TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017 AND 2016

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

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JUNE 30, 2017 AND 2016

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KraftCPAs PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tennessee Performing Arts Center Management Corporation
Nashville, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Tennessee Performing Arts Center Management Corporation (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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 of 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. These 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 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.

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Performing Arts Center Management Corporation as of June 30, 2017 and 2016, 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.

REPORT ON SUPPLEMENTARY INFORMATION

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 22 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 audits 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 as a whole.

KraftCPAs PLLC

Nashville, Tennessee
November 15, 2017

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 8,350,264	$ 7,709,522
Receivables:		
Accounts	260,968	298,254
Contributions	91,813	236,880
Prepaid expenses and inventory	541,699	374,443
Other assets	677,493	49,566
Investments	280,976	206,810
Property and equipment, less accumulated depreciation	4,891,689	4,930,043
TOTAL ASSETS	$ 15,094,902	$ 13,805,518
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 1,137,196	$ 1,197,891
Advance ticket sales	4,995,899	3,165,764
Deposits and other	202,083	198,821
Capital lease obligation	261,694	312,292
Notes payable	421,561	638,697
TOTAL LIABILITIES	7,018,433	5,513,465
NET ASSETS		
Unrestricted:		
Invested in property and equipment, net of related debt	4,262,285	4,068,805
Undesignated	3,521,071	3,811,892
Total unrestricted	7,783,356	7,880,697
Temporarily restricted	293,113	411,356
TOTAL NET ASSETS	8,076,469	8,292,053
TOTAL LIABILITIES AND NET ASSETS	$ 15,094,902	$ 13,805,518

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Totals
OPERATING REVENUE			
Ticket sales	$ 8,136,401	$ -	$ 8,136,401
Rental income	694,313	-	694,313
Salary and wage reimbursements	740,157	-	740,157
Other reimbursements	443,610	-	443,610
Concession sales	1,427,968	-	1,427,968
Ticketing service charges and fees	2,788,543	-	2,788,543
Sponsorships - earned	118,929	-	118,929
Sales tax rebate	619,366	-	619,366
Other income	92,826	-	92,826
TOTAL OPERATING REVENUE	15,062,113	-	15,062,113
OPERATING COSTS AND EXPENSES			
Programming and production	7,932,262	-	7,932,262
Food and beverage	918,215	-	918,215
Operations	2,412,926	-	2,412,926
Marketing	1,441,475	-	1,441,475
Box office	1,030,461	-	1,030,461
Event services	722,686	-	722,686
TOTAL OPERATING COSTS AND EXPENSES	14,458,025	-	14,458,025
INCOME FROM OPERATIONS	604,088	-	604,088
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions	1,833,641	228,113	2,061,754
Sponsorships - philanthropic	-	65,000	65,000
Grants	715,434	-	715,434
Income from Foundation	828,002	-	828,002
Gain (loss) on investments	26,425	-	26,425
Interest income	70	-	70
Net assets released from restrictions	411,356	(411,356)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	3,814,928	(118,243)	3,696,685
FUNCTIONAL EXPENSES			
Program services:			
Educational programs	1,144,626	-	1,144,626
Supporting services:			
Management and general	2,686,735	-	2,686,735
Fundraising	684,996	-	684,996
Total supporting services	3,371,731	-	3,371,731
TOTAL FUNCTIONAL EXPENSES	4,516,357	-	4,516,357
CHANGE IN NET ASSETS	(97,341)	(118,243)	(215,584)
NET ASSETS - BEGINNING OF YEAR	7,880,697	411,356	8,292,053
NET ASSETS - END OF YEAR	$ 7,783,356	$ 293,113	$ 8,076,469

See accompanying notes to financial statements.

2016		
	Temporarily	
Unrestricted	Restricted	Totals
$ 10,195,324	$ -	$ 10,195,324
743,667	-	743,667
806,291	-	806,291
363,491	-	363,491
1,276,943	-	1,276,943
3,235,646	-	3,235,646
135,646	-	135,646
772,464	-	772,464
172,511	-	172,511
17,701,983	-	17,701,983
9,642,379	-	9,642,379
709,737	-	709,737
2,208,701	-	2,208,701
1,409,816	-	1,409,816
1,022,998	-	1,022,998
730,473	-	730,473
15,724,104	-	15,724,104
1,977,879	-	1,977,879
1,864,954	346,355	2,211,309
-	65,000	65,000
546,000	-	546,000
831,033	-	831,033
(3,060)	-	(3,060)
58	-	58
388,306	(388,306)	-
3,627,291	23,049	3,650,340
979,445	-	979,445
2,776,223	-	2,776,223
603,389	-	603,389
3,379,612	-	3,379,612
4,359,057	-	4,359,057
1,246,113	23,049	1,269,162
6,634,584	388,307	7,022,891
$ 7,880,697	$ 411,356	$ 8,292,053

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	$ (215,584)	$ 1,269,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	572,876	504,406
Loss on disposal of equipment	-	3,910
(Gain) loss on investments	(26,425)	3,060
(Increase) decrease in:		
Accounts receivable	37,286	(49,151)
Contributions receivable	145,067	(28,623)
Prepaid expenses and inventory	(167,256)	(79,230)
Other assets	(627,927)	47,286
Increase (decrease) in:		
Accounts payable and accrued expenses	(60,695)	330,205
Advance ticket sales	1,830,135	(136,173)
Deposits and other	3,262	(61,343)
TOTAL ADJUSTMENTS	1,706,323	534,347
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,490,739	1,803,509
INVESTING ACTIVITIES		
Purchases of property and equipment	(534,522)	(496,038)
Purchase of investments	(47,741)	(46,350)
NET CASH USED IN INVESTING ACTIVITIES	(582,263)	(542,388)
FINANCING ACTIVITIES		
Repayment of capital lease obligations	(50,598)	-
Repayment of notes payable	(217,136)	(200,836)
NET CASH USED IN FINANCING ACTIVITIES	(267,734)	(200,836)
INCREASE IN CASH AND CASH EQUIVALENTS	640,742	1,060,285
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,709,522	6,649,237
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 8,350,264	$ 7,709,522
OTHER CASH FLOW DISCLOSURES:		
Interest paid on capital lease	$ 13,978	$ -
Interest paid on notes payable	$ 13,754	$ 9,337
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Equipment financed by capital lease	$ -	$ 312,292
Equipment financed by note payable	$ -	$ 109,393

See accompanying notes to financial statements.

NOTE 1 - GENERAL

The Tennessee Performing Arts Center Management Corporation (the "Organization"), a not-for-profit organization, was formed in November 1977. In March 1978, the Organization entered into an agreement (the "Agreement") with the State of Tennessee (the "State") and the Tennessee Performing Arts Foundation (the "Foundation") (amended in February 1999). The initial Agreement established the Organization principally for the purpose of presenting quality arts entertainment and education to Tennessee residents through the operation of the Tennessee Performing Arts Center (the "Center" or "TPAC"). The Organization has administrative control over the operations and functions of 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 theaters.

Effective January 1, 2009, the operations of Nashville Institute for the Arts (the "Institute") were merged with the Organization. The Institute continues to exist as a separate legal entity but does not have any net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Organization on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.

- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Organization had no permanently restricted net assets as of June 30, 2017 or 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with banks except for cash and cash equivalents held in brokerage accounts, which are included in investments.

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.

An allowance for uncollectible contributions is provided based on management’s estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible. At June 30, 2017 and 2016, contributions receivable are deemed to be fully collectible by management, and no allowance for uncollectible contributions is considered necessary. All contributions receivable at June 30, 2017 and 2016 are due within one year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account Receivable

The Organization rents the use of the performance theaters and various other staff services to other organizations utilizing the theaters.

Accounts receivable are reported at gross sales price less any applicable payments or adjustments. The Organization does not charge interest on past due accounts. Accounts receivable are deemed to be fully collectible by management, and no allowance for bad debts is considered necessary at June 30, 2017 and 2016.

Prepaid Expenses and Inventory

Prepaid expenses and inventory consist primarily of certain marketing and promotional costs pertaining to the following theatre season that are paid for in advance and recognized in the following fiscal year, as well as food and beverage supplies. Marketing and promotional costs for the years ended June 30, 2017 and 2016 totaled approximately $1,810,000 and $1,824,000, respectively.

Property and Equipment and Depreciation

Property and equipment are recorded at cost at the date of purchase or estimated fair value at the date of gift to the Organization. The Organization's policy is to capitalize acquisitions with a cost of $1,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from three to seven years for computers, furniture and equipment, thirty years for lobby improvements and ten years for other improvements.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

The Organization classified its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Investments Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid securities and certain other products, such as mutual funds. If quoted market prices are not available then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified within Level 2 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at June 30, 2017 and 2016.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Donated Materials, Facilities and Services

Significant materials, facilities and services are donated to the Organization by various individuals and organizations. Donated materials, facilities and services, which amounted to $965,393 in 2017 ($1,120,231 in 2016), are recorded as revenue and expenses at their estimated fair value at the date of donation.

The Organization has an agreement with the State, under which the State provides theaters and support spaces to the Organization, and the Organization provides enhanced cultural, theatrical and educational opportunities to Tennessee residents. The space provided by the State includes performance 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 theaters and support spaces not designated as common or public areas. No amounts are recorded related to this agreement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advance Ticket Sales

Ticket sale revenues (including handling fees) 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 or the rental event occurs.

Sales Taxes Collected

Sales taxes collected and remitted to governmental authorities are excluded from sales and costs and presented on a net basis in the financial statements.

Sales Tax Rebate

In accordance with applicable State Statute, the Organization receives a rebate from the State of a portion of sales tax paid, to be used exclusively for facilities maintenance and improvements. Such rebates are recognized and reported in the statement of activities in the period applicable.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

The Organization files a U.S. federal Form 990 for organizations exempt from income tax, and U.S. federal Form 990-T for organizations exempt from income tax with unrelated business income. In addition, the Organization files an income tax return in the State of Tennessee.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provision income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

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

Program Services

TPAC maintains high standards for programming and education activities that benefit the entire community. In addition to offering a diverse season of culturally engaging performances by local and national artists, TPAC provides six distinct programs that provide extended educational services to students and TPAC audiences:

During the 2017 fiscal year, Humanities Outreach in Tennessee (HOT) presented 58 (51 during 2016) professional performances of theater, dance and music for student audiences at TPAC. 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. During the 2016-2017 academic year, 27,034 students and teachers from 245 school groups attended HOT Season for Young People performances (21,392 students and teachers from 212 school groups during the 2015-2016 academic year).

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 challenges young people to imagine, to practice, and to reflect. A total of 3,989 students and teachers participated in ArtSmart in 2016-2017 (3,764 students and teachers in 2015-2016). Thirty-four schools received ArtSmart education services at no charge in 2017 (37 schools in 2016).

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. A total of 1,394 children and teachers participated in Wolf Trap in 2016-2017 at no charge to them (1,262 children and teachers in 2016-2017).

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. A total of 3,471 individuals participated in this program during the year at no charge (3,521 individuals during 2016).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

Disney Musicals in Schools (DMIS) develops a culture of musical theatre performance in Metro Nashville elementary schools. The program introduces the collaborative art of musical theatre; strengthens arts programming, and develops partnerships among students, faculty, staff and the greater Nashville community. Participating schools receive (at no cost) a performance license to any Disney KIDS musical, ShowKit materials, including directors' guides, student scripts, accompaniment and vocal CDs and a choreography DVD, cross-curricular activities; and in-school support from teams of two TPAC teaching artists for 15 weeks. In the 2016-2017 academic year, 1,165 students and 191 educators from 23 Metro Nashville Public Schools ("MNPS") took part in the DMIS program (1,413 students and 223 educators from 23 MNPS schools took in 2015-16.)

Spotlight Awards are presented in partnership with Lipscomb University's College of Entertainment and the Arts to encourage young theatre artists in Middle Tennessee. Through the program, up to 30 applying high school musicals are evaluated by a diverse panel of adjudicators. The program culminates in May with workshops taught by industry professionals on the Lipscomb campus. That evening, exemplary work is recognized with The Spotlight Awards ceremony at TPAC, where the top contenders for "Best Show" perform and honors are presented in a variety of categories, including "Best Actor" and "Best Actress." The winners in those two categories then move on to national consideration for The Jimmy Awards in New York. In 2016-17, 30 high schools participated in the adjudication process, and 1,482 students, teachers and their guests attended the Spotlight Awards show at TPAC.

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 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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.

Recent Authoritative Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on net assets or the change in net assets as previously reported.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2017 and November 15, 2017, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - INVESTMENTS

Investments consisted of the following as of June 30:

	2017	2016
Cash and cash equivalents	$ 58,622	$ 71,968
Equity securities	198,271	120,074
Fixed income securities	24,083	14,768
	$ 280,976	$ 206,810

NOTE 4 - FAIR VALUE MEASUREMENTS

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30:

	2017			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Equity securities:				
Mid blend	$ 56,004	$ -	$ -	$ 56,004
Large blend	121,852	-	-	121,852
Diversified emerging markets	20,415	-	-	20,415
Total equity securities	198,271	-	-	198,271
Fixed income securities:				
World bond fund	24,083	-	-	24,083
Total fixed income securities	24,083	-	-	24,083
	$ 222,354	$ -	$ -	$ 222,354

	2016			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Equity securities:				
Large growth	$ 11,787	$ -	$ -	$ 11,787
Mid blend	15,693	-	-	15,693
Large blend	92,594	-	-	92,594
Total equity securities	120,074	-	-	120,074
Fixed income securities:				
World bond fund	14,768	-	-	14,768
Total fixed income securities	14,768	-	-	14,768
	$ 134,842	$ -	$ -	$ 134,842

NOTE 5 - PROPERTY AND EQUIPMENT

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

	2017	2016
Lobby improvements	$ 4,925,138	$ 4,925,138
Other improvements	2,362,327	2,407,529
Computers	512,647	459,050
Furniture	498,087	487,935
Equipment	1,260,308	730,454
Assets not yet in service	-	491,424
Construction in process	199,055	-
	9,757,562	9,501,530
Less accumulated depreciation	(4,865,873)	(4,571,487)
	$ 4,891,689	$ 4,930,043

The cost to complete construction in process as of June 30, 2017 is approximately $267,000.

NOTE 6 - OTHER ASSETS

For the year ended June 30, 2017, other assets includes $428,974 for the musical *Part of the Plan*, a developmental production of a new work that the Organization is co-producing and presenting during the 2017 - 2018 Broadway season. The Organization is an investor in the show, a non-biographical production that features the music of Dan Fogelberg, who began his recording career in Nashville.

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	2017	2016
Note payable to Bank of America for renovations to the theater lobby area, requiring monthly principal payments of $11,703 plus accrued interest. All unpaid principal and interest are due December 1, 2018. Interest is charged at a variable rate based on the 30-day LIBOR fixed rate plus 0.6% (1.65% at June 30, 2017).	$ 210,652	$ 351,086
Note payable to Bank of America, requiring monthly principal payments of $2,992 plus accrued interest. All unpaid principal and interest are due on December 1, 2018. Interest is charged at a variable rate based on the 30-day LIBOR fixed rate plus 1.3% (2.35% at June 30, 2017).	53,851	89,751
Note payable to Bank of America for phone system, requiring monthly principal and interest payments of $2,353. All unpaid principal and interest are due on October 5, 2019. Interest is charged at a per annum rate equal to 3.67%.	63,052	88,467
Note payable to First Foundation Bank for lighting equipment, requiring monthly principal and interest payments of $2,129. All unpaid principal and interest are due August 2021. Interest is charged at a per annum rate equal to 5.99%.	94,006	109,393
	$ 421,561	$ 638,697

The Organization also has a $500,000 operating line of credit with the bank, which bears interest, payable monthly, on the amount borrowed at a variable interest rate based on the BBA LIBOR Daily Floating Rate plus 2.0%. The line of credit matures December 16, 2017, at which time all unpaid principal and accrued interest will be due. There was no outstanding balance on the line of credit as of June 30, 2017 or 2016.

NOTE 7 - NOTES PAYABLE (CONTINUED)

The loan agreement with Bank of America requires maintenance of a specified debt coverage ratio. The Organization was in compliance with this requirement as of June 30, 2017.

A schedule of annual principal maturities of notes payable as of June 30, 2017, follows:

For the year ending June 30,	
2018	$ 223,171
2019	137,250
2020	32,415
2021	24,497
2022	4,228
	$ 421,561

Total interest expense on notes payable recognized by the Organization for the year ended June 30, 2017, was $13,754 ($9,337 in 2016). Interest expense is reported in the statement of activities under operating costs and expenses and management and general functional expenses.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30:

	2017	2016
Annual fund contributions receivable	$ 44,713	$ 172,905
Philanthropic sponsorship for future Broadway seasons	65,000	65,000
Contributions and contributions receivable restricted for future years programming and/or fundraising events	183,400	173,451
	$ 293,113	$ 411,356

NOTE 9 - LEASES

The Organization leases certain office equipment and a portion of its office space under operating leases. The terms of the office space lease allow for the Organization to cancel its lease with a 180 day notice any time after June 30, 2017. The Organization makes monthly lease payments of $6,000 for the use of the office space. Total rental expense incurred under all such agreements for the year ended June 30, 2017, amounted to approximately $112,000 ($102,000 in 2016).

NOTE 9 - LEASES (CONTINUED)

During 2016, the Organization entered into a capital lease for sound equipment, which requires monthly payments of $5,871 through August 2021. The leased asset was not placed in service until fiscal year 2017. The capitalized cost of the leased asset and related accumulated depreciation at June 30, 2017 were $312,292 and $23,422, respectively.

Future minimum lease commitments under all non-cancelable leases in effect as of June 30, 2017, are as follows:

For the year ending June 30,	Operating Leases	Capital Lease
2018	$ 25,752	$ 64,577
2019	25,752	70,447
2020	2,874	70,447
2021	-	70,447
2022	-	11,742
	$ 54,378	287,660
Less: imputed interest at 4.62%		(25,966)
Net minimum lease payments		$ 261,694

Total interest expense recognized during the year ended June 30, 2017 on the capital lease totaled $13,978 ($0 recognized during the year ended June 30, 2016).

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, accounts receivable and contributions and grants. Contributions receivable consist of individual and corporate contribution pledges. Account receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. At June 30, 2017, receivables from two sources amounted to approximately $220,000, or 63% of total receivables. At June 30, 2016, receivables from one source totaled approximately $176,000, or 33% of total receivables.

There was grant revenue from one source totaling approximately $408,200, and in-kind contribution revenue from one source totaling $550,600 for the year ended June 30, 2017 (in-kind contribution revenue from two sources totaled $688,300 for the year ended June 30, 2016.)

NOTE 10 - CONCENTRATIONS OF CREDIT RISK (CONTINUED)

The Organization maintains cash accounts at a reputable financial institution whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances generally exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

NOTE 11 - RELATED PARTY TRANSACTIONS

Insurance services for the Organization are provided by an entity where a Board member is employed. Also, legal services for the Organization are provided by one firm where a Board member is employed. Additionally, one Board member is employed with the Organization's primary bank, another Board member is employed by the entity that administers the Organization's 401(k) plan and the Organization occasionally pays artist fees to a firm where another Board member is employed.

The Foundation is responsible for the management of its Board-designated endowment fund that was established to support the operations of the Organization. The Foundation is governed by a separate Board and annually distributes 5% of the trailing five-year average investment value of the fund to the Organization. For the year ended June 30, 2017, the Foundation distributed $828,002 to the Organization ($831,033 distributed in 2016), which the Organization recognized as income in the year received.

A condensed summary of financial information of the Foundation as of and for the years ended June 30, follows:

	2017	2016
Total Assets	$ 16,918,696	$16,316,610
Total Liabilities	12,247	12,244
Net Assets - Unrestricted	$ 16,906,449	$16,304,366
Total Revenues (Expenses):		
Interest, dividends and capital gain distributions	$ 492,015	$ 520,768
Realized and unrealized gains (losses)	1,030,698	(122,202)
Other income	30	105
Investment management fees	(79,709)	(76,524)
Endowment distributions to the Organization	(828,002)	(831,033)
Management and general expenses	(12,949)	(11,213)
Change in Net Assets	$ 602,083	$ (520,099)

NOTE 12 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

During 1996, Dr. and Mrs. Thomas Frist established two donor-designated endowment funds with the Community Foundation of Middle Tennessee for the benefit of the Organization and the Institute, respectively. Another donor-designated endowment fund was established with the Community Foundation of Middle Tennessee by Mrs. Martha Ingram for the benefit of the Children's Educational Program at Tennessee Performing Arts Center. 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 Organization from these funds, which is recognized by the Organization in the year received, amounted to $12,500 during fiscal year 2017 ($13,200 during fiscal year 2016). Total assets held in these funds amounted to $290,189 at June 30, 2017, and $276,594 at June 30, 2016.

NOTE 13 - EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Organization sponsors the Tennessee Performing Arts Center 401(k) Plan (the "Plan") under Section 401(k) of the Internal Revenue Code. All employees of the Organization are eligible to participate upon reaching age 21 and completing one year (1,000 hours) 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 401(k). The Organization's contributions to the Plan are at the discretion of the Board of Directors with no minimum contributions guaranteed. The Organization did not make a contribution to the Plan for the year ended June 30, 2017 ($108,636 during the year ended June 30, 2016).

Deferred Compensation Plan

The Corporation has a deferred compensation plan for a member of management and has established a "rabbi trust" for the purpose of accumulating funds applicable thereto. The plan allows for an eligible account, in which the participant is fully vested, and a noneligible account, in which the participant will be eligible to receive the funds upon attaining retirement age, except in the case of death, disability or involuntary termination without cause, in which the balance will be paid to the participant or the participant's estate. Contributions to the trust by the Corporation were $47,741 and $46,350 for the years ended June 30, 2017 and 2016, respectively. Trust assets are shown as investments in the accompanying statements of financial position, and totaled $280,976 at June 30, 2017 ($206,810 at June 30, 2016). The related liability, equal to the eligible account balance, is included in accounts payable and accrued expenses, and totaled $193,327 at June 30, 2017 ($153,442 at June 30, 2016).

SUPPLEMENTARY INFORMATION

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

SCHEDULE OF COSTS AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR 2016

	OPERATING EXPENSES					
	PROGRAMMING AND PRODUCTION	FOOD AND BEVERAGE	OPERATIONS	MARKETING	BOX OFFICE	EVENT SERVICES
Artist fees	$ 5,013,895	$ -	$ -	$ -	$ -	$ -
Contract labor	940,997	13,960	-	186	-	45,455
Marketing - programming	981,247	-	-	1,500	-	(1,715)
Salaries	191,944	181,857	363,870	425,838	215,086	198,761
Wages - full-time	31,435	45,348	668,741	-	230,493	-
Wages - part-time	214,634	149,052	60,090	8,047	36,805	281,885
Employee related expenses	54,523	57,676	177,351	81,088	91,688	51,505
Bad debt expense	1,857	-	-	-	3,327	6,287
Cash (over) and short	-	1,634	-	-	(290)	-
Concessions supplies	-	314,148	-	-	-	-
Credit card fees	835	38,422	-	-	336,797	2,279
Custodial	74,630	-	34,501	-	-	-
Depreciation	70,819	31,998	221,549	6,890	5,037	15,552
Dues and subscriptions	9,126	-	525	17,471	28,686	-
Equipment rentals	37,522	-	-	-	-	-
Fees-ticketing/bank/other	-	-	-	-	-	-
Insurance	8,397	-	-	35	-	-
Interest expense	19,886	-	3,587	-	-	-
Loss on disposal of equipment	-	-	-	-	-	-
Marketing - institution	48,553	-	-	775,146	1,980	-
Meals and entertainment	2,724	1,341	3,516	13,572	158	223
Miscellaneous expense	6,985	8,231	1,470	16,869	6	1,751
Office and computer supplies	-	-	-	152	-	-
Postage	230	-	-	2,429	9,822	-
Printing and reproduction	603	-	-	20,461	647	-
Production costs	139,451	-	-	-	-	43,818
Professional consulting	3,250	64,170	2,720	28,311	59,227	-
Promoter profit sharing	20,965	-	-	-	-	19,071
Rent	-	-	-	-	-	-
Repairs and maintenance	6,375	1,686	440,592	24,479	4,804	-
Security	25,441	-	308	-	-	54,293
State maintenance expenses	-	-	408,249	-	-	-
Tech and house supplies	-	1,690	14,921	-	-	-
Telephone	4,283	2,357	6,685	5,145	2,692	3,521
Transportation grants expense	-	-	-	-	-	-
Travel - air/hotel/auto	21,655	354	755	13,856	3,496	-
Uniforms and alterations	-	4,291	3,496	-	-	-
Total costs and expenses for the year ended June 30, 2017	$ 7,932,262	$ 918,215	$ 2,412,926	$ 1,441,475	$ 1,030,461	$ 722,686
Total costs and expenses for the year ended June 30, 2016	$ 9,642,379	$ 709,737	$ 2,208,701	$ 1,409,816	$ 1,022,998	$ 730,473

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTALS	
TOTAL	EDUCATIONAL PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	2017	2016
$ 5,013,895	$ 170,553	$ -	$ 4,425	$ 4,425	$ 5,188,873	$ 6,470,611
1,000,598	171,551	573	-	573	1,172,722	1,349,832
981,032	2,904	-	-	-	983,936	1,040,701
1,577,356	466,575	1,264,619	352,141	1,616,760	3,660,691	3,519,555
976,017	-	133,389	-	133,389	1,109,406	964,547
750,513	33,079	13,365	6,157	19,522	803,114	741,236
513,831	90,283	347,258	52,469	399,727	1,003,841	996,193
11,471	-	-	32,665	32,665	44,136	3,577
1,344	-	-	(7)	(7)	1,337	3,143
314,148	-	-	-	-	314,148	335,792
378,333	186	-	6,776	6,776	385,295	380,948
109,131	18,735	-	-	-	127,866	137,832
351,845	-	216,734	4,297	221,031	572,876	504,406
55,808	13,205	37,871	11,445	49,316	118,329	99,015
37,522	825	39,464	8,114	47,578	85,925	114,184
-	976	17,845	-	17,845	18,821	16,590
8,432	-	118,136	50	118,186	126,618	143,290
23,473	-	4,259	-	4,259	27,732	9,337
-	-	-	-	-	-	3,910
825,679	-	-	210	210	825,889	783,294
21,534	20,507	23,403	74,835	98,238	140,279	123,889
35,312	21,060	65,950	34,175	100,125	156,497	248,594
152	-	23,715	-	23,715	23,867	39,396
12,481	490	6,235	2,232	8,467	21,438	24,456
21,711	6,091	6,057	12,310	18,367	46,169	61,073
183,269	35,143	-	4,302	4,302	222,714	393,860
157,678	5,700	218,438	5,833	224,271	387,649	348,400
40,036	-	-	-	-	40,036	61,865
-	62,510	-	62,509	62,509	125,019	98,653
477,936	-	63,183	-	63,183	541,119	480,838
80,042	4,071	63	1,605	1,668	85,781	92,925
408,249	-	-	-	-	408,249	257,135
16,611	-	3,074	-	3,074	19,685	63,864
24,683	4,401	59,679	3,244	62,923	92,007	92,650
-	3,945	-	-	-	3,945	4,610
40,116	11,836	23,425	5,209	28,634	80,586	68,633
7,787	-	-	-	-	7,787	4,327
$ 14,458,025	$ 1,144,626	$ 2,686,735	$ 684,996	$ 3,371,731	$ 18,974,382	
$ 15,724,104	$ 979,445	$ 2,776,223	$ 603,389	$ 3,379,612		$ 20,083,161