

TENNESSEE REPERTORY THEATRE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2011

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ADDITIONAL INFORMATION

AND  
INDEPENDENT AUDITORS' REPORT

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Tennessee Repertory Theatre, Inc.  
Nashville, Tennessee

We have audited the accompanying statements of financial position of the Tennessee Repertory Theatre, Inc. (the "Tennessee Rep") as of June 30, 2011 and 2010, and the related statement of activities for the year ended June 30, 2011, and the statements of cash flows for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Tennessee Rep's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information in the Statement of Activities has been derived from the Tennessee Rep's June 30, 2010 financial statements and, in our report dated October 7, 2010, we expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Repertory Theatre, Inc. as of June 30, 2011 and 2010, and the changes in its net assets for the year ended June 30, 2011, and its cash flows for the years ended June 30, 2011 and 2010, 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 accompanying additional information on page 13 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  
September 27, 2011

TENNESSEE REPERTORY THEATRE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash	\$ 265,399	\$ 200,547
Accounts receivable:		
Due from Tennessee Performing Arts Management Corporation	106,218	97,986
Other	7,444	7,752
Contributions receivable	175	3,023
Prepaid expenses and other	23,723	29,524
Property and equipment, less accumulated depreciation	<u>8,973</u>	<u>6,192</u>
TOTAL ASSETS	<u>\$ 411,932</u>	<u>\$ 345,024</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 55,550	\$ 37,930
Advance ticket sales	106,218	97,986
Capital lease obligation	<u>-</u>	<u>473</u>
TOTAL LIABILITIES	<u>161,768</u>	<u>136,389</u>
LEASES		
NET ASSETS		
Unrestricted	247,870	197,568
Temporarily restricted	<u>2,294</u>	<u>11,067</u>
TOTAL NET ASSETS	<u>250,164</u>	<u>208,635</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 411,932</u>	<u>\$ 345,024</u>

See accompanying notes to financial statements.

TENNESSEE REPERTORY THEATRE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011, WITH COMPARATIVE TOTALS FOR 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2011</u>	<u>2010</u>
OPERATING REVENUE				
Ticket sales	\$ 462,745	\$ -	\$ 462,745	\$ 462,221
Sponsorships	37,000	-	37,000	41,000
Props and costume rentals	47,742	-	47,742	57,020
Performance fees	20,900	-	20,900	-
Other income	65,106	-	65,106	17,141
	<u>633,493</u>	<u>-</u>	<u>633,493</u>	<u>577,382</u>
TOTAL OPERATING REVENUE	633,493	-	633,493	577,382
OPERATING EXPENSES	<u>1,198,170</u>	<u>-</u>	<u>1,198,170</u>	<u>1,060,604</u>
LOSS FROM OPERATIONS	<u>(564,677)</u>	<u>-</u>	<u>(564,677)</u>	<u>(483,222)</u>
PUBLIC SUPPORT AND OTHER REVENUES				
Contributions	570,246	2,294	572,540	566,743
Grants	169,000	-	169,000	180,500
Special events	59,632	-	59,632	47,972
Less: direct benefits to donors	(23,426)	-	(23,426)	(19,496)
Net assets released from restriction	<u>11,067</u>	<u>(11,067)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>786,519</u>	<u>(8,773)</u>	<u>777,746</u>	<u>775,719</u>
SUPPORTING SERVICES				
Management and general	97,998	-	97,998	94,962
Fundraising	<u>73,542</u>	<u>-</u>	<u>73,542</u>	<u>75,128</u>
TOTAL SUPPORTING SERVICES	<u>171,540</u>	<u>-</u>	<u>171,540</u>	<u>170,090</u>
CHANGE IN NET ASSETS	50,302	(8,773)	41,529	122,407
NET ASSETS - BEGINNING OF YEAR	<u>197,568</u>	<u>11,067</u>	<u>208,635</u>	<u>86,228</u>
NET ASSETS - END OF YEAR	<u>\$ 247,870</u>	<u>\$ 2,294</u>	<u>\$ 250,164</u>	<u>\$ 208,635</u>

See accompanying notes to financial statements.

TENNESSEE REPERTORY THEATRE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Change in net assets	<u>\$ 41,529</u>	<u>\$ 122,407</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,395	3,584
(Increase) decrease in:		
Due from Tennessee Performing Arts Management Corporation	(8,232)	(40,671)
Other receivable	308	(4,246)
Contributions receivable	2,848	(2,423)
Prepaid expenses and other	5,801	(10,570)
Increase in:		
Accounts payable and accrued expenses	17,620	2,600
Advance ticket sales	<u>8,232</u>	<u>40,671</u>
TOTAL ADJUSTMENTS	<u>29,972</u>	<u>(11,055)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>71,501</u>	<u>111,352</u>
INVESTING ACTIVITIES		
Additions to property and equipment	<u>(6,176)</u>	<u>-</u>
FINANCING ACTIVITIES		
Payments on capital lease	<u>(473)</u>	<u>(1,823)</u>
INCREASE IN CASH	64,852	109,529
CASH - BEGINNING OF YEAR	<u>200,547</u>	<u>91,018</u>
CASH - END OF YEAR	<u>\$ 265,399</u>	<u>\$ 200,547</u>
OTHER CASH FLOW DISCLOSURES:		
Interest expense paid during the year	<u>\$ 5</u>	<u>\$ 84</u>

See accompanying notes to financial statements.

TENNESSEE REPERTORY THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Tennessee Repertory Theatre, Inc. (the "Tennessee Rep"), a Tennessee not-for-profit organization, was established in February 1985. The Tennessee Rep is the theatre in residence at the Tennessee Performing Arts Center ("TPAC") and is a professional Actors' Equity Troupe in Middle Tennessee.

The mission of the Tennessee Rep is to serve those who seek intellectual stimulation, spiritual nourishment, and exciting entertainment from a professional regional theatre by creating the highest quality productions and by serving as a prime cultural, educational, and economic resource in Nashville, Middle Tennessee, and the State of Tennessee.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Tennessee Rep 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. As of June 30, 2011 and 2010, all temporarily restricted net assets were from contributions for the next year's operations.
- *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 Tennessee Rep had no permanently restricted net assets as of June 30, 2011 or 2010.

TENNESSEE REPERTORY THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - 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.

The Tennessee Rep 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. Grants received in advance of the expenditure are recorded initially as deferred revenue.

The Tennessee Rep 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.

Contributions Receivable

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. All promises to give at June 30, 2011 and 2010 were expected to be received within one year.

An allowance for uncollectible contributions has not been provided based on management's estimate that the balance is fully collectible.



TENNESSEE REPERTORY THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Ticket sales are processed by TPAC through the TPAC ticketing system. TPAC remits the tickets sales proceeds to the Tennessee Rep throughout the year. Tennessee Rep also sells the use of its performance props and costumes to other organizations, which is recorded as shop project sales and rentals in the Statement of Activities.

Accounts receivable are reported at gross sales price less any applicable payments or adjustments. Tennessee Rep does not charge interest on any 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, 2011 and 2010.

Prepaid Expenses and Other

Prepaid expenses and other consist of certain marketing and promotional costs pertaining to the following theatre season that are paid for in advance and charged to operating expense in the following fiscal year.

Advertising, marketing and promotional costs incurred that related to the theatre season for the year ended June 30, 2011 were approximately \$134,000 (\$104,000 for the year ended June 30, 2010).

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 Tennessee Rep. The Tennessee Rep's policy is to capitalize purchases with a cost of \$500 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 fixtures, and equipment.

Donated Goods, Facilities, and Services

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by the Tennessee Rep if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Members of the Board of Directors have provided substantial assistance to the Tennessee Rep by the donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

TENNESSEE REPERTORY THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods, Facilities, and Services (Continued)

Donated goods and performance facilities, which amounted to \$7,455 in 2011 and \$5,900 in 2010, are recorded at their estimated fair value at the date of donation, and have been included in revenue and expenses.

Advance Ticket Sales

Ticket sales made prior to the fiscal year to which they apply are reported as advance ticket sales. Such revenue is recognized and reported in the Statement of Activities in the year the production is performed.

Income Taxes

The Tennessee Rep 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 Tennessee Rep 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, Tennessee Rep files an income tax return in the State of Tennessee. Tax returns for years prior to fiscal year 2008 are closed.

Program and Supporting Services

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

Program Services

Operating expenses include the following:

Production - includes expenses that are directly identifiable with a particular production.

Professional training and enrichment - includes expenses that are directly identifiable with the professional and student internships program, workshops program, and educational outreach activities.

New initiatives - includes expenses that are directly identifiable with the Ingram New Works program, which enables the Tennessee Rep to bring attention to the importance of new play development and establishes the Tennessee Rep as a leading advocate for new work.

TENNESSEE REPERTORY THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting Services

Management and general - relates to the overall direction of the organization. These costs 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 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 non-financial data or reasonable subjective methods determined by management.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with 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.

Events Occurring After Reporting Date

The Tennessee Rep has evaluated events and transactions that occurred between June 30, 2011 and September 27, 2011, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications have been made to prior year amounts in order to be comparative with the current year presentation.

TENNESSEE REPERTORY THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Tennessee Rep maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of June 30, 2011, all depositor accounts of Tennessee Rep were fully insured.

For the years ended June 30, 2011 and 2010, combined contributions from one source were approximately 64% and 45%, respectively, of total contribution revenues.

NOTE 3 - PROPERTY AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Computers	\$ 28,147	\$ 25,205
Furniture and fixtures	2,587	2,587
Equipment	<u>41,838</u>	<u>38,604</u>
	72,572	66,396
Less: accumulated depreciation	<u>(63,599)</u>	<u>(60,204)</u>
	<u>\$ 8,973</u>	<u>\$ 6,192</u>

Total depreciation expense for 2011 amounted to \$3,395 (\$3,584 in 2010). Property and equipment include fully depreciated items amounting to approximately \$57,700 as of June 30, 2011 (\$50,100 in 2010).

NOTE 4 - DEBT

At June 30, 2011, the Tennessee Rep had a \$200,000 operating line of credit with a bank. The line is evidenced by a promissory note which bears interest, payable monthly, on the amount borrowed at a variable interest rate based on the bank's base commercial rate plus .75%. The interest rate at June 30, 2011 was 4%. The line of credit matures on December 1, 2011. As of June 30, 2011 and 2010, there was no outstanding balance on the line of credit.

TENNESSEE REPERTORY THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 5 - EMPLOYEE BENEFIT PLANS

The Tennessee Rep sponsors the Tennessee Repertory Theatre Tax-Deferred Annuity Plan (the "Plan") under Section 403(b) of the Internal Revenue Code. All full-time employees of the Tennessee Rep at July 1, 2005 were immediately eligible for participation. Full-time employees hired after July 1, 2005, are eligible after one year of employment. Eligible employees may elect to defer a portion of their compensation through the Plan, not to exceed the allowable amount under Section 403(b). The Tennessee Rep may make an annual contribution to the Plan equivalent to 1% of the employee's annual salary; however, there were no such contributions for the years ended June 30, 2011 and 2010.

NOTE 6 - DONOR-DESIGNATED ENDOWMENT FUNDS HELD IN TRUST

Certain individuals have established two separate donor-designated endowment funds with the Community Foundation of Middle Tennessee for the benefit of the Tennessee Repertory Theatre. The Community Foundation of Middle Tennessee has the ultimate authority and control over these Funds and, therefore, these investments are not included in the financial statements of the Tennessee Rep. Income distributed from these funds to the Tennessee Rep is recognized in the year received. Such distributions totaled approximately \$42,900 and \$39,300 during the years ended June 30, 2011 and 2010, respectively. Total assets held in these funds amounted to approximately \$916,117 and \$799,600 at June 30, 2011 and 2010, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2011 and 2010, the Tennessee Rep paid \$81,053 and \$76,536, respectively, in rent expense for office space leased from a Board member's employer. In addition, an in-kind contribution for travel expenses, valued at \$2,100 in 2011 (\$4,900 in 2010), was received from a Board member's company.

TENNESSEE REPERTORY THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 8 - LEASES

The Tennessee Rep leases its office and warehouse space under non-cancelable operating leases requiring monthly rental payments through June 30, 2012 and August 31, 2011, respectively. The Tennessee Rep also leases certain office equipment. Total rental expense incurred under all such agreements amounted to approximately \$86,200 for the year ended June 30, 2011 (\$83,400 in 2010).

Future minimum lease commitments under all non-cancelable leases in effect as of June 30, 2011, are as follows:

<u>For the year ending June 30,</u>	<u>Office and Warehouse Space</u>	<u>Equipment</u>
2012	\$ 82,053	\$ 4,116
2013	-	4,116
	<u>\$ 82,053</u>	<u>\$ 8,232</u>

#### ADDITIONAL INFORMATION

TENNESSEE REPERTORY THEATRE, INC.

SCHEDULE OF COSTS AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011, WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2010

	PROGRAM SERVICES - OPERATING EXPENSES			SUPPORTING SERVICES		
	PROFESSIONAL TRAINING AND ENRICHMENT		NEW INITIATIVES	MANAGEMENT AND GENERAL		TOTAL
	PRODUCTION			TOTAL	FUNDRAISING	TOTAL
						2011
						2010
Production costs	\$ 210,758	\$ -	\$ 619	\$ 211,377	\$ -	\$ 211,377
Marketing - programming	126,837	1,117	700	128,654	4,665	134,381
Fees - ticketing	54,773	-	-	54,773	-	54,773
Artist wages	153,845	-	-	153,845	-	153,845
Artist expense	4,700	-	31,830	36,530	-	36,530
Salaries	289,435	35,797	17,325	342,557	42,553	440,727
Wages - part-time	48,771	2,969	-	51,740	3,800	55,540
Employee related expenses	68,816	6,383	3,355	78,554	6,125	90,493
Contract labor	14,950	-	-	14,950	-	14,950
Computer support	3,970	412	252	4,634	412	5,665
Credit card fees	661	124	-	785	1,297	2,082
Depreciation	2,379	247	151	2,777	247	3,395
Dues and subscriptions	-	-	-	-	-	5,699
Equipment rentals	3,575	371	227	4,173	371	5,101
Facility/storage	8,879	-	-	8,879	-	8,879
Fundraising event expenses	-	-	-	-	29,478	29,478
In-kind gifts used for fundraising	-	-	-	-	-	1,000
Insurance	7,289	756	463	8,508	756	10,399
Interest expense/bank fees	-	-	-	-	-	1,824
Meals and entertainment	-	-	2,451	2,451	-	2,451
Miscellaneous	-	-	-	-	-	1,415
Office and computer supplies	4,316	448	274	5,038	448	6,157
Postage	-	-	-	-	-	631
Printing and reproduction	684	71	43	798	71	976
Professional development	1,964	-	-	1,964	-	1,964
Professional fees	-	-	-	-	-	75
Rent	56,811	5,895	3,611	66,317	-	12,360
Repairs and maintenance	2,457	-	-	2,457	5,895	12,360
Shop sales and rentals	6,846	-	-	6,846	-	81,053
Telephone	8,192	850	521	9,563	-	2,457
					850	6,846
						11,688
Total costs and expenses	1,080,908	55,440	61,822	1,198,170	96,968	1,393,136
						1,250,190
Less expenses included with revenues on the statement of activities - direct benefits to donors	-	-	-	-	(23,426)	(23,426)
						(19,496)
Total costs and expenses for the year ended June 30, 2011	\$ 1,080,908	\$ 55,440	\$ 61,822	\$ 1,198,170	\$ 73,542	\$ 1,369,710
Total costs and expenses for the year ended June 30, 2010	\$ 954,442	\$ 52,843	\$ 53,319	\$ 1,060,604	\$ 75,128	\$ 1,230,694