

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NASHVILLE, TENNESSEE

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

JUNE 30, 2009 AND 2008

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2009 AND 2008

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of the Nashville Academy Theatre and Nashville Children's Theatre Association, a Tennessee not-for-profit corporation (the "Academy"), as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Academy'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 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 financial position of the Nashville Academy Theatre and Nashville Children's Theatre Association at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KraftCPAs PLLC

Nashville, Tennessee
October 9, 2009

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 98,174	\$ 453,919
Accounts receivable	75,930	3,676
Contributions receivable, current, net - Note 2	585,498	677,263
Contributions receivable, facilities use - Note 8	74,333	74,333
Prepaid expenses and other	<u>14,920</u>	<u>11,756</u>
TOTAL CURRENT ASSETS	848,855	1,220,947
INVESTMENTS - Note 3 and 13	21,322	181,312
CONTRIBUTIONS RECEIVABLE, long term - Note 2	337,517	894,371
PROPERTY AND EQUIPMENT - at cost, less accumulated depreciation of: 2009 - \$507,029; 2008 - \$246,669 - Note 4	4,857,989	5,059,585
BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND HELD BY COMMUNITY FOUNDATION OF MIDDLE TENNESSEE - Notes 10 and 13	<u>116,650</u>	<u>146,273</u>
TOTAL ASSETS	<u>\$ 6,182,333</u>	<u>\$ 7,502,488</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 20,794	\$ 49,799
Accrued expenses	23,050	32,921
Deferred revenues	103,259	49,122
Note payable, current portion - Note 6	<u>384,888</u>	<u>1,362,661</u>
TOTAL CURRENT LIABILITIES	<u>531,991</u>	<u>1,494,503</u>
NOTE PAYABLE, less current portion - Note 6	<u>200,000</u>	<u>-</u>
COMMITMENTS AND CONTINGENCIES - Notes 7 and 8		
NET ASSETS		
Unrestricted:		
Designated for beneficial interest in agency endowment fund - Note 10	116,650	146,273
Undesignated	<u>4,336,344</u>	<u>4,215,745</u>
Total unrestricted	4,452,994	4,362,018
Temporarily restricted - Notes 2, 8 and 11	<u>997,348</u>	<u>1,645,967</u>
TOTAL NET ASSETS	<u>5,450,342</u>	<u>6,007,985</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,182,333</u>	<u>\$ 7,502,488</u>

The accompanying notes are an integral part of the financial statements.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009			2008		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES AND SUPPORT						
Admissions	\$ 490,168	\$ -	\$ 490,168	\$ 522,954	\$ -	\$ 522,954
Theatre academy	166,170	-	166,170	106,278	-	106,278
Investment income (loss)	11,244	-	11,244	(7,097)	-	(7,097)
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee - Note 10	(29,623)	-	(29,623)	(5,838)	-	(5,838)
Contributions	170,785	-	170,785	136,791	34,649	171,440
Donated facilities	-	74,333	74,333	-	74,333	74,333
Donated goods and services	85,200	-	85,200	106,129	-	106,129
Government grants	247,739	-	247,739	534,147	-	534,147
Benefit events (less direct expenses of: 2009 - \$20,886; 2008 - \$21,678)	37,911	-	37,911	81,106	-	81,106
Capital campaign	12,258	43,088	55,346	1,043,513	1,455,886	2,499,399
Other	14,277	-	14,277	7,482	-	7,482
Provision for loss on doubtful temporarily restricted pledges	-	(61,262)	(61,262)	-	-	-
Loss on disposal of property and equipment - Note 4	-	-	-	(16,946)	-	(16,946)
Net assets released from restrictions	704,778	(704,778)	-	2,377,648	(2,377,648)	-
TOTAL REVENUE AND SUPPORT	1,910,907	(648,619)	1,262,288	4,886,167	(812,780)	4,073,387
COSTS AND EXPENSES						
Production costs	1,286,792	-	1,286,792	1,212,942	-	1,212,942
Educational expenses	345,287	-	345,287	268,811	-	268,811
General and administrative expenses	119,744	-	119,744	120,479	-	120,479
Fundraising expenses	62,398	-	62,398	46,622	-	46,622
Capital campaign expenses	5,710	-	5,710	51,412	-	51,412
TOTAL COSTS AND EXPENSES	1,819,931	-	1,819,931	1,700,266	-	1,700,266
INCREASE (DECREASE) IN NET ASSETS	90,976	(648,619)	(557,643)	3,185,901	(812,780)	2,373,121
NET ASSETS - BEGINNING OF YEAR	4,362,018	1,645,967	6,007,985	1,176,117	2,458,747	3,634,864
NET ASSETS - END OF YEAR	\$ 4,452,994	\$ 997,348	\$ 5,450,342	\$ 4,362,018	\$ 1,645,967	\$ 6,007,985

The accompanying notes are an integral part of the financial statements.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (557,643)	\$ 2,373,121
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	260,358	154,749
Loss on disposal of property and equipment	-	16,946
Realized and unrealized (gain) loss on investments	(8,712)	9,291
Change in value of beneficial interest in agency endowment fund	29,623	5,838
Restricted contributions for capital campaign	(5,346)	(2,499,399)
(Increase) decrease in:		
Accounts receivable	(72,254)	8,124
Contributions receivable - annual giving	11,984	(16,024)
Contributions receivable - facilities use	-	28,667
Prepaid expenses and other	(3,164)	(5,137)
Increase (decrease) in:		
Accounts payable	(29,005)	45,638
Retainage payable	-	(33,934)
Accrued expenses	(9,871)	12,005
Deferred revenues	54,137	20,881
Total adjustments	<u>227,750</u>	<u>(2,252,355)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(329,893)</u>	<u>120,766</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(58,762)	(3,673,336)
Proceeds from sale of investments	170,375	-
Purchase of investments	<u>(1,673)</u>	<u>(67,226)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>109,940</u>	<u>(3,740,562)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	1,193,351
Repayment of notes payable	(777,773)	-
Payment of accounts payable for prior year's additions to property and equipment	-	(410,850)
Capital campaign contributions collected	<u>641,981</u>	<u>3,280,536</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(135,792)</u>	<u>4,063,037</u>
NET INCREASE (DECREASE) IN CASH	(355,745)	443,241
CASH - BEGINNING OF YEAR	<u>453,919</u>	<u>10,678</u>
CASH - END OF YEAR	<u>\$ 98,174</u>	<u>\$ 453,919</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest payments made (including \$18,101 of capitalized interest in 2008)	<u>\$ 12,596</u>	<u>\$ 64,100</u>

The accompanying notes are an integral part of the financial statements.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

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

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.

Basis of presentation

The financial statements of the Academy have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Resources are classified as unrestricted, temporarily restricted and 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 Academy had no permanently restricted net assets as of June 30, 2009.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues 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 designated for future periods or restricted by the donor 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.

Other current funds are reported as revenue in the period received or accrued. Theatre academy revenues received in advance are reported as deferred revenues and recognized in the year earned.

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 (3.34% in 2009 and 2008). 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 pledges is provided based on historical experience and management's estimates. Pledges determined to be uncollectible are charged off against the allowance in the period of determination. Increases in the allowance relating to temporarily restricted pledges are reported as a provision for loss under support and revenue.

Investments

Investments are reported at fair value (see Note 13). Realized and unrealized gains and losses on investments are recognized in current period operations.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Building improvements and theatre equipment are stated at cost (or estimated fair value at date of gift, if donated, with a corresponding credit to contributions). Expenditures for items with a useful life greater than one year in amounts greater than \$500 are capitalized. Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. Interest costs are capitalized in connection with construction of qualifying assets. Capitalization begins when expenditures for qualifying assets are made, activities necessary to prepare the asset for its intended use are in progress, and interest cost is being incurred. Capitalization ends when the asset is ready for its intended use. Capitalized interest cost is depreciated the same as the associated qualifying asset. No interest costs were capitalized in 2009 (\$18,101 in 2008).

Agency endowment fund

The Academy's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value of the fund are recognized in the statement of activities, and distributions received from the fund are recorded as decreases in the beneficial interest.

Income tax status

The Academy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

In-kind donations

The Academy occupies certain premises owned and provided at no rent by the Metropolitan Government of Nashville and Davidson County ("Metro"). The estimated fair rental value of the facility is recognized as support and rent expense. (See Note 8.) Certain goods and services donated to the Academy have been recognized at their estimated fair value in the period received, with a corresponding charge to the applicable expense.

A number of unpaid volunteers contribute their time to assist in the Academy's operation. The value of these services is not recognized in the financial statements since the requirements for recognition are not met.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation leave

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

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 benefited based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by the Academy's management.

Events occurring after reporting date

The Academy has evaluated events and transactions that occurred between June 30, 2009 and October 9, 2009, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Recent accounting pronouncement

In July 2006, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*. FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption. In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Academy has elected this deferral and, accordingly, will be required to adopt FIN 48 in its June 30, 2010 annual financial statements. Prior to adopting FIN 48, the Academy will continue to evaluate uncertain tax positions and related income tax contingencies under Statement of Financial Accounting Standards ("SFAS") No. 5, *Accounting for Contingencies*. SFAS No. 5 requires annual accrual for losses that are considered probable and can be reasonably estimated, or disclosure for losses that are considered reasonably possible and/or cannot be reasonably estimated.

The Academy is currently evaluating the impact, if any, of the adoption of this pronouncement on the financial statements.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2009</u>	<u>2008</u>
Annual giving receivables	\$ 30,063	\$ 42,047
Capital campaign receivables	<u>892,952</u>	<u>1,529,587</u>
	<u>\$ 923,015</u>	<u>\$ 1,571,634</u>

Contributions receivable are classified as follows as of June 30:

	<u>2009</u>	<u>2008</u>
Temporarily restricted:		
Less than one year	\$ 635,498	\$ 677,263
One to five years	<u>348,839</u>	<u>948,781</u>
	984,337	1,626,044
Less discount to net present value	(11,322)	(54,410)
Less allowance for doubtful contributions receivable	<u>(50,000)</u>	<u>-</u>
Total	<u>\$ 923,015</u>	<u>\$ 1,571,634</u>

In September 2007, the Academy was notified that it was the recipient of a \$500,000 challenge grant to use toward the renovation and expansion of its facility. To receive this grant, the Academy had to raise the amount required to complete the funding of the campaign goal and projects through new private gifts, pledges and grants by April 1, 2008. The conditions were met and the grant was recognized in 2008.

NOTE 3 - INVESTMENTS

Investments consist of the following as of June 30:

	<u>2009</u>	<u>2008</u>
Liquid asset accounts	\$ 19,252	\$ 127,721
Common stock	<u>2,070</u>	<u>53,591</u>
	<u>\$ 21,322</u>	<u>\$ 181,312</u>

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 3 - INVESTMENTS (CONTINUED)

Investment income (loss) consists of the following for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Realized and unrealized gain (loss) on investments	\$ 8,712	\$ (9,291)
Interest and dividends	<u>2,532</u>	<u>2,194</u>
	<u>\$ 11,244</u>	<u>\$ (7,097)</u>

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2009</u>	<u>2008</u>
Building improvements	\$ 4,980,173	\$ 4,947,792
Theatre equipment	173,376	156,643
Furniture and fixtures	<u>211,469</u>	<u>201,819</u>
	5,365,018	5,306,254
Less accumulated depreciation	<u>507,029</u>	<u>246,669</u>
	<u>\$ 4,857,989</u>	<u>\$ 5,059,585</u>

Depreciation expense totaled \$260,358 in 2009 (\$154,749 in 2008). The general range of useful lives is 10 to 25 years for improvements and 5 to 20 years for equipment and furniture and fixtures. Fully depreciated assets had an original cost totaling approximately \$37,000 in 2009 (\$33,000 in 2008).

During fiscal 2007, the Academy began constructing its new theatre facility. The existing auditorium and related improvements were gutted, which resulted in a loss of \$16,946 in 2008, representing the remaining net book value of those assets.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 5 - LINE OF CREDIT

The Academy has a maximum \$125,000 unsecured line of credit arrangement with a financial institution. Interest on outstanding borrowings is payable monthly at the three-month London Interbank Offered Rate ("LIBOR") plus 3.00 percent per annum, with a minimum rate of 4.5%. No borrowings on the line were outstanding at June 30, 2009 or 2008. The arrangement expires May 10, 2010.

NOTE 6 - NOTE PAYABLE

On May 11, 2007, the Academy entered into a \$3,200,000 construction loan agreement with a financial institution. On May 11, 2009, the agreement was renewed for a maximum principal amount of \$600,000 through May 10, 2010, and \$200,000 thereafter through maturity on May 10, 2011. As of June 30, 2009, the total amount drawn on the loan was \$584,888 (\$1,362,661 as of June 30, 2008). Interest is due monthly and is charged at a rate equal to 1.9% above the three month LIBOR rate.

Scheduled maturities for the note payable as of June 30, 2009 follow:

Year ending June 30:

2010	\$ 384,888
2011	<u>200,000</u>
	<u>\$ 584,888</u>

NOTE 7 - CONTINGENCIES

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

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 8 - LEASES

The land and building occupied by the Academy is leased through the year 2018 from the Metropolitan Government of Nashville and Davidson County ("Lessor") for one dollar per year. The lease includes three five-year extension terms. The lease contains a cancellation provision should the Lessor decide to use the premises for a governmental purpose. The Academy would have no less than one calendar year's notice for cancellation. Additional time would be granted in excess of the year to allow the Academy to locate suitable, alternative space as long as the Academy is using good faith efforts to locate such space. Should the Lessor exercise the cancellation provision, the Academy would be reimbursed the unamortized portion of the capital improvements that have been amortized over the term of the lease. The fair rental value of the leased facility declined from \$103,000 in 2008 to \$74,333 in 2009 and subsequent years, based on the significant construction by the Academy of its own new facility on the leased property.

A contribution receivable and corresponding temporarily restricted revenue for the fair rental value of the facilities use have been recognized each year for the ensuing one-year period.

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Academy sponsors a Simplified Employee Pension Plan under Internal Revenue Code §403(b). The plan allows all employees over the age of twenty-one to participate. The Academy makes discretionary contributions based on a uniform contribution allocation formula. Participant salary reduction contributions are not permitted by the plan; however, participants may make self-directed contributions to their account. The amount of the Academy's contributions to a participant's account for any plan year may not exceed the lesser of 15% of the participant's salary or \$35,000. Total contributions to the plan by the Academy for the year ended June 30, 2009, were \$14,799 (\$15,494 for the year ended June 30, 2008).

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 10 - AGENCY ENDOWMENT FUND

The Academy has a beneficial interest in the Nashville Children's Theatre Agency Endowment Fund held by the Community Foundation of Middle Tennessee (the "Community Foundation"). Earnings on this fund are used to support professional theatre for young audiences in the Middle Tennessee area. The Academy has granted variance power to the Community Foundation, and the Community Foundation has the ultimate authority and control over the Fund and the income derived therefrom. The fund is charged a .4% administrative fee annually. Upon request by the Academy, income from the Fund representing a 5% annual return may be distributed to the Academy or to another suggested beneficiary.

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

	<u>2009</u>	<u>2008</u>
Balance - beginning of year	\$ 146,273	\$ 152,111
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	100	-
Investment loss	(28,925)	(4,889)
Administrative expenses	<u>(798)</u>	<u>(949)</u>
	(29,623)	(5,838)
Distributions to the Academy	<u>-</u>	<u>-</u>
Balance - end of year	<u>\$ 116,650</u>	<u>\$ 146,273</u>

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Annual giving receivables - time restricted	\$ 30,063	\$ 42,047
Capital campaign receivables - time restricted	892,952	1,529,587
Facilities use - time restricted	<u>74,333</u>	<u>74,333</u>
	<u>\$ 997,348</u>	<u>\$ 1,645,967</u>

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009 AND 2008

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The Academy's cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Emergency Economic Stabilization Act of 2008 temporarily increased FDIC coverage from \$100,000 to \$250,000 per depositor, effective October 3, 2008 through December 31, 2009. On May 20, 2009, the Helping Families Save Their Homes Act extended the temporary increase in FDIC coverage through December 31, 2013. On October 14, 2008, the FDIC announced the Temporary Liquidity Guarantee Program. Under the program, all non-interest bearing funds held by qualifying financial institutions for the period October 14, 2008 through December 31, 2009 are fully insured. At June 30, 2009, cash deposits per bank did not exceed insured amounts. At June 30, 2008, cash deposits per bank exceeded insured amounts by approximately \$369,000. Management considers bank balances in excess of statutory limits to be a normal business risk.

NOTE 13 - FAIR VALUE MEASUREMENTS

Effective July 1, 2008, the Academy adopted the provisions of SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a framework for measuring fair value for financial assets and financial liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Academy has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets measured at fair value on a recurring basis include the following:

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 government 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. In certain cases where there is limited activity, or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Academy believes its valuation method is 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 fair value measurement at the reporting date, and the difference could be significant.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009 AND 2008

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the Academy's financial assets measured at fair value on a recurring basis as of June 30, 2009, segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value:

	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	<u>Total</u> <u>Value</u>
Liquid asset accounts	\$ -	\$ 19,252	\$ -	\$ 19,252
Common stock	2,070	-	-	2,070
Beneficial interest in agency endowment fund	<u>-</u>	<u>-</u>	<u>116,650</u>	<u>116,650</u>
Total	<u>\$ 2,070</u>	<u>\$ 19,252</u>	<u>\$ 116,650</u>	<u>\$ 137,972</u>

The table below presents a reconciliation of the change in the amount reported for assets included within Level 3 of the valuation hierarchy for the year ended June 30, 2009:

Fair value, beginning of year	\$ 146,273
Realized and unrealized gains and losses	(28,925)
Purchases, issuances and settlements	<u>(698)</u>
Fair value, end of year	<u>\$ 116,650</u>

ADDITIONAL INFORMATION

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Program services</u>		<u>Supporting services</u>			<u>Total</u>
	<u>Production</u>	<u>Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Capital Campaign</u>	
Salaries	\$ 487,683	\$ 151,485	\$ 50,313	\$ 48,906	\$ -	\$ 738,387
Fringe benefits	129,610	40,577	11,593	11,594	-	193,374
	<u>617,293</u>	<u>192,062</u>	<u>61,906</u>	<u>60,500</u>	<u>-</u>	<u>931,761</u>
Donated goods and services	75,777	-	-	-	-	75,777
Depreciation	213,494	28,640	18,225	-	-	260,359
Advertising and public relations	56,716	22,805	843	345	-	80,709
Interest	7,557	3,779	1,260	-	-	12,596
Utilities	44,209	22,105	7,368	-	-	73,682
Royalties	41,188	-	-	-	-	41,188
Professional fees	18,206	9,358	2,994	-	3,974	34,532
Office supplies	15,343	7,197	7,063	687	-	30,290
Scenery and production	26,756	-	-	-	-	26,756
Custodial services	16,448	8,224	2,741	-	-	27,413
Property insurance	18,057	9,028	3,010	-	-	30,095
Brochures and programs	18,382	-	-	-	-	18,382
Ticketing	21,578	-	-	-	-	21,578
Rent	61,061	9,804	9,232	-	-	80,097
Program supplies	67	12,728	298	-	-	13,093
Building and plant maintenance	8,433	4,217	1,406	-	-	14,056
Costumes	8,303	-	-	-	-	8,303
Equipment rental and maintenance	3,703	792	1,677	-	-	6,172
Conferences and membership	3,423	665	567	129	-	4,784
Hospitality	2,343	1,142	203	266	-	3,954
Academy	-	11,331	-	-	-	11,331
Dues and permits	-	-	-	471	1,500	1,971
Lighting	5,038	-	-	-	-	5,038
Sound and music	2,692	-	-	-	-	2,692
Background checks	-	451	93	-	-	544
Other	725	959	858	-	236	2,778
	<u>\$ 1,286,792</u>	<u>\$ 345,287</u>	<u>\$ 119,744</u>	<u>\$ 62,398</u>	<u>\$ 5,710</u>	<u>\$ 1,819,931</u>

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Program services</u>		<u>Supporting services</u>			<u>Total</u>
	<u>Production</u>	<u>Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Capital Campaign</u>	
Salaries	\$ 459,900	\$ 126,575	\$ 53,730	\$ 36,374	\$ -	\$ 676,579
Fringe benefits	119,851	23,409	10,144	6,322	-	159,726
	<u>579,751</u>	<u>149,984</u>	<u>63,874</u>	<u>42,696</u>	<u>-</u>	<u>836,305</u>
Donated goods and services	96,887	-	-	-	-	96,887
Depreciation	126,836	16,993	10,920	-	-	154,749
Advertising and public relations	42,316	16,255	31	970	32,318	91,890
Interest	43,223	5,403	5,631	-	-	54,257
Utilities	30,807	15,409	5,110	-	-	51,326
Royalties	49,345	-	-	-	-	49,345
Professional fees	12,169	4,844	8,299	-	9,901	35,213
Office supplies	22,346	5,395	4,068	685	-	32,494
Scenery and production	28,152	-	-	-	-	28,152
Custodial services	11,807	5,903	1,863	-	-	19,573
Property insurance	11,735	5,868	1,956	-	-	19,559
Brochures and programs	17,679	-	-	-	-	17,679
Ticketing	16,449	-	527	-	-	16,976
Rent	87,009	15,909	15,048	-	-	117,966
Special events	-	-	-	1,589	-	1,589
Program supplies	-	10,803	-	-	-	10,803
Building and plant maintenance	6,329	2,989	996	-	-	10,314
Costumes	9,048	-	-	-	-	9,048
Equipment rental and maintenance	4,502	2,251	800	-	-	7,553
Conferences and membership	4,789	1,781	482	-	-	7,052
Hospitality	2,263	925	179	236	2,640	6,243
Academy	-	5,930	-	-	-	5,930
Dues and permits	-	-	-	446	4,510	4,956
Lighting	4,749	-	-	-	-	4,749
Sound and music	3,026	-	-	-	-	3,026
Custodial supplies	1,517	759	360	-	-	2,636
Background checks	-	1,084	-	-	-	1,084
Other	208	326	335	-	2,043	2,912
	<u>\$ 1,212,942</u>	<u>\$ 268,811</u>	<u>\$ 120,479</u>	<u>\$ 46,622</u>	<u>\$ 51,412</u>	<u>\$ 1,700,266</u>