

TENNESSEE PERFORMING ARTS CENTER
MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023 AND 2022

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR’S REPORT

JUNE 30, 2023 AND 2022

CONTENTS

	<u>PAGE</u>
<u>LIST OF PRINCIPAL OFFICIALS</u>	i
<u>INDEPENDENT AUDITOR’S REPORT</u>	1 - 3
<u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	4
Statements of Activities (2023)	5
Statements of Activities (2022)	6
Statements of Functional Expenses (2023)	7
Statements of Functional Expenses (2022)	8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 29

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 2023

BOARD OF DIRECTORS

Chair: Dr. Philip Wenk
Vice Chair: Jim Schmitz
Immediate Past Chair: Tracy Kane
Treasurer: J. Reginald Hill
Secretary: Sheila Gibson
Harry Allen
Victor Berrios
Ronald L. Corbin
Ansel L. Davis
Emanuel J. Eads
Don Hardin
Kevin Hartley
Robert M. Hebert Jr.
Joy Heinrichs
Debbie Hollenstein
Martha R. Ingram
Melvin J. Malone
Steve Mason
Alexia Poe
Nathan Poss
Cybel Raver
Dr. Chistopher Rehm
Adam C. Sansiveri
Todd Shipley
Andrew Tavi
Rhonda Taylor
Claire W. Tucker
Gail Carr Williams

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of the Tennessee Performing Arts Center Management Corporation (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Tennessee Performing Arts Center Management Corporation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

OTHER INFORMATION

Management is responsible for the other information included in the report. The other information comprises the list of principal officials on page i but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023 on our consideration of Tennessee Performing Arts Center Management Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Kraft+CPAs PLLC

Nashville, Tennessee
December 20, 2023

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$18,222,988	\$26,687,796
Certificate of deposit	10,000,000	-
Receivables:		
Accounts and other	1,064,618	660,598
Grants and contributions	2,695,092	3,913,623
Prepaid expenses and inventory	451,236	475,841
Other assets	3,066	4,481
Investments	14,902	13,344
Property and equipment, less accumulated depreciation	<u>4,327,677</u>	<u>4,026,388</u>
TOTAL ASSETS	<u>\$36,779,579</u>	<u>\$35,782,071</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 1,893,429	\$ 2,043,033
Advance ticket sales	13,042,940	13,877,525
Deposits and other	1,016,476	1,071,236
Finance lease liability	<u>22,503</u>	<u>39,522</u>
TOTAL LIABILITIES	<u>15,975,348</u>	<u>17,031,316</u>
<u>NET ASSETS</u>		
Without donor restrictions:		
Invested in property and equipment, net of related debt	4,305,174	3,986,866
Undesignated	<u>16,064,039</u>	<u>14,213,866</u>
Total without donor restrictions	20,369,213	18,200,732
With donor restrictions	<u>435,018</u>	<u>550,023</u>
TOTAL NET ASSETS	<u>20,804,231</u>	<u>18,750,755</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$36,779,579</u>	<u>\$35,782,071</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
OPERATING REVENUE			
Ticket sales	\$ 16,397,283	\$ -	\$ 16,397,283
Rental income	470,984	-	470,984
Salary and wage reimbursements	605,494	-	605,494
Other reimbursements	630,700	-	630,700
Concession sales	2,011,496	-	2,011,496
Ticketing service charges and fees	3,977,630	-	3,977,630
Sales tax rebate	1,172,945	-	1,172,945
Other income	172,639	-	172,639
TOTAL OPERATING REVENUE	25,439,171	-	25,439,171
OPERATING COSTS AND EXPENSES			
Programming and production	15,007,587	-	15,007,587
Food and beverage	719,331	-	719,331
Operations	3,451,882	-	3,451,882
Marketing	1,987,575	-	1,987,575
Box office	1,422,077	-	1,422,077
Event services	546,636	-	546,636
TOTAL OPERATING COSTS AND EXPENSES	23,135,088	-	23,135,088
INCOME FROM OPERATIONS	2,304,083	-	2,304,083
PUBLIC SUPPORT AND OTHER INCOME, NET			
Contributions	3,172,491	185,018	3,357,509
In-kind contributions	797,562	-	797,562
Grants	1,124,593	-	1,124,593
Income from Foundation	841,794	-	841,794
Investment income, net	1,768	-	1,768
Loss on disposal of equipment	(19,403)	-	(19,403)
Production investment income, net	188	-	188
Interest income	288,197	-	288,197
Net assets released from restrictions	300,023	(300,023)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	6,507,213	(115,005)	6,392,208
FUNCTIONAL EXPENSES			
Program services:			
Educational programs	1,198,806	-	1,198,806
Supporting services:			
Management and general	4,110,547	-	4,110,547
Fundraising	1,333,462	-	1,333,462
Total supporting services	5,444,009	-	5,444,009
TOTAL FUNCTIONAL EXPENSES	6,642,815	-	6,642,815
CHANGE IN NET ASSETS	2,168,481	(115,005)	2,053,476
NET ASSETS - BEGINNING OF YEAR	18,200,732	550,023	18,750,755
NET ASSETS - END OF YEAR	\$ 20,369,213	\$ 435,018	\$ 20,804,231

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
OPERATING REVENUE			
Ticket sales	\$ 9,527,120	\$ -	\$ 9,527,120
Rental income	410,044	-	410,044
Salary and wage reimbursements	554,131	-	554,131
Other reimbursements	697,373	-	697,373
Concession sales	1,038,569	-	1,038,569
Ticketing service charges and fees	2,613,538	-	2,613,538
Sales tax rebate	737,838	-	737,838
Other income	275,292	-	275,292
	<u>15,853,905</u>	<u>-</u>	<u>15,853,905</u>
TOTAL OPERATING REVENUE			
OPERATING COSTS AND EXPENSES			
Programming and production	9,978,301	-	9,978,301
Food and beverage	478,310	-	478,310
Operations	2,692,496	-	2,692,496
Marketing	1,829,505	-	1,829,505
Box office	1,202,726	-	1,202,726
Event services	625,823	-	625,823
	<u>16,807,161</u>	<u>-</u>	<u>16,807,161</u>
TOTAL OPERATING COSTS AND EXPENSES			
LOSS FROM OPERATIONS	<u>(953,256)</u>	<u>-</u>	<u>(953,256)</u>
PUBLIC SUPPORT AND OTHER INCOME, NET			
Contributions	2,273,638	550,023	2,823,661
In-kind contributions	978,400	-	978,400
Grants	7,347,092	-	7,347,092
Income from Foundation	841,265	-	841,265
Investment loss, net	(2,951)	-	(2,951)
Loss on disposal of equipment	(18,637)	-	(18,637)
Production investment loss, net	(562,498)	-	(562,498)
Interest income	515	-	515
Net assets released from restrictions	191,750	(191,750)	-
	<u>11,048,574</u>	<u>358,273</u>	<u>11,406,847</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUES			
FUNCTIONAL EXPENSES			
Program services:			
Educational programs	935,727	-	935,727
Supporting services:			
Management and general	4,277,968	-	4,277,968
Fundraising	1,143,169	-	1,143,169
	<u>5,421,137</u>	<u>-</u>	<u>5,421,137</u>
Total supporting services			
	<u>6,356,864</u>	<u>-</u>	<u>6,356,864</u>
TOTAL FUNCTIONAL EXPENSES			
CHANGE IN NET ASSETS	3,738,454	358,273	4,096,727
NET ASSETS - BEGINNING OF YEAR	<u>14,462,278</u>	<u>191,750</u>	<u>14,654,028</u>
NET ASSETS - END OF YEAR	<u>\$ 18,200,732</u>	<u>\$ 550,023</u>	<u>\$ 18,750,755</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	OPERATING EXPENSES							PROGRAM SERVICES	SUPPORTING SERVICES			
	PROGRAMMING AND PRODUCTION	FOOD AND BEVERAGE	OPERATIONS	MARKETING	BOX OFFICE	EVENT SERVICES	TOTAL	EDUCATIONAL PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	TOTAL
Artist fees	\$ 9,974,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,974,680	\$ 183,000	\$ -	\$ 14,300	\$ 14,300	\$ 10,171,980
Awards incentives and gifts	-	275	1,580	12	-	-	1,867	7,464	46,085	1,628	47,713	57,044
Covid testing	498	-	-	-	-	-	498	-	-	-	-	498
Contract labor	1,524,194	25,398	4,423	-	-	91,992	1,646,007	215,630	-	69,817	69,817	1,931,454
Marketing - programming	684,429	-	-	-	-	204	684,633	-	-	491	491	685,124
Salaries	279,635	-	1,186,187	849,043	319,771	-	2,634,636	543,025	1,650,637	374,845	2,025,482	5,203,143
Wages - full time	-	-	610,841	-	253,631	-	864,472	-	52,444	-	52,444	916,916
Wages - part time	242,649	185,896	101,289	-	56,142	246,840	832,816	41,187	19,024	5,660	24,684	898,687
Employee related expenses	37,068	31,005	148,891	59,490	47,313	19,497	343,264	44,156	928,457	29,241	957,698	1,345,118
Bad debt expense	-	-	-	-	8,515	-	8,515	-	-	8,450	8,450	16,965
Cash (over) and short	-	(520)	169	-	856	-	505	-	477	-	477	982
Concessions supplies	-	383,206	-	-	-	-	383,206	61	154	213	367	383,634
Credit card fees	-	53,257	-	-	610,270	431	663,958	-	-	15,714	15,714	679,672
Custodial	178,166	52	66,985	-	-	-	245,203	22,373	-	475	475	268,051
Depreciation	52,350	23,879	344,591	9,537	346	5,704	436,407	325	237,958	20,446	258,404	695,136
Dues and subscriptions	7,817	110	4,096	20,204	41,288	-	73,515	18,018	94,523	9,380	103,903	195,436
Equipment rentals	71,131	-	13,380	-	-	20,572	105,083	-	14,704	121,903	136,607	241,690
Fees - ticketing/bank/other	-	5,317	150	-	35	-	5,502	-	23,294	264	23,558	29,060
Insurance	58,154	-	-	-	-	-	58,154	-	164,846	-	164,846	223,000
Interest expense	-	-	-	-	-	-	-	-	1,590	-	1,590	1,590
Marketing - institution	-	-	37	870,796	3,917	-	874,750	979	1,000	1,523	2,523	878,252
Meals and entertainment	841	203	3,988	2,407	153	-	7,592	19,685	25,119	64,771	89,890	117,167
Office and computer supplies	-	-	122	-	-	-	122	7,022	24,389	276	24,665	31,809
Postage	13	-	191	721	414	-	1,339	429	1,102	9,307	10,409	12,177
Printing and reproduction	782	-	315	8,473	2,644	-	12,214	4,414	7,099	24,727	31,826	48,454
Production costs	105,288	-	5	-	-	48,090	153,383	31,702	-	24,510	24,510	209,595
Professional consulting	-	-	16,704	137,223	18,304	-	172,231	28,276	542,357	346,955	889,312	1,089,819
Promoter profit sharing	1,475,489	-	-	-	-	41,994	1,517,483	-	-	-	-	1,517,483
Repairs and maintenance	18,000	7,831	672,238	9,188	52,611	-	759,868	-	154,354	-	154,354	914,222
Security	173,282	-	107,541	-	-	69,400	350,223	21,183	139	655	794	372,200
State maintenance expenses	-	-	122,313	-	-	-	122,313	-	-	-	-	122,313
Stewardship fulfillment	-	-	2,278	-	-	-	2,278	-	-	181,436	181,436	183,714
Tech and house supplies	-	3,371	20,993	-	-	-	24,364	-	-	-	-	24,364
Telephone	-	-	-	-	-	-	-	-	89,118	-	89,118	89,118
Transportation	-	-	-	-	-	-	-	1,478	-	-	-	1,478
Travel - air/hotel/auto	123,121	51	17,584	20,481	5,867	1,912	169,016	8,399	29,639	6,475	36,114	213,529
Trainings and Certifications	-	-	2,854	-	-	-	2,854	-	1,535	-	1,535	4,389
Uniforms and alterations	-	-	2,137	-	-	-	2,137	-	503	-	503	2,640
Total costs and expenses	<u>\$ 15,007,587</u>	<u>\$ 719,331</u>	<u>\$ 3,451,882</u>	<u>\$ 1,987,575</u>	<u>\$ 1,422,077</u>	<u>\$ 546,636</u>	<u>\$ 23,135,088</u>	<u>\$ 1,198,806</u>	<u>\$ 4,110,547</u>	<u>\$ 1,333,462</u>	<u>\$ 5,444,009</u>	<u>\$ 29,777,903</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	OPERATING EXPENSES							PROGRAM SERVICES	SUPPORTING SERVICES			
	PROGRAMMING AND PRODUCTION	FOOD AND BEVERAGE	OPERATIONS	MARKETING	BOX OFFICE	EVENT SERVICES	TOTAL	EDUCATIONAL PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	TOTAL
Artist fees	\$ 6,036,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,036,315	\$ 83,302	\$ -	\$ 33,835	\$ 33,835	\$ 6,153,452
Awards incentives and gifts	-	-	133	74	-	-	207	10,275	25,114	1,246	26,360	36,842
Covid testing	165,458	-	96,474	-	-	73,106	335,038	-	-	-	-	335,038
Contract labor	1,348,522	32,232	26,178	-	-	164,086	1,571,018	161,834	-	9,505	9,505	1,742,357
Marketing - programming	1,340,619	-	-	-	-	1,438	1,342,057	543	-	-	-	1,342,600
Salaries	259,908	-	1,112,400	699,048	333,953	-	2,405,309	503,432	1,404,688	449,277	1,853,965	4,762,706
Wages - full time	-	-	403,041	14,745	145,996	-	563,782	-	34,006	-	34,006	597,788
Wages - part time	175,567	125,766	66,645	5,610	27,028	229,748	630,364	17,605	7,789	2,485	10,274	658,243
Employee related expenses	31,128	-	141,626	51,009	38,210	18,778	280,751	39,678	910,285	35,824	946,109	1,266,538
Bad debt expense	-	-	-	-	4,277	22,598	26,875	200	-	12,806	12,806	39,881
Cash (over) and short	-	(1,701)	502	2,191	7,450	-	8,442	(8)	178	(10)	168	8,602
Concessions supplies	-	232,035	-	-	-	-	232,035	-	-	125	125	232,160
Credit card fees	-	29,852	-	-	556,417	170	586,439	-	-	7,900	7,900	594,339
Custodial	142,194	-	38,985	-	-	-	181,179	10,805	-	-	-	191,984
Depreciation	52,350	23,971	310,281	9,056	346	6,847	402,851	325	308,845	21,736	330,581	733,757
Dues and subscriptions	14,368	100	423	11,285	31,220	-	57,396	15,349	80,503	20,382	100,885	173,630
Equipment rentals	43,634	-	9,794	-	-	6,902	60,330	978	14,810	43,383	58,193	119,501
Fees - ticketing/bank/other	-	4,652	50	-	-	-	4,702	-	44,476	495	44,971	49,673
Insurance	1,856	-	1,639	-	-	-	3,495	-	179,394	-	179,394	182,889
Interest expense	54	-	-	-	-	-	54	-	2,418	-	2,418	2,472
Marketing - institution	-	-	-	946,607	7,465	-	954,072	600	1,000	8,945	9,945	964,617
Meals and entertainment	592	239	1,457	1,717	5	-	4,010	10,518	7,059	124,208	131,267	145,795
Office and computer supplies	-	706	561	-	-	-	1,267	4,190	14,888	-	14,888	20,345
Postage	-	-	-	1,049	826	-	1,875	422	733	7,502	8,235	10,532
Printing and reproduction	-	-	1,116	4,233	7,657	-	13,006	2,279	1,686	32,979	34,665	49,950
Production costs	163,533	-	24	-	-	20,471	184,028	9,413	-	56,875	56,875	250,316
Professional consulting	-	31	44,057	44,493	22,478	-	111,059	56,699	973,783	159,699	1,133,482	1,301,240
Promoter profit sharing	72,281	-	-	-	-	36,374	108,655	-	-	-	-	108,655
Repairs and maintenance	19,798	28,162	277,534	15,714	18,198	-	359,406	-	142,385	-	142,385	501,791
Security	99,735	-	110,868	-	-	45,305	255,908	3,910	-	3,071	3,071	262,889
State maintenance expenses	-	-	637	-	-	-	637	-	-	-	-	637
Stewardship fulfillment	-	-	-	-	-	-	-	-	-	99,487	99,487	99,487
Tech and house supplies	-	2,243	41,981	-	-	-	44,224	-	-	-	-	44,224
Telephone	-	-	-	-	-	-	-	-	89,251	-	89,251	89,251
Transportation	-	-	-	-	-	-	-	1,626	-	-	-	1,626
Travel - air/hotel/auto	10,389	22	5,917	22,674	1,200	-	40,202	1,752	34,356	11,414	45,770	87,724
Uniforms and alterations	-	-	173	-	-	-	173	-	321	-	321	494
Total costs and expenses	\$ 9,978,301	\$ 478,310	\$ 2,692,496	\$ 1,829,505	\$ 1,202,726	\$ 625,823	\$ 16,807,161	\$ 935,727	\$ 4,277,968	\$ 1,143,169	\$ 5,421,137	\$ 23,164,025

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 2,053,476	\$ 4,096,727
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	695,136	733,757
Loss on disposal of equipment	19,403	18,637
Loss (gain) on investments	(1,558)	2,532
Production investment (gain) loss	(188)	562,498
(Increase) decrease in:		
Accounts and other receivables	(404,020)	(594,349)
Grant and contribution receivables	1,218,531	2,986,341
Prepaid expenses and inventory	24,605	(195,389)
Other assets	1,603	(1,013)
Increase (decrease) in:		
Accounts payable and accrued expenses	(149,604)	1,216,609
Advance ticket sales	(834,585)	7,449,937
Deposits and other	(54,760)	915,934
TOTAL ADJUSTMENTS	<u>514,563</u>	<u>13,095,494</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,568,039</u>	<u>17,192,221</u>
INVESTING ACTIVITIES		
Purchase of certificate of deposit	(10,000,000)	-
Purchases of property and equipment	(1,015,828)	(443,708)
NET CASH USED IN INVESTING ACTIVITIES	<u>(11,015,828)</u>	<u>(443,708)</u>
FINANCING ACTIVITIES		
Repayment of finance lease obligations	(17,019)	(22,039)
Repayment of notes payable	-	(4,227)
NET CASH USED IN FINANCING ACTIVITIES	<u>(17,019)</u>	<u>(26,266)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,464,808)	16,722,247
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>26,687,796</u>	<u>9,965,549</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$18,222,988</u>	<u>\$26,687,796</u>
OTHER CASH FLOW DISCLOSURES:		
Interest paid on finance lease	<u>\$ 1,590</u>	<u>\$ 2,472</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 1 - GENERAL

The Tennessee Performing Arts Center Management Corporation (the "Organization"), a not-for-profit organization, was formed in November 1977. In March 1978, the Organization entered into an agreement (the "Agreement") with the State of Tennessee (the "State") and the Tennessee Performing Arts Foundation (the "Foundation") (amended in February 1999). The initial Agreement established the Organization principally for the purpose of presenting quality arts entertainment and education to Tennessee residents through the operation of the Tennessee Performing Arts Center (the "Center" or "TPAC"). The Organization has administrative control over the operations and functions of the Center that is located in the James K. Polk State Office Building, Nashville, Tennessee. The State is responsible for utilities, security services, major repairs, structural elements, fixtures, and the major elements of the sound, lighting and stage rigging in each of the Center's theaters.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are currently no donor restrictions that are perpetual in nature.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions - Contributions are recognized when cash, securities or other assets or an unconditional promise to give is received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

In-kind contributions - The Organization reports any gifts of equipment or materials at the estimated fair value at the date of gift as support without donor restrictions 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 net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service. Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Grants - The Organization receives grant revenue from various state and local agencies. Grants are generally considered nonreciprocal transactions restricted by sponsors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses occur. Payments received in advance of conditions being met are recorded as deferred revenue on the statement of financial position. If the grant is not conditional, the revenue is recorded upon notification of the award.

Ticket sales and ticketing services charges and fees - Ticket sales and ticketing services charges and fees are deferred initially in the statement of financial position as advance ticket sales, and subsequently recognized as revenue when the related performance occurs, which fulfills the Organization's performance obligation.

Reimbursements - Other revenue generated from reimbursements is recognized when the related performance occurs. As performances occur, the reimbursable services or goods are provided, as such other related revenue would be recognized in the same period.

Concessions - Revenue is recognized at the time of sale, which is when the Organization's performance obligation is completed.

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

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Rentals - The Organization receives rental income for the use of its facilities. Revenue from rental income may include a nonrefundable deposit paid in advance, which is recorded as deferred revenue when received. The entirety of the rental income is recognized when the event occurs as the Organization has fulfilled its performance obligation.

Cash and Cash Equivalents

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

Certificate of Deposit

Certificates of deposit held for investment are measured at cost. Certificates of deposit with original maturities greater than three months are considered short-term investments.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue.

An allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible. At June 30, 2023 and 2022, contributions receivable are deemed to be fully collectible by management, and no allowance for uncollectible contributions is considered necessary. All contributions receivable at June 30, 2023 and 2022 are due within one year.

Accounts Receivable

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

Accounts receivable are reported at gross sales price less any applicable payments or adjustments. The Organization does not charge interest on past due accounts. Accounts receivable are deemed to be fully collectible by management, and no allowance for bad debts is considered necessary at June 30, 2023 and 2022.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses and Inventory

Prepaid expenses and inventory consist primarily of certain marketing and promotional costs pertaining to the following theatre season that are paid for in advance and recognized in the following fiscal year, as well as food and beverage supplies. Marketing and promotional costs for the years ended June 30, 2023 and 2022 totaled approximately \$1,560,000 and \$2,300,000, respectively.

Investments

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

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

Property and Equipment and Depreciation

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

Long-lived Assets

Management reviews the carrying value of its investments in long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If a long-lived asset is determined to be impaired, the amount recognized for impairment in the statement of activities is equal to the difference between the asset's carrying and fair values.

Leases

The Organization made an accounting policy election available under Topic 842 not to recognize right-of-use ("ROU") assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

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

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

<i>Investments</i>	Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid securities and certain other products, such as mutual funds. If quoted market prices are not available then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified within Level 2 of the valuation hierarchy.
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There have been no changes in the valuation methodologies used at June 30, 2023 and 2022.

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

Sales Taxes Collected

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

Income Taxes

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

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

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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

Program and Supporting Services

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

Program Services

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

During the 2023 fiscal year, the Season for Young People (previously called Humanities Outreach in Tennessee) presented professional performances of theater, dance and music for student audiences. The season included live performances at TPAC as well as virtual performances available for students to view remotely from their classroom. TPAC also provided interactive virtual workshops for educators and artist discussions with students. During the 2022-2023 academic year, 23,193 students and teachers from 203 school groups attended Season for Young People performances (46,456 students and teachers from 429 school groups during the 2021-2022 academic year).

Arts Integration Programs in Schools (working title) was launched in 2021 following the discontinuation of the ArtSmart program. This initiative supports multi-year partnerships planned with a limited number of schools in a whole-school model. One school engaged in a whole-school partnership in 2022-23. A total of 400 students and teachers at Warner Elementary participated in arts integrated residencies and professional development provided by TPAC in 2022-2023 (337 students and teachers at Warner Elementary participated in 2021-2022).

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

TPAC's Wolf Trap Early Learning through the Arts program brings arts-based classroom residencies to preschools and Head Start Centers. Teaching Artists and teachers use arts instruction to target early childhood developmental goals and help children learn. The number of in-person residency visits with teaching artists was reduced or modified for virtual or outdoor interaction to respond to the learning requirements and health and safety protocols of each individual center. A total of 761 children and teachers participated in Wolf Trap in 2022-2023 at no charge to them (941 children and teachers in 2021-2022).

InsideOut program activities provide opportunities for adults who want to grow in their knowledge and enjoyment of the performing arts. Events at TPAC, in community locations, and through virtual options provided opportunities for audiences of all ages to interact with the performing arts. 1,958 life-long learners viewed and participated in TPAC's Education and Community Engagement public programming in 2022-2023. Virtual and in-person panel discussions and presentations highlighted local arts and community groups; classes explored musical theater, dance and acting, and webinars and podcasts reached remote participants. (4,132 individuals participated in InsideOut during 2021-2022).

Camps & Adventures were launched in 2022-2023 to build interest and engagement in the performing arts for families and youth. TPAC's Summer Musical Theater Camps started in July of 2022. Six week-long camps immersed children aged 8-11 in musical theater performance and traditions in July 2022 and June 2023. Arts Adventures provided 90-minute immersive workshops for youth on a series of weekends in TPAC's Johnson Theater. TPAC's Camps and Adventures reached 329 youth and families in 2022-2023.

Disney Musicals in Schools ("DMIS") develops sustainable musical theatre programs in public elementary and middle schools. The program provides school faculty with the training and tools necessary to support student performance and production and to empower them to do so. Participating schools receive (at no cost) a performance license to any Disney KIDS musical, ShowKit materials, including directors' guides, student scripts, accompaniment and vocal CDs and a choreography DVD, and cross-curricular activities. Schools also receive support from teams of two TPAC teaching artists during after-school residencies that run for 20 weeks. In 2022-2023 DMIS Teaching Artist residencies took place in seven schools in MNPS/Davidson and Bedford Counties. Eight additional school teams completed Disney musicals with students based on the DMIS program model under their own direction. Including the Student Share Day at TPAC, 1,243 students and teachers participated in DMIS in 2022-2023. (In 2021-2022, 880 students and teachers participated in DMIS.)

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

The Spotlight Awards celebrates, supports, and grows the artistry and capacity of high school musical theatre programs in Tennessee. Through the program, high school theatre students and teachers participate in workshops and development opportunities with theatre professionals, and their school musicals are evaluated by a diverse panel of adjudicators. The program culminates in May when exemplary work is recognized with The Spotlight Awards ceremony at TPAC, where the top contenders for “Outstanding Musical” perform and honors are presented in a variety of categories, including “Outstanding Lead Actor” and “Outstanding Lead Actress.” The recipients of these two awards then move on to national consideration for The Jimmy Awards in New York. In 2022-2023, 44 high schools and 3,738 students participated in the program, including more than 1,800 attending the live Spotlight Awards Ceremony at TPAC. (In 2021-2022, 27 high schools and more than 1,500 students participated in Spotlight activities provided by TPAC.)

Supporting Services

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or event, or with fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, information technology, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of operating, program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, all costs have been directly charged to the operating, program and supporting services benefited; no costs are allocated across functional categories.

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.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

The Organization adopted Accounting Standards Codification (“ASC”) Topic 842, *Leases*, on July 1, 2022 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period consolidated financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*. The adoption of Topic 842 did not have a significant effect on the Organization's financial statements.

Reclassifications

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

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2023 and December 20, 2023, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following as of June 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 18,222,988	\$ 26,687,796
Certificate of deposit	10,000,000	-
Receivables:		
Accounts and other	1,064,618	660,598
Grants and contributions	2,695,092	3,913,623
Investments	<u>14,902</u>	<u>13,344</u>
Total financial assets	<u>31,997,600</u>	<u>31,275,361</u>
Less amounts not available for general expenditure within one year:		
Deferred compensation liability	(19,002)	(13,344)
Advance ticket sales	(13,042,940)	(13,877,525)
Deposits held - rental clients	(90,579)	(84,666)
Assets restricted for specified purpose	<u>(281,980)</u>	<u>(250,000)</u>
Amounts not available to be used within one year	<u>(13,434,501)</u>	<u>(14,225,535)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,563,099</u>	<u>\$ 17,049,826</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization excludes advance ticket sales proceeds as those funds have yet to be earned. The portion of the advance ticket sales proceeds that the Organization retains will be used for operations, including future programming and production costs. The Organization also excludes the liability associated with the deferred compensation plan as those are vested assets of the participants, and are, therefore, not available to meet current operating needs. In addition, certain donor-restricted assets are limited as to use for specified purposes and are therefore not available for general expenditure and deducted above.

Annually, the Organization receives distributions from the Foundation to use for general operating needs. The Organization expects the distributions to total approximately \$800,000 over the next 12-month period. The Organization also has a line of credit with availability totaling \$500,000 to meet cash flow needs (see Note 9).

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 4 - CONTRACT BALANCES

The following table summarizes activity related to contracts with customers as of June 30:

	<u>Accounts receivable</u>		<u>Advance ticket sales</u>		<u>Other unearned income</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 6,854	\$ 12,441	\$13,877,525	\$ 6,427,588	\$1,071,236	\$ 155,302
End of year	<u>\$ 8,851</u>	<u>\$ 6,854</u>	<u>\$13,042,940</u>	<u>\$13,877,525</u>	<u>\$1,016,476</u>	<u>\$1,071,236</u>

NOTE 5 - INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 457	\$ 147
Equity securities	11,877	10,548
Fixed income securities	2,033	2,124
Alternative securities	<u>535</u>	<u>525</u>
	<u>\$ 14,902</u>	<u>\$ 13,344</u>

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 6 - FAIR VALUE MEASUREMENTS

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

	2023			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Equity securities	11,877	\$ -	\$ -	\$ 11,877
Fixed income securities	2,033	-	-	2,033
Alternative securities	535	-	-	535
	<u>\$ 14,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,445</u>
	2022			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Equity securities	10,548	\$ -	\$ -	\$ 10,548
Fixed income securities	2,124	-	-	2,124
Alternative securities	525	-	-	525
	<u>\$ 13,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,197</u>

NOTE 7 - PROPERTY AND EQUIPMENT

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

	2023	2022
Lobby improvements	\$ 4,925,138	\$ 4,925,138
Other improvements	3,191,522	3,126,900
Computers	586,390	812,694
Furniture	823,618	729,021
Equipment	1,647,626	1,776,318
Construction in process	<u>727,962</u>	<u>235,926</u>
	11,902,256	11,605,997
Less accumulated depreciation	<u>(7,574,579)</u>	<u>(7,579,609)</u>
	<u>\$ 4,327,677</u>	<u>\$ 4,026,388</u>

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 7 - PROPERTY AND EQUIPMENT (CONTINUED)

The cost to complete construction in process (unrelated to the new facility) as of June 30, 2023 is approximately \$60,000. See Note 18 for discussion around the new facility and related costs included in construction in process at June 30, 2023.

NOTE 8 - INVESTMENT IN PRODUCTION

In prior years, other assets on the statements of financial position included \$563,165 for the musical *Part of the Plan*, a developmental production of a new work. The Organization co-produced and presented the musical during the 2017 - 2018 Broadway season, following a staged reading co-produced and presented by the Organization in the 2016 - 2017 fiscal year. The Organization is an investor in the show, a non-biographical production that features the music of Dan Fogelberg, who began his recording career in Nashville. During the year ended June 30, 2022, the Organization reevaluated their investment and determined that it should be written off and is therefore included as a production investment loss on the statement of activities.

NOTE 9 - NOTES PAYABLE

The Organization has a \$500,000 operating line of credit with the bank, which bears interest, payable monthly, on the amount borrowed at a variable interest rate based on greater of the Bloomberg Short-Term Bank Yield Index Rate or 1.25%, plus 2.15%. The line of credit was amended during the current year with a new maturity date of January 30, 2024, at which time all unpaid principal and accrued interest will be due. There was no outstanding balance on the line of credit as of June 30, 2023 or 2022.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Purpose restricted net assets	\$ 281,980	\$ 250,000
Time restricted net assets	<u>153,038</u>	<u>300,023</u>
	<u>\$ 435,018</u>	<u>\$ 550,023</u>

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 11 - IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Professional services	\$ 30,000	\$ 30,000
Marketing	705,747	858,852
Special events - goods and services	14,838	24,210
Other misc goods and services	<u>46,977</u>	<u>65,338</u>
	<u>\$ 797,562</u>	<u>\$ 978,400</u>

The Organization was provided various professional services, including legal and other services, at no cost. In addition, certain marketing services, which includes television advertisements related to upcoming performances, have been provided to the Organization at no cost. Such services are valued and reported at the estimated fair value in the financial statements based on current market rates for such services.

The Organization hosts certain special events during the year for which they receive production services, printing services, equipment rental and various other items at no cost. These items are valued at the price that would otherwise be paid for such items or services.

Other miscellaneous goods and services include donated food and alcohol, equipment rentals, and printing and other services which are used to defray program and operating costs. These are valued at the estimated fair value of the basis of price paid for identical or similar products, or current market rates for similar services depending on the nature of the item.

There are no donor-imposed restrictions associated with any of the gifts in-kind.

At times, individuals volunteer their time and perform a variety of tasks that assist the Organization with program services and fundraising events. No amounts have been reflected in the financial statements for volunteer time since these donated services do not meet the criteria for recognition under GAAP.

The Organization has an agreement with the State, under which the State provides theaters and support spaces to the Organization, and the Organization provides enhanced cultural, theatrical and educational opportunities to Tennessee residents. The space provided by the State includes performance halls, all backstage areas, dressing rooms, rehearsal and shop spaces, box office and administrative areas. In addition, the State is responsible for the supply and purchase of utilities, security services and major repairs related to the space. The State also provides janitorial services for the common or public areas, with the Organization responsible for all janitorial services within the theaters and support spaces not designated as common or public areas. No amounts are recorded related to this agreement.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 12 - CONDITIONAL GRANTS

On June 29, 2021, the Organization received a Shuttered Venue Operators Grant (“SVOG”) in the amount of \$9,304,724, and on September 24, 2021, was granted a supplemental award of \$695,276 for a total of \$10,000,000. This award, established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act and amended by the American Rescue Plan Act, is to assist eligible entities who, in general, illustrated a loss of gross revenues in certain quarters during 2020 as compared to the same quarter(s) in 2019. This award was considered a conditional grant and was recognized as revenue in the year qualified expenditures were incurred. For the year ended June 30, 2022, \$3,489,361 of grant revenues from the SVOG was recorded and the grant was fully expended and recognized as revenue.

The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act provided the Employee Retention Credit (“ERC”) program to encourage employers to retain and continue to pay employees during the pandemic. The ERC program was modified, expanded, and extended by the 2021 Consolidated Appropriations Act and subsequently extended again by the American Rescue Plan Act. If certain criteria are met under the program, employers are eligible to claim the ERC which is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages. During the year ended June 30, 2022, TPAC filed revised 941 returns for certain quarters in 2020 and 2021 for ERC totaling approximately \$1,468,000. TPAC is accounting for the ERC as a conditional grant and therefore recorded as government grant revenue during the year ended June 30, 2022 when the conditions were substantially met. As of June 30, 2023, \$1,477,998 for the ERC grant plus accrued interest was recorded as a grant receivable.

In April 2022, TPAC was awarded a Tennessee Nonprofit Arts and Culture Recovery Fund grant (“TACRG”) through the Tennessee Arts Commission for the period July 1, 2021 - December 31, 2024. The award consists of \$3,500,000 of federal funding that will reimburse allowable costs incurred during the grant period. For the year ended June 30, 2023 and 2022, the Organization recognized \$814,700 and \$1,993,013, respectively, of grant revenue from the TACRG. As of June 30, 2023, the Organization has a remaining available balance of approximately \$690,000 that has not been recognized as revenue because qualifying expenditures have not been incurred and charged to the grant.

NOTE 13 - LEASES

The Organization leases multiple copiers under a finance lease agreement. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 13 - LEASES (CONTINUED)

The components of lease expense are as follows for the year ended June 30, 2023:

Finance lease cost - amortization of ROU assets	\$ 17,019
Finance lease cost - interest on lease liabilities	1,590
Short-term lease cost	<u>-</u>
Total lease cost	<u>\$ 18,609</u>

Additional information related to leases is as follows as of June 30, 2023:

Finance leases:

Equipment	\$ 82,178
Accumulated amortization	<u>(60,264)</u>
Finance lease, ROU assets, net	<u>\$ 21,914</u>

Weighted-average remaining lease term:

Finance lease	1.25 years
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Weighted-average discount rate:

Finance lease	5.00%
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Future undiscounted cash flows and a reconciliation to the lease liability recognized on the statement of financial position is as follows as of June 30, 2023:

<u>For the year ending June 30,</u>	<u>Finance Lease</u>
2024	\$ 18,609
2025	<u>4,652</u>
Total lease payments	23,261
Less: imputed interest	<u>(758)</u>
Total present value of lease liability	<u>\$ 22,503</u>

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 13 - LEASES (CONTINUED)

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of June 30, 2022:

<u>For the year ending June 30,</u>	<u>Operating Lease</u>	<u>Capital Lease</u>
2023	\$ 4,413	\$ 18,609
2024	734	18,609
2025	-	4,652
Total lease payments	<u>\$ 5,147</u>	41,870
Less: imputed interest at 5.00%		<u>(2,348)</u>
Net minimum lease payments		<u>\$ 39,522</u>

NOTE 14 - CONCENTRATIONS AND RISKS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, contributions and grants. Receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. At June 30, 2023, receivables from three sources amounted to approximately \$2,747,000 or 73% of total receivables. At June 30, 2022, receivables from two source totaled approximately \$3,406,000, or 74% of total receivables.

For the year ended June 30, 2023, contribution revenue from one source totaled \$615,090 and grant revenue from two sources totaled \$1,094,553 (contribution revenue from one source totaled \$759,075 and grant revenue from three sources totaled \$6,950,921 for the year ended June 30, 2022).

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

NOTE 15 - RELATED PARTY TRANSACTIONS

The Organization receives support from and, at times, purchases goods or services from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Directors. All related party transactions are subject to the Organization's Conflict of Interest Policy.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 15 - RELATED PARTY TRANSACTIONS (CONTINUED)

The Foundation is responsible for the management of its Board-designated endowment fund that was established to support the operations of the Organization. The Foundation is governed by a separate Board and annually distributes 5% of the trailing five-year average investment value of the fund to the Organization. For the year ended June 30, 2023, the Foundation distributed \$841,794 to the Organization (\$841,265 distributed in 2022), which the Organization recognized as income in the year received.

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

	<u>2023</u>	<u>2022</u>
Total Assets	\$ 15,796,708	\$ 15,417,761
Total Liabilities	<u>11,655</u>	<u>11,729</u>
Net Assets - Unrestricted	<u>\$ 15,785,053</u>	<u>\$ 15,406,032</u>
Total Revenues (Expenses):		
Investment income (loss), net	\$ 1,231,820	\$ (2,015,389)
Other income	4	4
Endowment distributions to the Organization	(841,794)	(841,265)
Management and general expenses	<u>(11,009)</u>	<u>(11,000)</u>
Change in Net Assets	<u>\$ 379,021</u>	<u>\$ (2,867,650)</u>

NOTE 16 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

During 1996, Dr. and Mrs. Thomas Frist established two donor-designated endowment funds with the Community Foundation of Middle Tennessee for the benefit of the Organization and the Institute, respectively. Two other donor-designated endowment funds were established with the Community Foundation of Middle Tennessee by Mrs. Martha Ingram for the benefit of the Children's Educational Program at Tennessee Performing Arts Center and the Organization's HOT program (HOT is now referred to as TPAC's "Season for Young People"). The Community Foundation of Middle Tennessee has the ultimate authority and control over these Funds and, therefore, these investments are not included in the financial statements of the Organization. Income distributed to the Organization from these funds, which is recognized by the Organization in the year received, amounted to \$12,809 and \$13,965 during fiscal year 2023 and 2022. Total assets held in these funds amounted to \$290,766 at June 30, 2023, and \$283,184 at June 30, 2022.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 17 - EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Organization sponsors the Tennessee Performing Arts Center 401(k) Plan (the “Plan”) under Section 401(k) of the Internal Revenue Code. Eligible employees may elect to defer a portion of their compensation through the Plan, not to exceed the allowable amount under Section 401(k). The Organization’s contributions to the Plan are at the discretion of the Board of Directors with no minimum contributions guaranteed. The Organization made contributions totaling \$102,794 to the Plan for the year ended June 30, 2023 (\$153,473 at June 30, 2022). Effective July 1, 2022, the 401(k) plan was modified to provide matching contributions for each employee deferral contribution, subject to limitations.

Deferred Compensation Plan

The Organization has a deferred compensation plan for a current member of management and has established a “rabbi trust” for the purpose of accumulating funds applicable thereto. The plan allows for an eligible account, in which the participant is fully vested, and a noneligible account, in which the participant will be eligible to receive the funds upon attaining retirement age, except in the case of death, disability or involuntary termination without cause, in which the balance will be paid to the participant or the participant’s estate. During the year ended June 30, 2023, \$4,100 was accrued to be contributed to the trust (there were no contributions during the year ended June 30, 2022). There were no contributions made by the Organization to the trust for the years ended June 30, 2023 and 2022. Trust assets are shown as investments in the accompanying statements of financial position and totaled \$14,902 at June 30, 2023 (\$13,344 at June 30, 2022). The related liability, equal to the eligible account balance, is included in accounts payable and accrued expenses, and totaled \$14,902 at June 30, 2023 (\$13,344 at June 30, 2022).

NOTE 18 - NEW FACILITY

During the fiscal year ended June 30, 2023, the State of Tennessee 113th Assembly, Public Chapter 418, Section 1, title III-32, Item 3, appropriated monies to the Department of General Services for the sole purpose of making a grant to the Tennessee Performing Arts Center in the amount of \$200,000,000 subject to a 20% match requirement, to help fund a new facility. On October 12, 2023, the State Building Commission approved the TPAC Relocation Grant.

TPAC Relocation Grant funds may only be used for authorized expenditures necessary to construct the new facility as outlined in the grant document. TPAC has been working with a design team on the new facility and a capital project capturing those costs is being held as part of property and equipment on the accompanying statement of financial position. The balance of this project as of June 30, 2023 is \$393,627

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 18 - NEW FACILITY (CONTINUED)

As of June 30, 2023, TPAC had committed to several vendors on the design team and subsequently entered into a work authorization with another vendor since June 30, 2023. Commitments entered into are as follows:

For the year ended June 30:

2024	\$ 6,761,773
2025	2,499,556
2026	1,969,844
2027	1,716,670
2028	<u>1,103,330</u>
	<u>\$ 14,051,173</u>