

**THE NASHVILLE SHAKESPEARE FESTIVAL**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008**

(With Independent Auditor's Report Thereon)

**THE NASHVILLE SHAKESPEARE FESTIVAL**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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Charles Akersloot, III  
Lisa L. Patterson  
Sarah C. Hardee

To the Board of Directors  
The Nashville Shakespeare Festival

We have audited the accompanying statements of financial position of The Nashville Shakespeare Festival (a nonprofit organization) as of September 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. 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 audit.

We conducted our audit 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 audit provides 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 Shakespeare Festival as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*APH CPAs*

December 5, 2008

THE NASHVILLE SHAKESPEARE FESTIVAL  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2008

ASSETS

Current Assets:

Cash and cash equivalents	\$	846	
Certificate of deposit		344	
Grants and accounts receivable		83,669	
Prepaid insurance		<u>874</u>	
Total current assets			\$ 85,733

Assets Whose Use is Limited:

Cash		7,000	
Certificate of deposit		<u>11,132</u>	
Total assets whose use is limited			18,132

Property and Equipment, net

3,764

\$ 107,629

LIABILITIES AND NET ASSETS

Current Liabilities:

Line of credit	\$	49,899	
Accounts payable		<u>2,885</u>	
Total current liabilities			\$ 52,784

Net Assets:

Unrestricted		36,713	
Temporarily restricted		<u>18,132</u>	
			<u>54,845</u>
			<u><u>\$ 107,629</u></u>

See accompanying notes to financial statements.

**THE NASHVILLE SHAKESPEARE FESTIVAL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenues:				
Contributions	\$ 190,983	\$ 7,000	\$ -	\$ 197,983
Revenues:				
Grants	61,344	-	-	61,344
Program fees and tickets	42,828	-	-	42,828
In-kind donations	196,359	-	-	196,359
Investment and interest income	496	-	-	496
Net assets released from restrictions	33,326	(33,326)	-	-
Total revenues	334,353	(33,326)	-	301,027
Total public support and revenues	525,336	(26,326)	-	499,010
Expenses and Losses:				
Program services:				
Education	31,463	-	-	31,463
Coriolanus	277,802	-	-	277,802
Richard III	10,000	-	-	10,000
Hamlet	117,347	-	-	117,347
Total program services	436,612	-	-	436,612
Supporting Services:				
Management and general	53,082	-	-	53,082
Fundraising	21,269	-	-	21,269
Total supporting services	74,351	-	-	74,351
Total program and supporting expenses	510,963	-	-	510,963
Increase (decrease) in net assets	14,373	(26,326)	-	(11,953)
Net assets - beginning of year	33,472	33,326	-	66,798
Transfer of net assets	(11,132)	11,132	-	-
Net assets - end of year	\$ 36,713	\$ 18,132	\$ -	\$ 54,845

See accompanying notes to financial statements.

THE NASHVILLE SHAKESPEARE FESTIVAL  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Program Services					Supporting Services		Total
	Education	Hamlet	Coriolanus	Richard III	Total Program	Management and General	Fundraising	Expenses
Salaries and wages	\$ 22,799	\$ 39,281	\$ 72,241	\$ 8,142	\$ 142,463	\$ 13,782	\$ 12,757	\$ 169,002
Employee benefits and payroll taxes	3,857	6,646	11,942	1,658	24,103	2,332	2,158	28,593
Bank charges	-	-	-	-	-	1,804	-	1,804
Dues/Subscriptions/Fees	906	1,652	906	-	3,464	907	-	4,371
Education and training	-	-	-	-	-	310	-	310
In-kind expenses	-	36,724	147,135	-	183,859	12,500	-	196,359
General liability and workers' compensation	2,660	2,660	2,660	-	7,980	2,660	-	10,640
Health insurance	-	3,426	3,426	-	6,852	9,224	-	16,076
Marketing and publications	-	2,657	5,392	-	8,049	-	2,406	10,455
Merchandising and promotional items	-	911	2,495	-	3,406	-	210	3,616
Miscellaneous	-	1,636	1,636	-	3,272	-	635	3,907
Production costs	-	20,359	27,536	200	48,095	-	-	48,095
Postage	-	154	192	-	346	68	729	1,143
Printing	-	-	-	-	-	-	1,275	1,275
Professional services	-	-	-	-	-	4,375	-	4,375
Rent	962	962	1,962	-	3,886	619	619	5,124
Office supplies and equipment	-	-	-	-	-	2,932	-	2,932
Travel	-	-	-	-	-	-	61	61
Telephone	279	279	279	-	837	839	419	2,095
Depreciation	-	-	-	-	-	730	-	730
Total program and supporting services	\$ 31,463	\$ 117,347	\$ 277,802	\$ 10,000	\$ 436,612	\$ 53,082	\$ 21,269	\$ 510,963

See accompanying notes to financial statements.

THE NASHVILLE SHAKESPEARE FESTIVAL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Cash Flows From Operating Activities:		
Decrease in net assets		\$ (11,953)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	\$ 730	
Changes in:		
Accounts receivable	(35,254)	
Prepaid expenses	(100)	
Cash whose use is limited	14,850	
Restricted cash in excess of operating cash	(7,928)	
Accounts payable	<u>2,111</u>	
Total adjustments		<u>(25,591)</u>
Net cash used in operating activities		(37,544)
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(2,376)</u>	
Net cash used in investing activities		(2,376)
Cash Flows From Financing Activities		
Net change in line of credit	<u>40,766</u>	
Net cash provided by financing activities		<u>40,766</u>
Net increase in cash		846
Cash - beginning of year		<u>-</u>
Cash - end of year		<u>\$ 846</u>

Supplemental Information

During the year, the Organization incurred \$485 in finance charges.



**THE NASHVILLE SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 1 - Summary of Significant Accounting Policies**

a. **Nature of Activities**

The Nashville Shakespeare Festival is a nonprofit organization, organized on September 12, 1988, which produces a variety of theatrical productions and workshops for the benefit of the general public, students of Middle Tennessee schools and businesses. The major sources of funding for the Organization are grants and contributions from local and state governments, private foundations, corporations and individuals in the Middle Tennessee area.

b. **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

c. **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted cash, certificates of deposit and investment instruments purchased with original maturities of three months or less to be cash equivalents. At September 30, 2008, there were no cash equivalents.

d. **Grants Receivable and Revenues**

The Organization receives several grants from the State of Tennessee and from the Metropolitan Government of Nashville and Davidson County, Tennessee. Most of these grants require the submission of reimbursement requests before funds are disbursed. Grant revenue is recognized as these expenses are incurred. At September 30, 2008, the Organization was due \$83,619 from the NEA's Arts Midwest, Metro Nashville Arts Commission and the Tennessee Arts Commission.

e. **Pledges Receivable**

Receivables for corporate donations and reimbursement of expenses are recognized when the services are provided. Uncollectible accounts are written off in the period in which they are determined to be uncollectible and are charged to bad debts. For the year ended September 30, 2008, management believes that all pledges receivable are fully collectible; therefore, no allowance has been recorded. At September 30, 2008, the Organization had pledges receivable of \$50.



**THE NASHVILLE SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

f. Inventory

The Organization does not maintain inventory. On occasion, there are items that are used in more than one production, but are not considered significant to the overall financial statements taken as a whole and are expensed as production cost as the items are purchased.

g. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred. It is the Organization's policy to capitalize purchases of fixed assets with a value of \$500 or more.

h. Income Tax Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

i. Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

j. Use of Estimates

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

k. Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

l. Advertising Expense

Advertising costs are expensed as incurred and include expenses for playbills and other production related print advertising. The total amount of advertising expenses for the year was \$10,455.

**NOTE 2 - Assets Whose Use is Limited**

The actors' union requires cash to be restricted for the actors' pay while a play is running. After the program is over and the actors are paid, the cash is released from restriction. At September 30, 2008, the LOA (letter of agreement with the actors' union) was active and the amount of \$11,132 was restricted for the actors' pay. The amount will be released from restriction on February 1, 2009. Two donations from both foundations and corporate sources were given for the play King Richard III totaling \$7,000 and those assets have been classified as "assets whose use was limited" until the Organization incurs expenses directly relating to that production.

**THE NASHVILLE SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 3 - Property and Equipment**

Property and equipment at September 30, 2008, consists of the following:

Office equipment	\$ 20,269
Less: accumulated depreciation	( 16,505)
	<u>\$ 3,764</u>

**NOTE 4 - Line of Credit**

The Organization has the use of a line of credit through First Tennessee Bank. The line of credit is administered with credit cards held by the Executive Director and Operations Manager. The line of credit is mainly used to pay expenses incurred and reimbursed at a later time under various grant agreements. The interest rate on the line of credit varies throughout the year, and at year-end, the Organization had used \$49,899 of the available \$50,500 on the line.

**NOTE 5 - Leases**

The Organization leases office space from Nashville Public Television under a lease agreement that expires on December 31, 2008. This agreement carries a rent rate of \$350 per month until December 31, 2009, and then increases to \$360. Future minimum lease payments for the years ending September 30, 2009, 2010 and 2011, will be \$3,500, \$3,574 and \$1,082, respectively. Total rent expense for the year ending September 30, 2008 was \$5,124.

**NOTE 6 - Insurance**

The Organization entered into a new insurance agreement with H. Wittman Insurance for all of the Organization's insurance needs. The plan is financed through Bank Direct capital finance at an annual rate of 3.99%. The Organization made a down payment of \$1589, \$874 of this remains a prepaid expense at year-end, and the outstanding premium is \$4,854 payable in nine consecutive payments during the next fiscal year.

**NOTE 7 - Concentrations**

At the year-end, 90% of the Organization's grants receivable was due from two donors.

At year-end, 100% of the Organization's accounts payable were due to one vendor.

**NOTE 8 - In-Kind Contributions**

The Organization is the recipient of various gifts and donations in-kind. All gifts in kind are recorded as revenue at fair market value and fully expensed when received. The total amount of the revenue and expense recognized for the fiscal year was \$196,359. The Organization also received donated time from unpaid volunteers valued at \$3,400 which was not recognized as revenue during the period since requirements under current accounting standards were not met.

The donated goods and services were used for both the winter and summer theatre productions along with professional services donated for general and administrative uses. The donated goods included rental space, marketing items, door prizes, and concessions for the performances. Donated services included public relations, legal, media production, performance direction, and website design.

