,613</u>	<u>310,377</u>
Total assets	\$ 3,623,501	\$ 3,186,120
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 63,964	\$ 116,784
Accrued expenses	24,167	24,443
Notes payable	374,354	504,581
Deferred revenues	<u>129,433</u>	<u>56,822</u>
Total liabilities	591,918	702,630
Net assets		
Without donor restrictions	2,695,002	2,230,269
With donor restrictions	<u>336,581</u>	<u>253,221</u>
Total net assets	<u>3,031,583</u>	<u>2,483,490</u>
Total liabilities and net assets	\$ 3,623,501	\$ 3,186,120

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Statement of Activities
For the Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Revenues and Support			
Revenues			
Admissions	\$ 29,117	\$ -	\$ 29,117
Theatre academy	242,461	-	242,461
Concessions and merchandise (net of direct expenses of \$307)	313	-	313
Contracted services	2,734	-	2,734
Total revenues	<u>274,625</u>	<u>-</u>	<u>274,625</u>
Support			
Donated facilities usage	-	120,000	120,000
Contributions	327,643	-	327,643
Government grants and support	429,575	-	429,575
PPP loan forgiveness	469,442	-	469,442
Employee retention credits	118,962	-	118,962
Benefit events (net of direct expenses of \$14,054)	77,811	-	77,811
Distributions from beneficial interest in assets held by Community Foundation of Middle Tennessee	9,400	-	9,400
Change in value of beneficial interest in assets held by Community Foundation of Middle Tennessee	27,579	49,657	77,236
Net assets released from restrictions	<u>86,297</u>	<u>(86,297)</u>	<u>-</u>
Total support	1,546,709	83,360	1,630,069
Total revenues and support	1,821,334	83,360	1,904,694
Expenses			
Program services			
Productions	624,345	-	624,345
Education	434,865	-	434,865
Supporting services			
General and administrative expenses	163,661	-	163,661
Fundraising expenses	<u>133,730</u>	<u>-</u>	<u>133,730</u>
Total expenses	1,356,601	-	1,356,601
Change in net assets	464,733	83,360	548,093
Net assets, beginning of year	<u>2,230,269</u>	<u>253,221</u>	<u>2,483,490</u>
Net assets, end of year	\$ 2,695,002	\$ 336,581	\$ 3,031,583

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Statement of Activities
For the Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues and Support			
Revenues			
Admissions	\$ 526,506	\$ -	\$ 526,506
Theatre academy	396,686	-	396,686
Concessions and merchandise (net of direct expenses of \$8,972)	308	-	308
Contracted services	18,974	-	18,974
Total revenues	<u>942,474</u>	<u>-</u>	<u>942,474</u>
Support			
Donated facilities usage	-	74,333	74,333
Contributions	341,362	-	341,362
Government grants and support	315,620	-	315,620
Benefit events (net of direct expenses of \$29,778)	3,954	-	3,954
Distributions from beneficial interest in assets held by Community Foundation of Middle Tennessee	9,400	-	9,400
Change in value of benefical interest in assets held by Community Foundation of Middle Tennessee	(4,194)	2,285	(1,909)
Net assets released from restrictions	<u>183,085</u>	<u>(183,085)</u>	<u>-</u>
Total support	<u>849,227</u>	<u>(106,467)</u>	<u>742,760</u>
Total revenues and support	1,791,701	(106,467)	1,685,234
Expenses			
Program services			
Productions	1,249,679	-	1,249,679
Education	414,446	-	414,446
Supporting services			
General and administrative expenses	216,651	-	216,651
Fundraising expenses	108,047	-	108,047
Total expenses	<u>1,988,823</u>	<u>-</u>	<u>1,988,823</u>
Change in net assets	(197,122)	(106,467)	(303,589)
Net assets, beginning of year	<u>2,427,391</u>	<u>359,688</u>	<u>2,787,079</u>
Net assets, end of year	\$ 2,230,269	\$ 253,221	\$ 2,483,490

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Productions	Education	General and administrative	Fundraising	Total
Salaries	\$ 154,117	\$ 205,489	\$ 51,372	\$ 102,744	\$ 513,722
Employee taxes, insurance	33,955	40,986	12,225	20,493	107,659
	<u>188,072</u>	<u>246,475</u>	<u>63,597</u>	<u>123,237</u>	<u>621,381</u>
Advertising and public relations	18,607	12,404	-	-	31,011
Custodial services	7,262	3,631	1,210	-	12,103
Depreciation	165,298	62,633	20,878	-	248,809
Equipment rental and maintenance	6,690	680	226	-	7,596
Food and catering	150	75	-	2,122	2,347
Insurance	13,235	6,618	2,206	-	22,059
Interest	11,223	5,611	1,871	-	18,705
Outside services	11,212	3,409	44,115	650	59,386
Postage	-	-	916	1,932	2,848
Printing	1,041	1,455	-	1,263	3,759
Production materials	37,736	-	-	-	37,736
Rent	59,167	23,790	7,930	1,491	92,378
Royalties	18,164	1,670	-	-	19,834
Software and licensing	15,068	12,054	3,013	-	30,135
Supplies	4,124	12,371	562	2,763	19,820
Ticket and bank fees	6,164	7,706	6,521	-	20,391
Travel and registrations	151	31	34	272	488
Utilities	60,981	34,252	10,582	-	105,815
	<u>\$ 624,345</u>	<u>\$ 434,865</u>	<u>\$ 163,661</u>	<u>\$ 133,730</u>	<u>\$ 1,356,601</u>

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Productions	Education	General and administrative	Fundraising	Total
Salaries	\$ 538,439	\$ 175,408	\$ 114,456	\$ 81,364	\$ 909,667
Employee taxes, insurance	111,927	36,463	23,792	16,913	189,095
	<u>650,366</u>	<u>211,871</u>	<u>138,248</u>	<u>98,277</u>	<u>1,098,762</u>
Advertising and public relations	53,301	16,832	-	-	70,133
Custodial services	15,531	7,765	2,588	-	25,884
Depreciation	179,195	63,454	10,576	-	253,225
Equipment rental and maintenance	3,603	1,801	600	-	6,004
Food and catering	80	524	526	6,282	7,412
Insurance	23,742	11,871	3,957	-	39,570
Interest	10,072	5,036	1,679	-	16,787
Outside services	16,578	10,860	24,343	400	52,181
Postage	2,487	811	2,434	2,687	8,419
Printing	11,883	3,753	-	-	15,636
Production materials	54,690	5,378	-	-	60,068
Rent	44,600	22,300	7,433	-	74,333
Royalties	28,776	-	-	-	28,776
Software and licensing	10,600	11,029	11,041	37	32,707
Supplies	41,723	3,761	4,876	239	50,599
Ticket and bank fees	30,855	13,223	-	-	44,078
Travel and registrations	26,119	1,438	770	125	28,452
Utilities	45,478	22,739	7,580	-	75,797
	<u>\$ 1,249,679</u>	<u>\$ 414,446</u>	<u>\$ 216,651</u>	<u>\$ 108,047</u>	<u>\$ 1,988,823</u>

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 56,449	\$ 17,022
Cash flows from operating activities		
Change in net assets	548,093	(303,589)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	248,809	253,225
Payout from beneficial interest held in trust by others	(9,400)	(9,400)
Restricted certificate of deposit	30,465	(103)
Contributions receivable, net	(238,508)	61,552
Contributions receivable, facilities use	(45,667)	-
Prepaid expenses and other	22,273	22,333
Beneficial interest in assets held by Community Foundation of Middle Tennessee	(77,236)	1,909
Accounts payable	(52,820)	39,639
Accrued expenses	(276)	(4,914)
Deferred revenues	72,611	(96,175)
Net cash provided (used) by operating activities	498,344	(35,523)
Cash flows from investing activities		
Distribution received from Community Foundation of Middle Tennessee	9,400	9,400
Payments for property and equipment	(22,448)	(89,567)
Net cash provided (used) by investing activities	(13,048)	(80,167)
Cash flows from financing activities		
Payments on notes payable	(130,227)	(9,883)
Borrowings on notes payable	-	165,000
Net cash provided (used) by financing activities	(130,227)	155,117
Net change in cash	355,069	39,427
Cash, end of year	\$ 411,518	\$ 56,449
Supplemental disclosures of cash flow information		
Cash payments for interest	\$ 13,820	\$ 16,787

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 1. Organization and Nature of Activities

Nashville Academy Theatre and Nashville Children's Theatre Association, a Tennessee not-for-profit corporation (the Academy), is a professional theatre for young audiences of Nashville, the surrounding communities and adjacent states. In addition to theatre presentations, the Academy provides young people with opportunities for education, experience, and participation in theatre arts through drama classes. The Academy's funding is provided by admissions, public and private contributions, and government grants.

The Academy conducts business as the Nashville Children's Theatre.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Academy have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which requires the Academy to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Academy. These net assets may be used at the discretion of the Academy's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Academy or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Property and Equipment and Depreciation

Purchased property and equipment are stated at cost, or if donated, at the estimated fair market value as of the date of donation and consists of leasehold improvements, equipment, costumes, and props. The Academy's policy is to capitalize all property and equipment over \$1,000. Cost of costumes and props capitalized includes both material and labor costs. Depreciation is provided over the assets' estimated useful lives, generally 5 to 25 years using the straight-line method. Expenditures for maintenance and repairs are expensed when incurred. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

Beneficial Interest in Funds Held by Community Foundation of Middle Tennessee

The Academy's beneficial interest in assets held by Community Foundation of Middle Tennessee (CFMT) is recognized as an asset. Investment income and changes in the value of the funds are recognized in the statements of activities and distributions received from the fund are recorded as decreases in the beneficial interest.

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Contributions and Grants

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution or grant is recognized. All other donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions and grants are recognized when the donor makes an unconditional promise to give to the Academy. The Academy uses the allowance method to determine uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Revenue Recognition

Revenues are recognized in the period that performances occur or services are provided. Revenues received in advance are recorded as deferred revenues on the statements of financial position and recognized as revenues in the year in which they are earned.

Compensated Absences

Accruals for accumulated unpaid vacation have been provided. No accrual is made for accumulated sick leave, since such benefits do not vest.

PPP Loans

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Academy has received two draws on a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Academy has elected to treat the PPP loan as a contribution.

Income Taxes

The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified by the Internal Revenue Service as other than a private foundation.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. The total assets, liabilities, net assets, and change in net assets are unchanged due to these reclassifications.

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Fair Value Measurements

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 Inputs – Fair values are based on quoted prices (unadjusted) in active markets for identical assets that the Academy has the ability to access at the measurement date (e.g., prices derived from NYSE, NASDAQ, or Chicago Board of Trade).

Level 2 Inputs – Fair values are based on inputs other than quoted prices included within level 1 that are observable for valuing the asset or liability, either directly or indirectly (e.g., interest rate and yield curves observable at commonly quoted intervals, default rates, etc.). Observable inputs include quoted prices for similar assets or liabilities in active or non-active markets. Level 2 inputs may also include insignificant adjustments to market observable inputs.

Level 3 Inputs – Fair values are based on unobservable inputs used for valuing the asset or liability. Unobservable inputs are those that reflect the Academy's own assumptions about the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances. An example could be real estate valuations, which requires significant judgment.

Following is a description of the valuation methodologies used for financial assets and liabilities measured at fair value on a recurring basis:

Beneficial interest in assets held by Community Foundation of Middle Tennessee - The endowment funds held by CFMT represent the Academy's interest in pooled investments with other participants in the funds. CFMT prepares a valuation of the fund based on the fair value of the underlying investments and allocates income or loss to each participant based on market results. Due to the nature of the underlying investments and method of allocation of the fund, the beneficial interest in the endowment funds are classified within Level 3 of the valuation hierarchy (see note 7).

No changes in the valuation methodologies have been made since the prior year.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Functional Expenses

The expenses that are allocated include the following:

	Method of allocation
Custodial services	Facility square footage
Depreciation	Facility square footage
Employment screening	Estimated usage
Equipment rental and maintenance	Estimated usage
Insurance	Estimated usage
Interest	Estimated usage
Outside services	Estimated usage
Printing	Estimated usage
Rent	Facility square footage
Salaries and fringe benefits	Time and effort
Supplies	Estimated usage
Travel and registrations	Estimated usage
Utilities	Facility square footage

Note 3. Availability and Liquidity

The following represents the Academy's financial assets at June 30:

	2021	2020
Financial assets at year-end:		
Cash	\$ 411,518	\$ 56,449
Restricted certificate of deposit	-	30,465
Contributions receivable, net	260,701	22,193
Beneficial interest in funds held by Community Foundation of Middle Tennessee	<u>387,613</u>	<u>310,377</u>
Total financial assets at year-end	1,059,832	419,484
Less amounts not available to be used within one year:		
Restricted certificate of deposit	-	(30,464)
Non-current contributions receivable	-	(10,004)
Beneficial interest in funds held by others	<u>(387,613)</u>	<u>(310,377)</u>
Financial assets available to meet cash needs for general expenditures over the next 12 months	\$ 672,219	\$ 68,639

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 3. Availability and Liquidity

As part of its liquidity plan, the Academy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Academy receives year-round donations from individuals and makes specific appeals at strategic times of the year for specific projects. Cash flow is tracked through regular budget to actual comparisons which are monitored by management and the board of directors.

The Academy's activities are primarily funded by performance ticket sales, camp revenues, grants, and contributions. COVID-19 led to a decrease in performance opportunities which resulted in decreased revenues. However, management was able to maintain relationships with significant grantors and focus on sources of COVID related grants to strengthen its financial position and liquidity. Specifically, the Academy was able obtain COVID relief assistance by filing for employee retention tax credits (note 5), an economic disaster recovery loan (note 8) and a PPP loan (note 9). Subsequent to year end, the Academy was able to obtain a shuttered venue operators grant (note 17).

Note 4. Restricted Certificate of Deposit

The restricted certificate of deposit consisted of a six-month certificate of deposit held in the Actors Federal Credit Union as collateral for benefits for equity actors. During 2021, it was withdrawn to fund benefits for certain equity actors employed by the Academy.

Note 5. Receivables

Contributions receivable consist of amounts from individuals, organizations, and government units. The contributions receivable are summarized as follows as of June 30:

	2021	2020
Government grants	\$ 79,208	\$ -
Pledges and grants	30,228	22,193
Employee retention tax credits	132,420	-
Other	<u>18,845</u>	<u>-</u>
	260,701	22,193
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
	\$ 260,701	\$ 22,193

All receivables are expected to be collected during the year ended June 30, 2022.

Contributions receivable for facility use consist of the fair value of one year's ensuing rent totaling \$120,000. As more fully described in note 10, the Academy has in-kind leasing arrangements with the Metropolitan Government of Nashville and Davidson County, Tennessee for its operational and performance space.

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 6. Property and Equipment

Property and equipment consisted of the following as of June 30:

	2021	2020
Leasehold improvements	\$ 5,091,715	\$ 5,074,765
Furniture and fixtures	255,259	255,259
Costumes and props	441,269	435,771
Theatre equipment	<u>261,973</u>	<u>261,973</u>
	6,050,216	6,027,768
Less: accumulated depreciation	<u>3,613,711</u>	<u>(3,364,902)</u>
	\$ 2,436,505	\$ 2,662,866

Depreciation expense was \$248,809 and \$253,225 for 2021 and 2020, respectively.

Note 7. Endowment Funds

The Academy has a beneficial interest in two endowment funds held by CFMT. The balance of the funds consists of a combination of funds classified as without donor restrictions and with donor restrictions. Earnings on these funds are used to support professional theatre for young audiences in the Middle Tennessee area. The Academy has granted variance power to CFMT, and CFMT has the ultimate authority and control over the funds. The funds are charged a 0.4% administrative fee annually. Upon request by the Academy, income from the funds representing up to a 5% annual return may be distributed to the Academy or to another suggested beneficiary. A portion of the funds will not be available for any distribution until 2024 as requested by the donor.

A schedule of changes in the Academy's beneficial interest in these funds follows for the years ended June 30:

	Unrestricted designated	Time/use restricted	Permanently restricted	Total
June 30, 2019	\$ 157,876	\$ 311	\$ 154,099	\$ 312,286
Change in value				
Contributions	5,229	892	4,184	10,305
Investment gain	(1,047)	(179)	(1,588)	(2,814)
Fees	(346)	346	-	-
Appropriations	<u>(8,030)</u>	<u>(1,370)</u>	<u>-</u>	<u>(9,400)</u>
June 30, 2020	153,682	-	156,695	310,377
Change in value				
Investment gain	36,608	6,247	46,847	89,702
Fees	(999)	(170)	(1,897)	(3,066)
Appropriations	<u>(8,030)</u>	<u>(1,370)</u>	<u>-</u>	<u>(9,400)</u>
June 30, 2021	\$ 181,261	\$ 4,707	\$ 201,645	\$ 387,613

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 8. Notes Payable

Notes payable consist of the following as of June 30:

	2021	2020
Note payable to Pinnacle Bank that was converted from an unsecured line of credit. The note calls for monthly principal payments of \$1,500 plus interest until June 30, 2022, at which time the remaining outstanding balance is due. Interest on outstanding borrowings is payable at the bank's variable base rate (4.00% at June 30, 2021). The note is secured by the Academy's contributions receivable.	\$ 224,354	\$ 339,581
US Small Business Administration Economic Injury Disaster Loan. The loan calls for monthly payments of principal and interest of \$641, beginning on May 21, 2022, calculated at a 2.75% interest rate. All outstanding principal and interest is due on May 21, 2050.	150,000	150,000
Interest-free note payable to an officer of the Academy. Note paid-off during 2021.	-	15,000
Total notes payable	\$ 374,354	\$ 504,581

Annual principal maturities of notes payable are as follows:

Year ended June 30,	
2022	\$ 224,949
2023	3,629
2024	3,730
2025	3,834
2026	3,941
Thereafter	134,271
Total	\$ 374,354

Note 9. PPP Loan

On July 23, 2020, the Academy received a loan in the amount of \$231,100 in accordance with the PPP section of the CARES Act. A second draw was made on March 24, 2021 for \$238,342. The Academy elected to treat the PPP loan as a contribution in the financial statements. On June 23, 2021 and October 5, 2021, the Academy was notified that the first and second draws, respectively had been forgiven.

**Nashville Academy Theatre and
Nashville Children's Theatre Association**
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 10. Leasing Arrangements

The land and building occupied by the Academy are leased through the year 2023 from the Metropolitan Government of Nashville and Davidson County (Lessor) for one dollar per year. The lease includes three five-year extension terms. The lease contains a cancellation provision should the Lessor decide to use the premises for a governmental purpose. The Academy would have no less than one calendar year's notice for cancellation. Additional time would be granted in excess of the year to allow the Academy to locate suitable, alternative space as long as the Academy is using good faith efforts to locate such space. Should the Lessor exercise the cancellation provision, the Academy would be reimbursed the unamortized portion of the capital improvements that have been amortized over the term of the lease. As described in note 12, the Lessor also provides an in-kind donation for utilities. A contribution receivable and corresponding donor-restricted revenues for the fair rental value of the facilities use have been recognized each year for the ensuing one-year period.

The Academy has entered into leases for office equipment and ticket management software. A schedule of future minimum lease payments under these operating leases are as follows for the years ended June 30:

Year ended June 30,	Annual lease payments
2022	\$ 15,167
2023	<u>6,620</u>
Total	\$ 21,787

Rental expense for this office equipment was \$15,167 for the years ended June 30, 2021 and 2020.

Note 11. Net Assets

Net assets without donor restrictions are available for the Academy's various programs and administration. Within net assets without donor restrictions, the Academy has designated funds for an endowment (see note 7). Net assets with donor restrictions are restricted for certain programs or projects.

Net assets consist of the following at June 30:

	2021	2020
Net assets without donor restrictions		
Undesignated net assets without donor restrictions	\$ 2,513,741	\$ 2,076,587
Designated net assets in beneficial interest held by others	<u>181,261</u>	<u>153,682</u>
	2,695,002	2,230,269
Net assets with donor restrictions		
Time restricted pledges and grants	14,935	22,193
Facilities use	120,000	74,333
Permanently restricted assets in beneficial interest held by others	<u>201,646</u>	<u>156,695</u>
	<u>336,581</u>	<u>253,221</u>
	\$ 3,031,583	\$ 2,483,490

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Note 12. In-kind Contributions

The following in-kind contributions have been included in revenues and expenses in the financial statements for the years ended June 30:

	2021	2020
Included in unrestricted contributions		
Utilities	\$ 60,000	\$ 60,000
Venue and tent for production	13,077	-
Supplies for special event	1,290	-
Advertising	<u>-</u>	<u>7,200</u>
	74,367	67,200
Included in restricted contributions		
Rent	<u>120,000</u>	<u>74,333</u>
	\$ 194,367	\$ 141,533

Note 13. Related Parties

During the year ended June 30, 2021, the Academy paid \$21,380 to a company owned by one of the members of the board of director for certain production services.

Note 14. Pension Benefits

The Academy sponsors a Simplified Employee Pension Plan under IRC §403(b). The plan allows all employees over the age of 21 to participate. The Academy makes discretionary contributions based on a uniform contribution allocation formula. Participant salary reduction contributions are not permitted by the plan; however, participants may make self-directed contributions to their account. The amount of the Academy's contributions to a participant's account for any plan year may not exceed the lesser of 15% of the participant's salary or \$35,000. No contributions to this plan were made for the year ended June 30, 2021. Total contributions to the plan were \$1,176 for the year ended June 30, 2020.

The Academy also makes pension payments on behalf equity actors to various artist unions and leagues. The amount of the Academy contributions to these organizations totaled \$2,435 and \$13,024 for the years ended June 30, 2021 and 2020, respectively.

Note 15. Concentrations

Of the Academy's total revenues and support for 2021 and 2020, approximately 57% and 27%, respectively, represent funds received from grants and in-kind contributions from local and federal governments. No other revenues and support source represents 10% or more of total revenues and support.

The Academy has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$136,000 at June 30, 2021. The Academy maintains its cash with a high-quality financial institution which the Church believes limits these risks.

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Note 16. Contingencies

The Academy receives support from state and local governments. In the event of a significant reduction in the level of this support, the Academy's programs and activities could be affected. In addition, funding received by the Academy from governmental agencies is subject to audit and retroactive adjustment. In management's opinion, no provision for audit or retroactive adjustment is considered necessary.

Note 17. Subsequent Events

Management has evaluated subsequent events through January 22, 2022, the date on which the financial statements were available for issuance.

On July 6, 2021, the Academy was awarded a shuttered venue operators grant of \$319,627 from the US Small Business Administration.