

**NASHVILLE BALLET**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

**Years ended May 31, 2010 and 2009**

**NASHVILLE BALLET**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Nashville Ballet  
Nashville, Tennessee

We have audited the accompanying statements of financial position of the Nashville Ballet (the "Ballet") as of May 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Ballet's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 financial position of the Nashville Ballet as of May 31, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Frasier, Dean & Howard, PLLC*

August 30, 2010

**NASHVILLE BALLET**  
**STATEMENTS OF FINANCIAL POSITION**  
**May 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 304,437	\$ 343,503
Beneficial interest in assets	54,543	50,189
Grants and other receivables	156,601	205,961
Pledges receivable, net	62,169	124,179
Inventory	10,062	16,372
Prepaid expenses and other	65,597	51,488
Total current assets	653,409	791,692
Pledges receivable, noncurrent, net	76,258	128,694
Consortium production, net	-	2,517
Property and equipment, net	2,603,919	2,701,765
Cash surrender value of life insurance (donor)	102,680	87,910
Total assets	<u>\$ 3,436,266</u>	<u>\$ 3,712,578</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 104,068	\$ 123,450
Accrued expenses	16,656	7,952
Unearned school tuition	165,250	212,752
Total liabilities	285,974	344,154
Net assets:		
Unrestricted	2,681,521	2,891,128
Temporarily restricted	418,771	427,296
Permanently restricted	50,000	50,000
Total net assets	3,150,292	3,368,424
Total liabilities and net assets	<u>\$ 3,436,266</u>	<u>\$ 3,712,578</u>

See notes to financial statements.

**NASHVILLE BALLET**  
**STATEMENT OF ACTIVITIES**  
**Year ended May 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Ticket sales	\$ 833,776	\$ -	\$ -	\$ 833,776
Individual contributions	692,535	20,869	-	713,404
Tuition	578,251	-	-	578,251
Grants	286,691	20,000	-	306,691
Ballet Ball revenue	276,894	-	-	276,894
Contributions from The Community				
Foundation of Middle TN	174,742	-	-	174,742
Corporate and foundation				
contributions	134,631	-	-	134,631
In-kind contributions	63,535	-	-	63,535
Miscellaneous	49,263	-	-	49,263
Friends support and benefits	21,628	-	-	21,628
Outreach	20,749	-	-	20,749
School and workshops	18,212	-	-	18,212
Investment income	6,217	854	-	7,071
Touring and special projects	7,000	-	-	7,000
New Nutcracker capital				
campaign contributions	-	2,739	-	2,739
Net assets released from restrictions	52,987	(52,987)	-	-
	<u>3,217,111</u>	<u>(8,525)</u>	<u>-</u>	<u>3,208,586</u>
Total support and revenue				
Expenses:				
Program services	2,719,592	-	-	2,719,592
Management and general	423,969	-	-	423,969
Fundraising	283,157	-	-	283,157
	<u>3,426,718</u>	<u>-</u>	<u>-</u>	<u>3,426,718</u>
Total expenses				
Net increase (decrease) in net assets	(209,607)	(8,525)	-	(218,132)
Net assets, beginning of year	2,891,128	427,296	50,000	3,368,424
Net assets, end of year	<u>\$2,681,521</u>	<u>\$ 418,771</u>	<u>\$ 50,000</u>	<u>\$ 3,150,292</u>

See notes to financial statements.

**NASHVILLE BALLET**  
**STATEMENT OF ACTIVITIES**  
**Year ended May 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Ticket sales	\$ 901,788	\$ -	\$ -	\$ 901,788
Individual contributions	752,769	4,743	-	757,512
Tuition	584,986	-	-	584,986
New Nutcracker capital campaign contributions	-	392,488	-	392,488
Ballet Ball revenue	281,012	-	-	281,012
Contributions from The Community Foundation of Middle TN	207,258	-	-	207,258
Grants	187,106	-	-	187,106
Corporate and foundation contributions	111,898	-	-	111,898
Nutcracker gala income	55,209	-	-	55,209
Miscellaneous	52,322	-	-	52,322
Friends support and benefits	34,977	-	-	34,977
In-kind contributions	22,414	-	-	22,414
Centennial Christmas	21,000	-	-	21,000
Outreach	14,628	-	-	14,628
School and workshops	11,875	-	-	11,875
Touring and special projects	5,700	-	-	5,700
Investment income (loss)	3,305	(17,741)	-	(14,436)
Net assets released from restrictions	1,208,126	(1,208,126)	-	-
	<u>4,456,373</u>	<u>(828,636)</u>	<u>-</u>	<u>3,627,737</u>
Total support and revenue				
Expenses:				
Program services	2,976,965	-	-	2,976,965
Management and general	390,000	-	-	390,000
Fundraising	320,251	-	-	320,251
	<u>3,687,216</u>	<u>-</u>	<u>-</u>	<u>3,687,216</u>
Total expenses				
Net increase (decrease) in net assets	769,157	(828,636)	-	(59,479)
Net assets, beginning of year	2,121,971	1,255,932	50,000	3,427,903
Net assets, end of year	<u>\$ 2,891,128</u>	<u>\$ 427,296</u>	<u>\$ 50,000</u>	<u>\$ 3,368,424</u>

See notes to financial statements.

**NASHVILLE BALLET**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended May 31, 2010**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 999,802	\$ 304,116	\$ 56,263	\$ 1,360,181
Marketing	309,852	-	-	309,852
Theater rental and crew expense	281,483	-	-	281,483
Depreciation	197,032	27,092	22,166	246,290
Payroll taxes	161,574	39,992	7,570	209,136
Symphony fees	183,371	-	-	183,371
Choreography and artistic fees	136,472	-	-	136,472
Ballet Ball expense	-	-	117,297	117,297
Occupancy expenses	99,589	6,790	6,790	113,169
Employee benefits	71,788	20,448	4,426	96,662
Production expense	74,106	-	-	74,106
School expense	69,988	-	-	69,988
Development	-	-	37,663	37,663
Uncollectible pledges	-	-	15,311	15,311
Liability and property insurance	26,018	3,577	2,927	32,522
Legal and professional	15,304	5,639	6,925	27,868
Friends boutique and costs	24,910	-	-	24,910
Interest and service charges	17,646	2,427	1,985	22,058
Equipment expense	12,933	1,778	1,455	16,166
Office supplies and postage	10,228	1,406	1,151	12,785
Travel and vehicle expense	7,685	1,656	-	9,341
Outreach	8,899	-	-	8,899
Amortization	2,014	276	227	2,517
Miscellaneous	8,898	8,772	1,001	18,671
Total expenses	<u>\$ 2,719,592</u>	<u>\$ 423,969</u>	<u>\$ 283,157</u>	<u>\$ 3,426,718</u>

See notes to financial statements.

**NASHVILLE BALLET**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended May 31, 2009**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 990,113	\$ 288,783	\$ 96,261	\$ 1,375,157
Marketing	424,975	-	-	424,975
Theater rental and crew expense	289,263	-	-	289,263
Payroll taxes	158,910	35,084	12,383	206,377
Symphony fees	195,004	-	-	195,004
Depreciation	157,527	16,485	9,159	183,171
Ballet Ball expense	-	-	135,682	135,682
Occupancy expenses	109,228	11,431	6,350	127,009
Choreography and artistic fees	103,432	-	-	103,432
Capital campaign fees	101,972	-	-	101,972
Production expense	84,139	-	-	84,139
Employee benefits	61,753	13,041	8,424	83,218
School expense	81,834	-	-	81,834
Miscellaneous	53,949	5,646	3,136	62,731
Friends boutique and costs	51,136	-	-	51,136
Development	-	-	37,478	37,478
Office supplies and postage	14,017	6,758	4,255	25,030
Liability and property insurance	30,600	3,202	1,779	35,581
Interest and service charges	18,647	1,952	1,084	21,683
Legal and professional	13,553	1,418	788	15,759
Outreach	13,051	-	-	13,051
Equipment expense	6,054	2,918	1,838	10,810
Loss on disposal	9,032	945	525	10,502
Travel and vehicle expense	8,776	366	-	9,142
Amortization	-	1,971	1,109	3,080
Total expenses	<u>\$ 2,976,965</u>	<u>\$ 390,000</u>	<u>\$ 320,251</u>	<u>\$ 3,687,216</u>

See notes to financial statements.



**NASHVILLE BALLET**  
**STATEMENTS OF CASH FLOWS**  
**Years ended May 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (218,132)	\$ (59,479)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	248,807	186,250
Discount on pledges receivable	3,742	21,306
Loss on disposal of property and equipment	-	10,502
Change in operating assets and liabilities:		
(Increase) decrease in beneficial interest in assets	(4,354)	20,841
Decrease (increase) in grants and other receivables	49,360	(74,696)
Decrease in pledges receivable	110,704	48,340
Decrease in inventory	6,310	-
(Increase) decrease in prepaid expenses and other	(14,109)	26,165
Increase in cash surrender value of life insurance	(14,770)	(4,743)
(Decrease) increase in accounts payable	(19,380)	72,228
Increase (decrease) in accrued expenses	8,704	(4,973)
(Decrease) increase in unearned school tuition	(47,502)	86,941
Net cash provided by operating activities	<u>109,380</u>	<u>328,682</u>
Cash flows from investing activities:		
Purchase of property and equipment	(148,446)	(1,143,584)
Disposal of property and equipment	<u>-</u>	<u>29,566</u>
Net cash used in investing activities	<u>(148,446)</u>	<u>(1,114,018)</u>
Net decrease in cash and cash equivalents	(39,066)	(785,336)
Cash and cash equivalents, beginning of year	<u>343,503</u>	<u>1,128,839</u>
Cash and cash equivalents, end of year	<u><u>\$ 304,437</u></u>	<u><u>\$ 343,503</u></u>

See notes to financial statements.

**NASHVILLE BALLET**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended May 31, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Nashville Ballet (the “Ballet”) was incorporated in 1981 as a Tennessee not-for-profit corporation. The Ballet’s mission is to create, perform, teach and promote dance as an essential and inspiring element of our community. The Ballet presents classical and contemporary works by new and renowned choreographers and is a resident group of the Tennessee Performing Arts Center. The Ballet regularly collaborates with other arts organizations to promote community cultural enrichment. The School of Nashville Ballet trains dancers ages two to adult and the second company engages more than 40,000 Middle Tennesseans every year through education and community engagement programming.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables and other liabilities.

**Basis of Presentation**

The Ballet is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Accounting Standards Codification**

The Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC had no affect on the Ballet’s financial position, results from operations, net assets, or cash flows.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted revenues and other support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are shown as increases in unrestricted net assets.

**NASHVILLE BALLET**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years ended May 31, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions (Continued)**

Contributions are generally available for unrestricted use in the current year unless specifically restricted by the donor. Pledges receivable are recorded as received. Pledges due in the next year are reflected as current pledges receivable and are recorded at their net realizable value. Pledges due in subsequent years are reflected as long-term pledges receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are received to discount the amounts. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges receivable.

The Ballet is the recipient of annual income distributions from two endowments held by the Community Foundation of Middle Tennessee (the "Foundation") for its exclusive benefit. The Foundation has ultimate authority and control over all property of these endowments, including income derived therefrom, for use in conjunction with the charitable purposes of the Foundation, and, therefore, these assets are not included in the financial statements of the Ballet. These annual income distributions are reflected as contributions in the accompanying statement of activities.

**In-Kind Contributions**

In-kind contributions that are usable for program services, fundraising, and support of management and general functions are recorded at their fair values in the period received. These contributions consist of donated advertising services, equipment, and miscellaneous other items. The fair value of the donated services is reflected as in-kind contributions, and the majority of the amount is included in marketing expenses under program services or is capitalized as property and equipment.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Ballet with program services and fundraising events. No amounts have been reflected in the financial statements for these donated services since the volunteer's time does not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Ballet considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Allowance for Doubtful Grants and Other Receivables**

No allowance is considered necessary for grants and other receivables based on estimates made by management.

**NASHVILE BALLET**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years ended May 31, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventory**

Inventory consists of goods available for sale prior to and following performances and is valued at cost with cost determined on a first-in, first-out basis.

**Property and Equipment**

Property and equipment are recorded at cost. Donated assets are capitalized at fair market value in the period received. The Ballet capitalizes all property and equipment over \$500. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Building	40 years
Building improvements	5 to 39 years
Furniture and equipment	5 to 7 years
Sets and props	7 to 12 years
Costumes	4 to 12 years
Vehicles	5 years

**Revenue Recognition**

Ballet school tuition is recognized over the course of the applicable school semester or session. Amounts received in advance are considered unearned.

Grant revenue is recognized to the extent qualifying expenditures have been made.

**Amortization**

The consortium production is amortized over its contractual life of ten years.

**Advertising**

The Ballet's advertising costs are expensed as incurred. Advertising expense for the years ended May 31, 2010 and 2009 totaled \$131,741 and \$100,027, respectively.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and disclosures. Accordingly, actual results could differ from those estimates.

**NASHVILLE BALLET**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years ended May 31, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value Measurements**

The Ballet has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Ballet believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

- Level 1* – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2* – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3* – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Ballet maintains investments in the Community Foundation of Middle Tennessee, as well as a cash surrender value life insurance policy. Both of these are considered to be Level 1 investments.

**NASHVILLE BALLET**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years ended May 31, 2010 and 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

On January 1, 2009 the Ballet adopted FASB ASC 740-10-25 paragraphs 5 through 17, "Income Taxes" ("FASB ASC 740") (FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes"). The guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. FASB ASC 740 must be applied to all existing tax positions upon initial adoption. Adoption of this pronouncement had no impact on our financial position or results from operations. Tax years that remain open for examination include years ended May 31, 2008 through May 31, 2010. There are no tax penalties or interest reported in the accompanying financial statements.

**Reclassification**

Certain reclassifications have been made to 2009 balances to conform to 2010 presentation.

**NOTE 2 – BENEFICIAL INTEREST IN ASSETS**

The Ballet has entered into agreements with the Foundation on three different funds. One of the funds is considered a beneficial interest in the assets of the Foundation under FASB ASC 958-605 because the Ballet transferred the funds to the Foundation specifying itself as the beneficiary. There are no terms for distribution each year. Historically, 5% has been distributed to the Ballet annually. The accumulative amount recognized in the statement of financial position is \$54,543 and \$50,189 at May 31, 2010 and 2009, respectively, as a beneficial interest in assets held by the Community Foundation of Middle Tennessee.

The other two funds held by the Foundation are not considered a beneficial interest in assets held by the Community Foundation of Middle Tennessee but are considered the legal assets of the Foundation. These funds were established by transfers to the Foundation on behalf of the Ballet whereby the Foundation has full variance powers and is not obligated to any terms for distribution purposes. Historically, 5% has been distributed to the Ballet annually. Therefore, there is no recognition of the related investment assets in the Ballet's statement of financial position.

**NASHVILLE BALLET**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years ended May 31, 2010 and 2009**

**NOTE 3 – PLEDGES RECEIVABLE**

Pledges receivable at May 31, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Pledges receivable – Capital Campaigns	\$ 148,986	\$ 280,996
Less allowance for pledges receivable	(6,817)	(6,817)
Less discounts to net present value	<u>(3,742)</u>	<u>(21,306)</u>
Net pledges receivable	<u>\$ 138,427</u>	<u>\$ 252,873</u>
Net amounts due in:		
Less than one year	\$ 62,169	\$ 124,179
One to five years	<u>76,258</u>	<u>128,694</u>
	<u>\$ 138,427</u>	<u>\$ 252,873</u>

Pledges receivable due in more than one year are reflected at the net present value of estimated future cash flows using a range of discount rates of 1.42% to 2.22%.

**NOTE 4 – BALLET CONSORTIUM**

The Ballet has a consortium agreement with The Fort Worth Dallas Ballet and the Oregon Ballet Theater to co-produce and equally fund an original ballet, *Alice in Wonderland*. To reflect its one-third interest in and rights to the production of the consortium, the Ballet has capitalized its costs accordingly. These costs will be amortized over the life of the production (straight-line method), which shall be a ten-year period in accordance with the consortium agreement. The consortium agreement became fully amortized during fiscal year 2010. Related amortization expense for the years ended May 31, 2010 and 2009 amounted to \$2,517 and \$3,080, respectively.

	<u>2010</u>	<u>2009</u>
Consortium production	\$ 33,596	\$ 33,596
Less: accumulated amortization	<u>(33,596)</u>	<u>(31,079)</u>
	<u>\$ -</u>	<u>\$ 2,517</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Depreciation expense for the years ended May 31, 2010 and 2009 amounted to \$246,290 and \$183,171, respectively. The cost and accumulated depreciation of property and equipment consists of the following amounts, calculated on the straight-line method of depreciation at May 31:

**NASHVILLE BALLET**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years ended May 31, 2010 and 2009**

**NOTE 5 – PROPERTY AND EQUIPMENT (Continued)**

	<u>2010</u>	<u>2009</u>
Building	\$ 1,145,715	\$ 1,145,715
Building improvements	869,780	857,654
Costumes	1,017,044	962,710
Sets and props	887,536	820,175
Furniture and equipment	146,806	143,182
Vehicles	<u>39,083</u>	<u>39,083</u>
	4,105,964	3,968,519
Less: accumulated depreciation	<u>(1,502,045)</u>	<u>(1,266,754)</u>
	<u>\$ 2,603,919</u>	<u>\$ 2,701,765</u>

**NOTE 6 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods at May 31:

	<u>2010</u>	<u>2009</u>
New Nutcracker and building renovation donations	\$ 300,044	\$ 334,291
Donations for subsequent periods	<u>118,727</u>	<u>93,005</u>
	<u>\$ 418,771</u>	<u>\$ 427,296</u>

Permanently restricted net assets consist of endowment fund investments to be held in perpetuity, the income from which is expendable to support activities of the Ballet.

**NOTE 7 – LEASE COMMITMENTS**

The Ballet entered into an agreement on May 1, 2005 to lease a general office and dance studio in Brentwood, Tennessee. The lease began on July 1, 2005 and is a five-year lease expiring on June 30, 2010. The lease includes monthly payments of \$3,335 for the first year. On the anniversary date of the lease, the monthly base rent will increase in accordance with the lease agreement. During May 2010, the Ballet renegotiated the terms of the lease extending the expiration date to June 30, 2012. Beginning July 2010 monthly lease payments amount to \$3,682 for the first year of the lease and increase to \$3,783 for the second year of the lease term.



**NASHVILLE BALLET**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years ended May 31, 2010 and 2009**

**NOTE 7 – LEASE COMMITMENTS (Continued)**

At May 31, 2010, minimum rental payments due under all operating leases are as follows:

Year Ending	
<u>May 31</u>	
2011	\$ 44,178
2012	45,292
2013	<u>3,783</u>
Total	<u>\$ 93,253</u>

Rent expense totaled \$44,082 and \$43,004 for the years ended May 31, 2010 and 2009, respectively.

**NOTE 8 – CONCENTRATIONS**

The Ballet received approximately 47% and 52% of its unrestricted contributions in the form of cash from two major donors for the years ended May 31, 2010 and 2009, respectively.

**NOTE 9 – INCOME TAX STATUS**

The Ballet is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. Accordingly, no provision for income tax has been made in the accompanying financial statements.

**NOTE 10 – CAPITAL CAMPAIGN**

The Ballet began a capital campaign in fiscal 2006. The campaign is raising funds to complete the building renovation at the main campus location and to support a Nutcracker production. The Ballet's goal for this campaign is to raise approximately \$2,000,000. As of May 31, 2010, the Ballet had received funds and pledges in the amount of \$1,834,950 for support of this campaign.

**NOTE 11 – EMPLOYEE RETIREMENT PLAN**

During fiscal 2008, the Ballet began sponsoring a 401(k) qualified retirement plan. Employees are eligible to participate in the plan after 600 hours of service completed within the first six months of employment or after the first year of service completed, whichever is sooner. The Company can make discretionary contributions to the plan equal to a uniform percentage of employee's salary deferrals. The Company did not make any contributions to the plan for the years ended May 31, 2010 or 2009.

**NASHVILLE BALLET**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Years ended May 31, 2010 and 2009**

**NOTE 12 – SUBSEQUENT EVENT**

The Ballet has evaluated subsequent events through August 30, 2010, when these financial statements were available to be issued. The Ballet is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the financial statements.