TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION, TENNESSEE REPERTORY THEATRE, INC. AND TENNESSEE PERFORMING ARTS FOUNDATION

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NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2005

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION, TENNESSEE REPERTORY THEATRE, INC. AND TENNESSEE PERFORMING ARTS FOUNDATION

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2005

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Tennessee Performing Arts Center Management Corporation, Tennessee Repertory Theatre, Inc., and Tennessee Performing Arts Foundation
Nashville, Tennessee

We have audited the accompanying consolidated statements of financial position of the Tennessee Performing Arts Center Management Corporation, Tennessee Repertory Theatre, Inc., and Tennessee Performing Arts Foundation (collectively, the "Organization") as of June 30, 2005 and 2004, the related consolidated statement of activities for the year ended June 30, 2005, and the consolidated statements of cash flows for the years ended June 30, 2005 and 2004. 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 audits. The prior year summarized comparative information in the consolidated statement of activities has been derived from the Organization's June 30, 2004 consolidated financial statements and, in our report dated November 19, 2004, we expressed an unqualified opinion on those statements.

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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Tennessee Performing Arts Center Management Corporation, Tennessee Repertory Theatre, Inc., and Tennessee Performing Arts Foundation as of June 30, 2005 and 2004, the consolidated changes in their net assets for the year ended June 30, 2005, and their consolidated cash flows for the years ended June 30, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying additional information on pages 20 through 23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KraftCPAs PLLC

Nashville, Tennessee
October 5, 2005

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TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION, TENNESSEE REPERTORY THEATRE, INC. AND TENNESSEE PERFORMING ARTS FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
Cash and cash equivalents	$ 1,497,719	$ 1,218,442
Receivables:		
Accounts	368,089	264,845
Contributions, net of allowance - Note 2	253,027	367,737
Interest and dividends	57,417	69,460
Prepaid expenses and inventory	207,524	121,013
Investments - Note 3	18,258,160	18,544,000
Other assets - Note 7	-	352,083
Property and equipment, less accumulated depreciation - Note 4	5,231,944	5,584,859
TOTAL ASSETS	$ 25,873,880	$ 26,522,439
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 754,187	$ 1,155,777
Advance ticket sales	1,643,617	1,946,006
Deposits	33,218	15,663
Interest rate swap liability - Note 5	2,567	19,923
Obligation under line of credit - Note 5	-	500,000
Note payable - Note 5	2,487,952	2,349,398
TOTAL LIABILITIES	4,921,541	5,986,767
COMMITMENTS AND CONTINGENCIES - Note 10		
NET ASSETS		
Unrestricted:		
Invested in property and equipment, net of related debt	3,243,992	3,235,461
Board-designated endowment	18,393,517	17,935,191
Undesignated (deficit)	(940,876)	(971,691)
Total unrestricted	20,696,633	20,198,961
Temporarily restricted	255,706	336,711
TOTAL NET ASSETS	20,952,339	20,535,672
TOTAL LIABILITIES AND NET ASSETS	$ 25,873,880	$ 26,522,439

See accompanying notes to consolidated financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION,
TENNESSEE REPERTORY THEATRE, INC.
AND
TENNESSEE PERFORMING ARTS FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005, WITH COMPARATIVE TOTALS FOR 2004

	Unrestricted	Temporarily Restricted	Totals 2005	Totals 2004
OPERATING REVENUE				
Ticket sales	$ 5,848,944	$ -	$ 5,848,944	$ 5,676,838
Rental income	442,921	-	442,921	405,026
Salary and wage reimbursements	505,775	-	505,775	481,569
Other reimbursements	144,709	-	144,709	173,229
Concession sales	238,545	-	238,545	246,474
Ticketing service charges and fees	962,658	-	962,658	961,432
Consulting income	120,213	-	120,213	50,000
Sponsorships	355,671	-	355,671	192,598
Other income	183,213	-	183,213	163,019
TOTAL OPERATING REVENUE	8,802,649	-	8,802,649	8,350,185
COSTS AND EXPENSES				
Programming and production	5,168,454	-	5,168,454	5,586,722
Concessions	218,088	-	218,088	226,103
Operations	1,433,561	-	1,433,561	1,352,091
Marketing	520,011	-	520,011	766,123
Box office	647,027	-	647,027	701,754
Event services	495,214	-	495,214	555,441
TOTAL COSTS AND EXPENSES	8,482,355	-	8,482,355	9,188,234
INCOME (LOSS) FROM OPERATIONS	320,294	-	320,294	(838,049)
PUBLIC SUPPORT AND OTHER REVENUES				
Contributions	1,658,129	232,716	1,890,845	1,994,563
Grants	420,211	-	420,211	651,912
Investment income	1,614,344	-	1,614,344	2,938,961
Loss on disposal of equipment	(3,594)	-	(3,594)	(1,448)
Net assets released from restrictions	313,721	(313,721)	-	-
	4,002,811	(81,005)	3,921,806	5,583,988
Less: Investment management fees	(111,387)	-	(111,387)	(106,484)
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	3,891,424	(81,005)	3,810,419	5,477,504
FUNCTIONAL EXPENSES				
Program services:				
Educational programs	653,541	-	653,541	966,322
Supporting services:				
Management and general	2,400,448	-	2,400,448	1,738,965
Fundraising	660,057	-	660,057	947,911
Total Supporting Services	3,060,505	-	3,060,505	2,686,876
TOTAL FUNCTIONAL EXPENSES	3,714,046	-	3,714,046	3,653,198
CHANGE IN NET ASSETS	497,672	(81,005)	416,667	986,257
NET ASSETS - BEGINNING OF YEAR	20,198,961	336,711	20,535,672	19,549,415
NET ASSETS - END OF YEAR	$ 20,696,633	$ 255,706	$ 20,952,339	$ 20,535,672

See accompanying notes to consolidated financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION,
TENNESSEE REPERTORY THEATRE, INC.
AND
TENNESSEE PERFORMING ARTS FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
OPERATING ACTIVITIES		
Change in net assets	$ 416,667	$ 986,257
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	389,811	342,357
Gain on investments and other assets	(1,150,413)	(2,476,561)
Loss on disposal of equipment	3,594	1,448
Investments distributed as additional compensation under deferred compensation plan - Note 7	239,422	-
Gain on derivative financial instrument	(17,356)	(63,995)
(Increase) decrease in:		
Accounts receivable	(103,244)	36,006
Contributions receivable	114,710	(18,254)
Interest and dividends receivable	12,043	(3,767)
Prepaid expenses and inventory	(86,511)	76,529
Increase (decrease) in:		
Accounts payable and accrued expenses	(162,168)	226,637
Advance ticket sales	(302,389)	(210,754)
Deposits	17,555	1,979
TOTAL ADJUSTMENTS	(1,044,946)	(2,088,375)
NET CASH USED IN OPERATING ACTIVITIES	(628,279)	(1,102,118)
INVESTING ACTIVITIES		
Purchases of equipment and renovation payments	(40,490)	(1,250,732)
Purchases of investments	(7,159,760)	(12,248,072)
Proceeds from sale of investments and other assets	8,569,252	14,570,841
Purchase of other assets	(100,000)	(90,000)
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,269,002	982,037
FINANCING ACTIVITIES		
Payment of prior year accounts payable for construction in progress	-	(581,442)
Repayment of note payable	(361,446)	(150,602)
Proceeds from borrowings under line-of-credit	-	500,000
NET CASH USED IN FINANCING ACTIVITIES	(361,446)	(232,044)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	279,277	(352,125)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,218,442	1,570,567
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,497,719	$ 1,218,442
OTHER CASH FLOW DISCLOSURES:		
Interest expense paid during the year (net of $21,258 capitalized in 2004)	$ 88,795	$ 63,748
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Investments distributed in settlement of deferred compensation liability	$ 239,422	$ -

See accompanying notes to consolidated financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION,
TENNESSEE REPERTORY THEATRE, INC.
AND
TENNESSEE PERFORMING ARTS FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Tennessee Performing Arts Center Management Corporation (the "Corporation"), a not-for-profit organization, was formed in November 1977. The Corporation entered into an agreement (the "Agreement") with the State of Tennessee (the "State") and the Tennessee Performing Arts Foundation (the "Foundation") in March 1978 (amended in February 1999). The initial Agreement established the Corporation principally for the purpose of presenting quality arts entertainment and education to the residents of Tennessee through the operation of the Tennessee Performing Arts Center (the "Center" or "TPAC"). The Corporation administers the Center that is located in the James K. Polk State Office Building, Nashville, Tennessee. The State is responsible for utilities, security services, major repairs, structural elements, fixtures, and the major elements of the sound, lighting, and stage rigging in each of the Center's theatres. The Corporation shall have administrative control over the operations and functions of the area designated as the Center. The Foundation is responsible for management of a Board-designated endowment fund that was established to support the operations of the Corporation. Foundation assets are used solely to support the operations of the Corporation.

Effective January 1, 2000, the operations of Nashville Institute for the Arts (the "Institute") were merged with the Corporation. The Institute continues to exist as a separate legal entity but does not have any net assets or operations. Effective July 1, 2002, the Corporation assumed control of the board of the Tennessee Repertory Theatre, Inc. (the "Rep") pursuant to an agreement for consolidation ratified by the Rep's board of directors on December 20, 2001. All of the Rep's administrative functions were absorbed into the Corporation. The Rep has continued to operate under its own name and maintain its status as a not-for-profit corporation for fundraising purposes. The Rep is the theater in residence at the Tennessee Performing Arts Center and is a professional Actor's Equity Troupe in Middle Tennessee. Subsequent to June 30, 2005, the Rep was spun out of the Corporation (see Note 11).

Basis of Presentation

The consolidated financial statements include the accounts of the Corporation, the Rep, and the Foundation (collectively, the "Organization") and have been prepared on the accrual basis of accounting. All significant transactions and balances between and among the entities (including $955,050 distributed by the Foundation to the Corporation in 2005; $996,468 in 2004) have been eliminated in consolidation.

Financial statement presentation follows the accounting and reporting standards established by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the assets, liabilities and net assets of the Organization are reported as follows:

- Unrestricted - includes unrestricted resources and represents expendable funds available for support of the Organization's operations.

- Temporarily restricted - includes gifts from contributions restricted for specific programs or time periods.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily restricted net assets consist of the following at June 30:

	2005	2004
'Ticket to Greatness' and 'Now and Always' current contributions receivable	$ -	$ 11,500
Contributions receivable for education program	24,745	47,990
Annual fund pledges receivable	198,461	253,771
Contributions received for future years programming	32,500	23,450
	$ 255,706	$ 336,711

- Permanently restricted - includes gifts which contain provisions requiring in perpetuity that the principal be invested and the income or specific portions thereof be used for the Organization's operations. There are no permanently restricted net assets at June 30, 2005 and 2004.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

The Organization also receives grant revenue from various state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

The Organization reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalized Interest

Interest on outstanding borrowings is capitalized as part of the construction cost of the new improvements over the period of time necessary to prepare such asset for its intended use.

Donated Materials, Facilities, and Services

Significant services, materials and facilities are donated to the Organization by various individuals and organizations. Donated materials and performance facilities, which amounted to $236,970 in 2005 ($161,410 in 2004), are recorded at fair market value at the date of donation, and have been included in revenue and expenses. The Organization has an agreement with the State of Tennessee, under which the State provides theatres and support spaces to the Organization, and the Organization provides the people of the State of Tennessee enhanced cultural, theatrical and educational opportunities. The space provided by the State includes performances halls, all backstage areas, dressing rooms, rehearsal and shop spaces, box office and administrative areas. In addition, the State is responsible for the supply and purchase of utilities, security services, and major repairs related to the space. The State also provides janitorial services for the common or public areas, with the Organization responsible for all janitorial services within the theatres and support spaces not designated as common or public areas.

Advance Ticket Sales

Ticket sales received prior to the fiscal year to which they apply are reported as advance ticket sales (deferred revenue). Such revenue is recognized and reported in the statement of activities in the year the production is performed.

Accounting for Derivatives

The Corporation utilizes a derivative financial instrument to manage its interest rate exposure by reducing the impact of fluctuating interest rates on its debt service requirements. Derivatives are recognized as either assets or liabilities in the statement of financial position at fair value. Changes in the fair value of derivatives are recognized currently in the statement of activities as a gain or loss on hedging activities.

Income Taxes

The Corporation, the Rep, and the Foundation qualify as not-for-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

Cash equivalents include demand deposits with banks, money market funds and time deposits with original maturities when purchased of three months or less.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends.

Prepaid Expenses and Inventory

Prepaid expenses and inventory consist of certain marketing and promotional costs and concessions supplies pertaining to the following theater season that are paid for in advance and recognized in the following fiscal year.

Investments

Investments consist of certificates of deposit, stocks, bonds, mutual funds, and partnership interests, and are carried at the quoted fair market value on the last business day of the reporting period. The changes in unrealized gains and losses are recognized in the statement of activities for the year.

Property and Equipment and Depreciation

Improvements, equipment and furniture are recorded at cost, when purchased, or at fair market value, when gifted to the Organization. Depreciation is calculated by the straight-line method to allocate the cost of depreciable assets, as so determined, to operations over estimated useful lives of three to seven years for computers, equipment and furniture, thirty years for lobby improvements, and ten years for other improvements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting Services

Management and general - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of Estimates in the Preparation of Financial Statements

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 that affect 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.

Reclassifications

Certain reclassifications have been made to prior year amounts to be comparative with the current year presentation. An additional consolidating entry has been made to fiscal year 2004 to eliminate certain inter-entity income and expense that was previously not eliminated in consolidation. The effect of the reclassification was to decrease other income by $193,684, decrease educational programs expense by $147,500, and decrease fundraising expense by $46,184. Another reclassification was made to move prior year depreciation and interest expense, totaling $171,943, relating to the lobby improvements, from general and administrative to operations. These reclassifications had no net effect on the change in net assets for the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services - Functional Allocation

The following program and supporting services are included in the accompanying financial statements:

Program Services

The Tennessee Performing Arts Center's Education Programs encompass four program areas; each provides educational service to the community and access to the performing arts events at TPAC.

During the 2005 fiscal year, Humanities Outreach in Tennessee (HOT) presented 45 professional performances of theater, dance and music for student audiences at TPAC in addition to one in-school tour. Subsidized tickets, travel grants and classroom materials were provided to ensure that each student could have access to diverse cultural and educational programs. HOT also provided In-School student workshops, audience discussions, and workshops for teachers which addressed the educational content of each performance. In the 2004-2005 academic year, 33,479 students and teachers from 443 schools attended HOT Season for Young People performances.

ArtSmart is a classroom-based instruction program that accompanies the HOT Season for Young People. Through ArtSmart, students arrive at the theatre with an expanded capacity to engage with the performance they are about to see. Specialized training enables educators and Teaching Artists to guide arts-based instruction that challenge young people to imagine, to practice and to reflect. 4,500 students and teachers participated in ArtSmart in 2004-2005. All participants in Davidson County received ArtSmart education services at no charge.

TPAC's Wolf Trap Early Learning through the Arts program brings arts-based classroom residencies to preschools and Head Start Centers. Teaching Artists and teachers use arts instruction to target early childhood developmental goals and help children learn. 730 children and teachers participated in Wolf Trap in 2004-2005 at no charge.

InsideOut is for adults who want to grow in their knowledge and enjoyment of the performing arts. The program offers a series of lunch seminars, performance excerpts, discussions, workshops and sneak previews behind the scenes. 2,695 individuals participated during the year at no charge.

NOTE 3 - INVESTMENTS (CONTINUED)

Investment income consisted of the following for the years ended June 30:

	2005	2004
Realized gains - net	$ 778,737	$ 1,564,352
Unrealized gains - net	371,676	912,209
Dividends and interest income	463,931	462,400
	$ 1,614,344	$ 2,938,961

NOTE 4 - PROPERTY AND EQUIPMENT

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

	2005	2004
Lobby improvements	$ 4,868,776	$ 4,868,776
Other improvements	976,614	995,278
Computers	515,365	572,260
Furniture and fixtures	331,043	333,402
Equipment	546,820	586,353
	7,238,618	7,356,069
Less accumulated depreciation	(2,006,674)	(1,771,210)
	$ 5,231,944	$ 5,584,859

Total depreciation expense for 2005 amounted to $389,811 (2004 - $342,357). Property and equipment include fully depreciated items amounting to approximately $795,000 as of June 30, 2005 ($771,000 as of June 30, 2004).

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30:

	2005	2004
Unrestricted	$ 37,305	$ 74,549
Temporarily restricted:		
Less than one year	198,461	288,271
One to three years	25,000	27,000
	223,461	315,271
Less discount to net present value	(255)	(2,010)
Total temporarily restricted	223,206	313,261
Less allowance for uncollectible pledges	(7,484)	(20,073)
Total	$ 253,027	$ 367,737

NOTE 3 - INVESTMENTS

Investments consisted of the following as of June 30:

	2005	2004
Bonds:		
Corporate	$ 2,972,472	$ 4,254,646
Government	1,938,112	1,043,919
Foreign	-	122,271
Stocks	10,644,322	10,272,458
Mutual funds	2,196,830	2,247,717
Short-term investments	493,370	572,483
Limited partnerships	-	17,452
Certificate of deposit	13,054	13,054
	$ 18,258,160	$ 18,544,000

NOTE 5 - DEBT (CONTINUED)

At June 30, 2004, the Corporation also had a $500,000 operating line of credit with the bank. The line was evidenced by a promissory note which bore interest, payable monthly, on the amount borrowed at a variable interest rate based on the 30-day LIBOR fixed rate plus .6%. (1.99% at June 30, 2004). The line of credit matured January 31, 2005, at which time the Corporation converted the outstanding balance under the line to a term note. (See above.)

A schedule of annual principal maturities of notes payable as of June 30, 2005, follows:

For the year ending June 30,	
2006	$ 444,779
2007	452,355
2008	452,355
2009	452,355
2010	452,355
Thereafter	233,753
	$ 2,487,952

Total interest expense recognized by the Organization for the year ended June 30, 2005, was $88,795 ($63,748 in 2004). Interest in the amount of $21,258 was capitalized as part of the cost of construction for the year ended June 30, 2004 (no interest was capitalized for the year ended June 30, 2005). Interest cost that is not capitalized is reported under operations.

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, various grants, accounts receivable and investments. Contributions receivable consist of individual and corporate contribution pledges which are widely dispersed to mitigate credit risk. Grant receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources.

NOTE 5 - DEBT

Debt obligations consisted of the following as of June 30:

	2005	2004
Notes payable		
$2,500,000 note payable to Bank of America for renovation to the theater lobby area. Monthly payments of interest only were required through January 1, 2004. Beginning February 1, 2004, monthly principal payments of $30,120 plus accrued interest are required. All unpaid principal and interest are due December 1, 2010. Interest is charged at a variable rate based on the 30-day LIBOR fixed rate plus .6% (3.86% at June 30, 2005; 1.99% at June 30, 2004).	$ 1,987,952	$ 2,349,398
$500,000 note payable to Bank of America dated April 21, 2005. Monthly payments of interest only were required through July 2005. Beginning August 1, 2005, monthly principal payments of $7,576 plus accrued interest are required. All unpaid principal and interest are due on December 30, 2010. Interest is charged at a variable rate based on the LIBOR rate plus 1.3% (3.87% at June 30, 2005).	500,000	-
	$ 2,487,952	$ 2,349,398

In connection with the lobby renovation note payable, the Corporation entered into an interest rate swap agreement to lessen interest rate exposure. The agreement creates a minimum LIBOR rate of 2.9% and a maximum of 7.9%. Therefore, the effective rate will float, to the extent LIBOR resets itself, between 3.5% and 8.5%. The interest rate swap is applicable to an original notional amount of $2,500,000 at February 1, 2003, which reduces by a monthly amount of $30,120 through February 1, 2010. A liability equal to the fair value of the swap agreement has been recognized in the statement of financial position ($2,567 at June 30, 2005; $19,923 at June 30, 2004), and the related gain on hedging activity, which amounted to $17,356 for the year ended June 30, 2005 ($63,995 loss for the year ended June 30, 2004), is recognized in the cost of operations.

NOTE 7 - EMPLOYEE BENEFIT PLANS (CONTINUED)

Deferred Compensation Plan

The Corporation had a deferred compensation agreement with its former President/CEO and established a "rabbi trust" for the purpose of accumulating funds applicable thereto. Contributions to the trust by the Corporation were $100,000 in 2005, and $90,000 in 2004. The President/CEO had the option to purchase any part or all of the trust assets for 50% of their fair market value at any time during the period February 1, 2005 through January 31, 2011. During 2005, the President/CEO resigned and, as part of the separation agreement, the purchase option was revised to allow the President/CEO to purchase the trust assets for $1. In May 2005, the option was exercised to acquire all of the assets in the trust. The resulting compensation recognized in 2005, pursuant to the revised separation agreement amounted to $239,422, which is included in management and general expense. Trust assets had a fair market value at June 30, 2004 of $352,083, and were reported as other assets on the Statement of Financial Position. The related liability, in the amount of 50% of trust assets, was included in accounts payable and accrued expenses. Unrealized investment gains on trust assets amounted to $26,762 in 2005 ($33,982 unrealized gain in 2004).

NOTE 8 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

During 1996, Dr. and Mrs. Thomas Frist established three donor-designated endowment funds with the Community Foundation of Middle Tennessee for the benefit of the Tennessee Performing Arts Center, Tennessee Repertory Theatre, and the Nashville Institute for the Arts, respectively. Another donor designated endowment fund was established with the Community Foundation of Middle Tennessee by Martha Ingram for the benefit of the Tennessee Repertory Theatre. The Community Foundation of Middle Tennessee has the ultimate authority and control over these Funds and, therefore, these investments are not included in the financial statements of the Organization. Income distributed to the respective beneficiaries of these funds is recognized by the Organization in the year received. There were distributions to the Tennessee Repertory Theatre of approximately $47,000 during the year ended June 30, 2005 (approximately $42,000 during the year ended June 30, 2004). Total assets held in these funds amounted to $1,092,000 and $1,061,000 at June 30, 2005 and 2004, respectively.

NOTE 6 - CONCENTRATIONS OF CREDIT RISK (CONTINUED)

The Organization maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $100,000. The bank balances at June 30, 2005, exceeded the FDIC amounts by approximately $1,289,000 ($775,000 at June 30, 2004).

For the year ended June 30, 2004, combined grants from one source amounted to $426,000, or 16% of total contribution and grant revenues. For the year ended June 30, 2005, there were no concentrations of contributions or grant revenues from one particular source.

Investments are subject to market risk, the risk inherent in a fluctuating market. Broker/dealers that are custodians of the Organization's securities are covered by the Securities Investor Protection Corporation (SIPC), which provides limited protection to investors. SIPC coverage is limited to specified investor-owned securities (notes, bonds, mutual funds, investment company securities and registered securities) held by an insolvent SIPC member at the time a supervising trustee is appointed. Coverage is limited to $500,000, including up to $100,000 in cash held for the purpose of securities transactions, and not for the purpose of earning interest. In certain cases, unauthorized trades are covered. SIPC does not cover market risk. At June 30, 2005 and 2004, the Organization had investments in securities with two brokers. In total, the investment balance at June 30, 2005, exceeded SIPC limits by $15,211,000 ($16,402,000 at June 30, 2004).

NOTE 7 - EMPLOYEE BENEFIT PLANS

Defined Benefit Plan

The Corporation sponsors the Tennessee Performing Arts Center Defined Contribution Retirement Plan (the "Plan") under Section 403(b) of the Internal Revenue Code. All full-time employees of the Corporation and the Rep are eligible to participate upon reaching age 19 and completing 90 days of qualified service, as defined in the Plan. Eligible employees may elect to defer a portion of their compensation through the Plan, not to exceed the allowable amount under Section 403(b). The Corporation's contributions to the Plan are at the discretion of the board of directors with no minimum contributions guaranteed. The Corporation made contributions to the Plan of approximately $157,000 and $160,000 for the years ended June 30, 2005 and 2004, respectively.

NOTE 11 - SPIN-OUT OF THE TENNESSEE REPERTORY THEATRE

During 2005, an agreement was entered into by the Operating Board of the Rep and the Tennessee Performing Arts Center Management Corporation whereby the Operating Board of the Rep agreed to assume responsibility for the operation of the Rep and relieved the Corporation from its responsibility to continue operating and subsidizing the Rep's activities as of July 1, 2005. From that date forward, the Rep will no longer be consolidated as part of the Organization. In the agreement and related addendum, the Corporation agreed to release the Rep from any financial obligation resulting from cash advances from TPAC to fund the Rep's operating deficits incurred from July 1, 2002 through June 30, 2005, while under the Corporation's financial responsibility. In addition, the addendum assigned specific assets and liabilities, principally related to the 2005-06 season, to be transferred to the Rep, effective July 1, 2005. This resulted in a $1,374,634 spin-out subsidy from the Corporation to the Rep on June 30, 2005 (eliminated in consolidation in current year).

On July 1, 2005, the Corporation transferred the following assets and liabilities to the Rep in connection with the Separation Agreement:

ASSETS		
Cash	$	14,043
Accounts receivable		196,033
Contributions receivable		24,410
Prepaid expenses		45,716
Property and equipment, net		3,201
TOTAL ASSETS TRANSFERRED		283,403
LIABILITIES		
Accounts payable and accrued expenses		35,149
Advance ticket sales		147,505
TOTAL LIABILITIES ASSUMED		182,654
NET ASSETS SPUN OUT TO REP AS SEPARATE ENTITY	$	100,749

NOTE 9 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2005, the Organization purchased approximately $24,000 in inventory from a board member's company ($19,000 in 2004), and paid $73,000 in rent expense for office space leased from a board member's company ($70,000 in 2004). In addition, one board member is employed by the Organization's principal lender.

Donated materials, facilities and services disclosed in Note 1 include in-kind contributions by Board members in 2005, as follows: approximately $2,150 for storage space ($8,000 in 2004), and $13,000 for food and beverages ($4,000 in 2004).

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Organization leases some of its office and warehouse space under non-cancelable operating leases with monthly rental expense of approximately $5,900 (monthly rental expenses ranged from $221 to $5,877 in 2004).

As of June 30, 2005, aggregate future minimum lease commitments for office and warehouse space and various office equipment are as follows:

For the year ending June 30,	Office and Warehouse space	Equipment	Total
2006	$ 79,525	$ 17,880	$ 97,405
2007	66,758	2,652	69,410
2008	11,126	2,652	13,778
2009	-	2,652	2,652
2010	-	1,989	1,989
	$ 157,409	$ 27,825	$ 185,234

Total rental expense incurred under all such agreements for the year ended June 30, 2005, amounted to approximately $168,000 ($166,000 in 2004).

ADDITIONAL INFORMATION

NOTE 11 - SPIN-OUT OF THE TENNESSEE REPERTORY THEATRE (CONTINUED)

A condensed presentation of the Rep's statement of activities for the year ended June 30, 2005, follows:

Operating revenue	$	776,554
Costs and expenses		(865,959)
Loss from operations		(89,405)
Public support and other revenues		816,461
Supporting services		(931,887)
Change in net assets	$	(204,831)

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION,
TENNESSEE REPERTORY THEATRE, INC.
AND
TENNESSEE PERFORMING ARTS FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES (TOTALS ONLY)

FOR THE YEAR ENDED JUNE 30, 2005, WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2004

	TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION	TENNESSEE REPERTORY THEATRE, INC.	TENNESSEE PERFORMING ARTS FOUNDATION	CONSOLIDATING ENTRIES	CONSOLIDATED TOTALS 2005	2004
OPERATING REVENUE						
Ticket sales	$ 5,381,505	$ 467,439	$ -	$ -	$ 5,848,944	$ 5,676,838
Rental income	498,196	-	-	(55,275)	442,921	405,026
Salary and wage reimbursements	706,984	-	-	(201,209)	505,775	481,569
Other reimbursements	167,812	-	-	(23,103)	144,709	173,229
Concession sales	238,803	-	-	(258)	238,545	246,474
Ticketing service charges and fees	964,021	18,944	-	(20,307)	962,658	961,432
Consulting income	120,213	-	-	-	120,213	50,000
Sponsorships	190,671	165,000	-	-	355,671	192,598
Other income	173,129	125,171	4,696	(119,783)	183,213	163,019
TOTAL OPERATING REVENUE	8,441,334	776,554	4,696	(419,935)	8,802,649	8,350,185
COSTS AND EXPENSES						
Programming and production	4,509,140	865,959	-	(206,645)	5,168,454	5,586,722
Concessions	217,871	-	-	217	218,088	226,103
Operations	1,433,561	-	-	-	1,433,561	1,352,091
Marketing	520,011	-	-	-	520,011	766,123
Box office	644,374	-	-	2,653	647,027	701,754
Event services	495,212	-	-	2	495,214	555,441
TOTAL COSTS AND EXPENSES	7,820,169	865,959	-	(203,773)	8,482,355	9,188,234
INCOME (LOSS) FROM OPERATIONS	621,165	(89,405)	4,696	(216,162)	320,294	(838,049)
PUBLIC SUPPORT AND OTHER REVENUES						
Contributions	1,288,406	657,121	10,931	(65,613)	1,890,845	1,994,563
Grants	327,540	92,671	-	-	420,211	651,912
Income from Foundation	955,050	-	-	(955,050)	-	-
Loss on disposal of equipment	(3,035)	(559)	-	-	(3,594)	(1,448)
Investment income	28,663	67,228	1,518,453	-	1,614,344	2,938,961
	2,596,624	816,461	1,529,384	(1,020,663)	3,921,806	5,583,988
Less: Investment management fees	-	-	(111,387)	-	(111,387)	(106,484)
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	2,596,624	816,461	1,417,997	(1,020,663)	3,810,419	5,477,504
FUNCTIONAL EXPENSES						
Program services:						
Educational programs	765,203	-	-	(111,662)	653,541	966,322
Grants to Corporation	-	-	955,050	(955,050)	-	-
Total Program services	765,203	-	955,050	(1,066,712)	653,541	966,322
Supporting services:						
Management and general	1,563,744	892,887	9,317	(65,500)	2,400,448	1,738,965
Fundraising	725,670	39,000	-	(104,613)	660,057	947,911
Total Supporting services	2,289,414	931,887	9,317	(170,113)	3,060,505	2,686,876
TOTAL FUNCTIONAL EXPENSES	3,054,617	931,887	964,367	(1,236,825)	3,714,046	3,653,198
CHANGE IN NET ASSETS BEFORE SPIN-OUT SUBSIDY	163,172	(204,831)	458,326	-	416,667	986,257
Spin-out subsidy	(1,374,634)	1,374,634	-	-	-	-
CHANGE IN NET ASSETS	(1,211,462)	1,169,803	458,326		416,667	986,257
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	3,669,535	(1,069,054)	17,935,191	-	20,535,672	19,549,415
NET ASSETS - END OF YEAR	$ 2,458,073	$ 100,749	$ 18,393,517	$ -	$ 20,952,339	$ 20,535,672

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION,
TENNESSEE REPERTORY THEATRE, INC.
AND
TENNESSEE PERFORMING ARTS FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION, WITH COMPARATIVE CONSOLIDATED TOTALS FOR 2004

JUNE 30, 2005

	TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION	TENNESSEE REPERTORY THEATRE, INC.	TENNESSEE PERFORMING ARTS FOUNDATION	CONSOLIDATING ENTRIES	CONSOLIDATED TOTALS 2005	CONSOLIDATED TOTALS 2004
ASSETS						
Cash and cash equivalents	$ 1,367,881	$ 14,043	$ 115,795	$ -	$ 1,497,719	$ 1,218,442
Receivables:						
Accounts	352,611	196,033	-	(180,555)	368,089	264,845
Contributions, net of allowance	228,617	24,410	-	-	253,027	367,737
Interest and dividends	-	-	57,417	-	57,417	69,460
Prepaid expenses and inventory	161,808	45,716	-	-	207,524	121,013
Investments	10,554	-	18,247,606	-	18,258,160	18,544,000
Other assets	-	-	-	-	-	352,083
Property and equipment, less accumulated depreciation	5,228,743	3,201	-	-	5,231,944	5,584,859
TOTAL ASSETS	$ 7,350,214	$ 283,403	$ 18,420,818	$ (180,555)	$ 25,873,880	$ 26,522,439
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued expenses	$ 724,787	$ 35,149	$ 27,301	$ (33,050)	$ 754,187	$ 1,155,777
Advance ticket sales	1,643,617	147,505	-	(147,505)	1,643,617	1,946,006
Deposits	33,218	-	-	-	33,218	15,663
Interest rate swap liability	2,567	-	-	-	2,567	19,923
Obligation under line of credit	-	-	-	-	-	500,000
Note payable	2,487,952	-	-	-	2,487,952	2,349,398
TOTAL LIABILITIES	4,892,141	182,654	27,301	(180,555)	4,921,541	5,986,767
NET ASSETS						
Unrestricted						
Invested in property and equipment, net of related debt	3,240,791	3,201	-	-	3,243,992	3,235,461
Board-designated endowment for Corporation	-	-	18,393,517	-	18,393,517	17,935,191
Undesignated (deficit)	(1,015,864)	74,988	-	-	(940,876)	(971,691)
Total unrestricted	2,224,927	78,189	18,393,517	-	20,696,633	20,198,961
Temporarily restricted	233,146	22,560	-	-	255,706	336,711
TOTAL NET ASSETS	2,458,073	100,749	18,393,517	-	20,952,339	20,535,672
TOTAL LIABILITIES AND NET ASSETS	$ 7,350,214	$ 283,403	$ 18,420,818	$ (180,555)	$ 25,873,880	$ 26,522,439

TENNESSEE REPERTORY THEATRE, INC.

SCHEDULE OF COSTS AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2005, WITH COMPARATIVE TOTALS FOR 2004

	OPERATING EXPENSES	SUPPORTING SERVICES: MANAGEMENT AND GENERAL	SUPPORTING SERVICES: FUNDRAISING	SUPPORTING SERVICES: TOTAL	TOTALS 2005	TOTALS 2004
Artist fees	$ 215,185	$ -	$ -	$ -	$ 215,185	269,769
Contract labor	17,608	21,423	-	21,423	39,031	500
Marketing - programming	138,861	92	-	92	138,953	308,105
Salaries	-	390,726	-	390,726	390,726	419,967
Wages - part time	195,541	6,532	-	6,532	202,073	229,241
Employee related expenses	18,206	102,937	-	102,937	121,143	140,129
Bad debt expense	-	3,600	-	3,600	3,600	7,200
Cash (over) and short	-	-	-	-	-	436
Credit card fees	4,314	2,280	-	2,280	6,594	1,163
Custodial	17,290	3,255	-	3,255	20,545	23,960
Depreciation	-	2,671	-	2,671	2,671	9,639
Dues and subscriptions	-	6,051	-	6,051	6,051	8,418
Equipment rentals	-	1,166	-	1,166	1,166	1,144
Fees-ticketing/bank/other	26,708	3,325	-	3,325	30,033	43,149
Freight and shipping	452	101	-	101	553	4,122
Insurance	-	16,806	-	16,806	16,806	12,366
Management fee	15,000	65,500	39,000	104,500	119,500	335,736
Marketing - institution	-	400	-	400	400	5,000
Meals and entertainment	8,408	1,944	-	1,944	10,352	2,437
Miscellaneous expense	18	19,075	-	19,075	19,093	1,896
Office and computer supplies	-	3,522	-	3,522	3,522	5,245
Penalty expense	-	11,000	-	11,000	11,000	-
Postage	630	2,538	-	2,538	3,168	5,538
Printing and reproduction	-	10,139	-	10,139	10,139	7,795
Production costs	193,368	131,427	-	131,427	324,795	531,757
Professional consulting	-	46,954	-	46,954	46,954	29,891
Repairs and maintenance	-	2,311	-	2,311	2,311	3,755
Security	5,356	117	-	117	5,473	4,219
Telephone	-	10,818	-	10,818	10,818	7,435
Travel - air/hotel/auto	9,014	26,177	-	26,177	35,191	30,842
Total	$ 865,959	$ 892,887	$ 39,000	$ 931,887	$ 1,797,846	$ 2,450,854

		PROGRAM SERVICES	SUPPORTING SERVICES				
			MANAGEMENT AND			TOTALS	
EVENT SERVICES	TOTAL	EDUCATION	GENERAL	FUNDRAISING	TOTAL	2005	2004
$ -	$ 3,044,400	$ 196,506	$ -	$ 10,000	$ 10,000	$ 3,250,906	3,229,238
-	538,916	71,374	2,025	11,165	13,190	623,480	721,118
-	664,800	10,660	-	745	745	676,205	626,334
121,717	910,843	273,501	577,238	197,920	775,158	1,959,502	2,341,033
-	539,814	18,307	33,408	1,962	35,370	593,491	678,741
265,183	593,293	20,380	16,014	9,515	25,529	639,202	706,835
51,860	398,762	67,077	528,235	44,189	572,424	1,038,263	760,841
1,276	9,186	-	-	8,700	8,700	17,886	10,100
-	191	-	312	248	560	751	457
-	92,329	-	-	-	-	92,329	83,862
-	164,691	-	-	7,238	7,238	171,929	187,430
(2,400)	59,700	8,075	-	2,560	2,560	70,335	76,254
6,466	278,448	4,937	88,577	15,178	103,755	387,140	332,718
895	5,085	1,887	11,124	3,782	14,906	21,878	25,205
2,534	20,426	932	9,857	983	10,840	32,198	27,208
120	3,702	1,487	25,068	1,592	26,660	31,849	33,714
133	1,621	305	306	184	490	2,416	2,781
-	-	-	76,131	-	76,131	76,131	122,793
-	88,795	-	-	-	-	88,795	63,748
-	(17,356)	-	-	-	-	(17,356)	(63,995)
5	15,776	540	-	42,945	42,945	59,261	38,699
848	6,834	6,141	8,244	91,352	99,596	112,571	50,128
3,013	7,708	37,868	12,670	82,388	95,058	140,634	173,975
1,169	11,643	3,454	11,879	3,794	15,673	30,770	33,397
467	10,149	6,095	2,498	5,289	7,787	24,031	41,263
-	142,905	-	-	65,613	65,613	208,518	110,331
(339)	35,170	2,997	1,694	13,017	14,711	52,878	62,344
8,916	33,987	2,926	22	66,283	66,305	103,218	292,903
-	15,150	4,000	93,946	21,039	114,985	134,135	212,012
4,445	39,920	-	9,869	1,800	11,669	51,589	61,779
27,883	37,977	704	-	1,272	1,272	39,953	48,820
-	-	-	-	-	-	-	16,440
-	16,952	-	-	-	-	16,952	17,220
34	22,637	5,825	10,768	4,847	15,615	44,077	49,031
-	-	5,751	-	-	-	5,751	8,896
987	24,973	13,474	43,859	10,070	53,929	92,376	81,190
-	742	-	-	-	-	742	397
$ 495,212	$ 7,820,169	$ 765,203	$ 1,563,744	$ 725,670	$ 2,289,414	$ 10,874,786	$ 11,265,240