

NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2010 AND 2009

NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NASHVILLE, TENNESSEE

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2010 AND 2009

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of the Nashville Academy Theatre and Nashville Children's Theatre Association, a Tennessee not-for-profit corporation (the "Academy"), as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nashville Academy Theatre and Nashville Children's Theatre Association at June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 18 and 19 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  
January 14, 2011

NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 208,174	\$ 98,174
Accounts receivable	27,086	75,930
Contributions receivable, current, net - Note 2	196,239	585,498
Contributions receivable, facilities use - Note 8	74,333	74,333
Prepaid expenses and other	<u>25,325</u>	<u>14,920</u>
TOTAL CURRENT ASSETS	531,157	848,855
INVESTMENTS - Note 3 and 13	22,177	21,322
CONTRIBUTIONS RECEIVABLE, long term - Note 2	259,371	337,517
PROPERTY AND EQUIPMENT - at cost, less accumulated depreciation of: 2010 - \$757,054; 2009 - \$507,029 - Note 4	4,612,367	4,857,989
BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND HELD BY COMMUNITY FOUNDATION OF MIDDLE TENNESSEE - Notes 10 and 13	<u>130,835</u>	<u>116,650</u>
TOTAL ASSETS	<u>\$ 5,555,907</u>	<u>\$ 6,182,333</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 34,729	\$ 20,794
Accrued expenses	25,497	23,050
Deferred revenues	116,917	103,259
Note payable, current portion - Note 6	<u>134,232</u>	<u>384,888</u>
TOTAL CURRENT LIABILITIES	<u>311,375</u>	<u>531,991</u>
NOTE PAYABLE, less current portion - Note 6	<u>-</u>	<u>200,000</u>
COMMITMENTS AND CONTINGENCIES - Notes 7 and 8		
NET ASSETS		
Unrestricted:		
Designated for beneficial interest in agency endowment fund - Note 10	130,835	116,650
Undesignated	<u>4,583,754</u>	<u>4,336,344</u>
Total unrestricted	4,714,589	4,452,994
Temporarily restricted - Notes 2, 8 and 11	<u>529,943</u>	<u>997,348</u>
TOTAL NET ASSETS	<u>5,244,532</u>	<u>5,450,342</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,555,907</u>	<u>\$ 6,182,333</u>

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

NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUES AND SUPPORT						
Admissions	\$ 563,996	\$ -	\$ 563,996	\$ 490,168	\$ -	\$ 490,168
Theatre academy	259,564	-	259,564	166,170	-	166,170
Investment income	655	-	655	11,244	-	11,244
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee - Note 10	14,185	-	14,185	(29,623)	-	(29,623)
Contributions	154,772	-	154,772	170,785	-	170,785
Donated facilities	-	74,333	74,333	-	74,333	74,333
Donated goods and services	135,756	-	135,756	85,200	-	85,200
Government grants	244,372	-	244,372	247,739	-	247,739
Benefit events (less direct expenses of: 2010 - \$18,094; 2009 - \$20,886)	26,306	-	26,306	37,911	-	37,911
Capital campaign	9,193	50,000	59,193	12,258	43,088	55,346
Other	6,307	-	6,307	14,277	-	14,277
Provision for loss on doubtful temporarily restricted pledges	-	(37,900)	(37,900)	-	(61,262)	(61,262)
Net assets released from restrictions	553,838	(553,838)	-	704,778	(704,778)	-
TOTAL REVENUE AND SUPPORT	1,968,944	(467,405)	1,501,539	1,910,907	(648,619)	1,262,288
COSTS AND EXPENSES						
Production costs	1,189,550	-	1,189,550	1,286,792	-	1,286,792
Educational expenses	316,517	-	316,517	345,287	-	345,287
General and administrative expenses	147,225	-	147,225	119,744	-	119,744
Fundraising expenses	54,057	-	54,057	62,398	-	62,398
Capital campaign expenses	-	-	-	5,710	-	5,710
TOTAL COSTS AND EXPENSES	1,707,349	-	1,707,349	1,819,931	-	1,819,931
INCREASE (DECREASE) IN NET ASSETS	261,595	(467,405)	(205,810)	90,976	(648,619)	(557,643)
NET ASSETS - BEGINNING OF YEAR	4,452,994	997,348	5,450,342	4,362,018	1,645,967	6,007,985
NET ASSETS - END OF YEAR	\$ 4,714,589	\$ 529,943	\$ 5,244,532	\$ 4,452,994	\$ 997,348	\$ 5,450,342

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

NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (205,810)	\$ (557,643)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	265,766	260,358
Loss on disposal of property and equipment	4,594	-
Realized and unrealized gain on investments	(2)	(8,712)
Contributions received by donated securities	(542)	-
Change in value of beneficial interest in agency endowment fund	(14,185)	29,623
Restricted contributions for capital campaign	(16,793)	(5,346)
(Increase) decrease in:		
Accounts receivable	54,844	(72,254)
Contributions receivable - annual giving	26,813	11,984
Prepaid expenses and other	(10,405)	(3,164)
Increase (decrease) in:		
Accounts payable	13,935	(29,005)
Accrued expenses	2,447	(9,871)
Deferred revenues	13,658	54,137
Total adjustments	<u>340,130</u>	<u>227,750</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>134,320</u>	<u>(329,893)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(30,738)	(58,762)
Proceeds from sale of investments	113	170,375
Purchase of investments	<u>(424)</u>	<u>(1,673)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(31,049)</u>	<u>109,940</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable	(450,656)	(777,773)
Capital campaign contributions collected	<u>457,385</u>	<u>641,981</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>6,729</u>	<u>(135,792)</u>
NET INCREASE (DECREASE) IN CASH	110,000	(355,745)
CASH - BEGINNING OF YEAR	<u>98,174</u>	<u>453,919</u>
CASH - END OF YEAR	<u>\$ 208,174</u>	<u>\$ 98,174</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Proceeds not yet received from disposal of equipment	\$ 6,000	\$ -
Interest payments made	<u>\$ 8,802</u>	<u>\$ 12,596</u>

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

NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The accompanying financial statements present the financial position and changes in net assets of the Academy on the accrual basis of accounting in accordance 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.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Academy had no permanently restricted net assets as of June 30, 2010.

NASHVILLE ACADEMY THEATRE AND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a Replacement of FASB Statement No. 162*. This statement modifies the GAAP hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (the "Codification") is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission. Nonauthoritative guidance and literature include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issues Papers and Technical Practice Aids, and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance.

Revenues and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

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



NASHVILLE ACADEMY THEATRE AND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received (3.34% in 2010 and 2009). Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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

Investments

Investments are reported at fair value (see Note 3). Realized and unrealized gains and losses on investments are recognized in current period operations.

Property and Equipment

Building improvements and theatre equipment are stated at cost (or estimated fair value at date of gift, if donated, with a corresponding credit to contributions). Expenditures for items with a useful life greater than one year in amounts greater than \$500 are capitalized. Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. Interest costs are capitalized in connection with construction of qualifying assets. Capitalization begins when expenditures for qualifying assets are made, activities necessary to prepare the asset for its intended use are in progress, and interest cost is being incurred. Capitalization ends when the asset is ready for its intended use. Capitalized interest cost is depreciated the same as the associated qualifying asset.

NASHVILLE ACADEMY THEATRE AND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Endowment Fund

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

Income Tax Status

The Academy qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Academy qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

On July 1, 2009, the Academy adopted new guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. The adoption of this guidance did not have a material effect on the Academy's financial position and change in net assets.

As of June 30, 2010, the Academy did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the year then ended.

The Academy files income tax returns in the U.S. federal jurisdiction. The Academy's federal income tax returns for years prior to 2006 are closed.

In-kind Donations

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

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

NASHVILLE ACADEMY THEATRE AND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation Leave

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

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity benefited based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by the Academy's management.

Fair Value Measurements

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2      Inputs to the valuation methodology include:

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

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

Level 3      Inputs to the valuation methodology are unobservable and reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

NASHVILLE ACADEMY THEATRE AND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

An 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 should maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for financial assets and liabilities measured at fair value on a recurring basis:

*Investments* - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and certain other products, such as mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity, or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

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

No changes in the valuation methodologies have been made since the prior year.

Events Occurring After Reporting Date

The Academy has evaluated events and transactions that occurred between June 30, 2010 and January 14, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NASHVILLE ACADEMY THEATRE AND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010 AND 2009

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Annual giving receivables	\$ 3,250	\$ 30,063
Capital campaign receivables	<u>452,360</u>	<u>892,952</u>
	<u>\$ 455,610</u>	<u>\$ 923,015</u>

Contributions receivable are classified as follows as of June 30:

	<u>2010</u>	<u>2009</u>
Temporarily restricted:		
Less than one year	\$ 276,239	\$ 635,498
One to five years	<u>267,500</u>	<u>348,839</u>
	543,739	984,337
Less discount to net present value	(8,129)	(11,322)
Less allowance for doubtful contributions receivable	<u>(80,000)</u>	<u>(50,000)</u>
Total	<u>\$ 455,610</u>	<u>\$ 923,015</u>

NOTE 3 - INVESTMENTS

Investments consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Liquid asset accounts	\$ 19,563	\$ 19,252
Common stock	<u>2,614</u>	<u>2,070</u>
	<u>\$ 22,177</u>	<u>\$ 21,322</u>

NASHVILLE ACADEMY THEATRE AND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010 AND 2009

NOTE 3 – INVESTMENTS (CONTINUED)

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

	<u>2010</u>	<u>2009</u>
Realized and unrealized gain (loss) on investments	\$ (2)	\$ 8,712
Interest and dividends	<u>657</u>	<u>2,532</u>
	<u>\$ 655</u>	<u>\$ 11,244</u>

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Building improvements	\$ 4,980,173	\$ 4,980,173
Theatre equipment	175,539	173,376
Furniture and fixtures	<u>213,709</u>	<u>211,469</u>
	5,369,421	5,365,018
Less accumulated depreciation	<u>757,054</u>	<u>507,029</u>
	<u>\$ 4,612,367</u>	<u>\$ 4,857,989</u>

Depreciation expense totaled \$265,766 in 2010 (\$260,358 in 2009). The general range of useful lives is 10 to 25 years for improvements and 5 to 20 years for equipment and furniture and fixtures. Fully depreciated assets had an original cost totaling approximately \$32,000 in 2010 (\$37,000 in 2009).

NOTE 5 - LINE OF CREDIT

The Academy has a maximum \$125,000 unsecured line of credit arrangement with a financial institution. Interest on outstanding borrowings is payable monthly at the three-month London Interbank Offered Rate ("LIBOR") plus 3.00 percent per annum, with a minimum rate of 5%. No borrowings on the line were outstanding at June 30, 2010 or 2009. The arrangement expires September 15, 2011.

NASHVILLE ACADEMY THEATRE AND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010 AND 2009

NOTE 6 - NOTE PAYABLE

On May 11, 2007, the Academy entered into a \$3,200,000 construction loan agreement with a financial institution. On May 11, 2009, the agreement was renewed for a maximum principal amount of \$600,000 through May 10, 2010, and \$200,000 thereafter through maturity on May 10, 2011. As of June 30, 2010, the total amount drawn on the note was \$134,232 which is classified as a current liability in the statement of financial position. At June 30, 2009, the balance on the note was \$584,888 of which \$384,888 was classified as a current liability and \$200,000 was classified as a long term liability in the statement of financial position. Interest is due monthly and is charged at a rate equal to 2.875% above the three month LIBOR rate.

NOTE 7 - CONTINGENCIES

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

NOTE 8 - LEASES

The land and building occupied by the Academy is leased through the year 2018 from the Metropolitan Government of Nashville and Davidson County ("Lessor") for one dollar per year. The lease includes three five-year extension terms. The lease contains a cancellation provision should the Lessor decide to use the premises for a governmental purpose. The Academy would have no less than one calendar year's notice for cancellation. Additional time would be granted in excess of the year to allow the Academy to locate suitable, alternative space as long as the Academy is using good faith efforts to locate such space. Should the Lessor exercise the cancellation provision, the Academy would be reimbursed the unamortized portion of the capital improvements that have been amortized over the term of the lease. The fair rental value of the leased facility was \$74,333 in 2010 and 2009.

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

NASHVILLE ACADEMY THEATRE AND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010 AND 2009

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Academy sponsors a Simplified Employee Pension Plan under Internal Revenue Code §403(b). The plan allows all employees over the age of twenty-one to participate. The Academy makes discretionary contributions based on a uniform contribution allocation formula. Participant salary reduction contributions are not permitted by the plan; however, participants may make self-directed contributions to their account. The amount of the Academy's contributions to a participant's account for any plan year may not exceed the lesser of 15% of the participant's salary or \$35,000. Total contributions to the plan by the Academy for the year ended June 30, 2010, were \$13,295 (\$14,799 for the year ended June 30, 2009).

NOTE 10 - AGENCY ENDOWMENT FUND

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

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

	<u>2010</u>	<u>2009</u>
Balance - beginning of year	\$ 116,650	\$ 146,273
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	100	100
Investment earnings (loss)	14,947	(28,925)
Administrative expenses	<u>(862)</u>	<u>(798)</u>
	<u>14,185</u>	<u>(29,623)</u>
Balance - end of year	<u>\$ 130,835</u>	<u>\$ 116,650</u>



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

JUNE 30, 2010 AND 2009

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Annual giving receivables - time restricted	\$ 3,250	\$ 30,063
Capital campaign receivables - time restricted	452,360	892,952
Facilities use - time restricted	<u>74,333</u>	<u>74,333</u>
	<u>\$ 529,943</u>	<u>\$ 997,348</u>

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The Academy maintains cash accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits. As of June 30, 2010, all noninterest bearing cash accounts of the Academy were fully insured.

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

JUNE 30, 2010 AND 2009

NOTE 13 – FAIR VALUE MEASUREMENTS

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

<u>2010</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Investments:				
Liquid asset accounts	\$ 19,563	\$ -	\$ 19,563	\$ -
Common stock	2,614	2,614	-	-
Beneficial interest in agency endowment fund	<u>130,835</u>	<u>-</u>	<u>-</u>	<u>130,835</u>
Total	<u>\$ 153,012</u>	<u>\$ 2,614</u>	<u>\$ 19,563</u>	<u>\$ 130,835</u>
<u>2009</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Investments:				
Liquid asset accounts	\$ 19,252	\$ -	\$ 19,252	\$ -
Common stock	2,070	2,070	-	-
Beneficial interest in agency endowment fund	<u>116,650</u>	<u>-</u>	<u>-</u>	<u>116,650</u>
Total	<u>\$ 137,972</u>	<u>\$ 2,070</u>	<u>\$ 19,252</u>	<u>\$ 116,650</u>

NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010 AND 2009

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

The table below presents a reconciliation of the change in the amount reported for assets included within Level 3 of the valuation hierarchy for the year ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Fair value, beginning of year	\$ 116,650	\$ 146,273
Realized and unrealized gains and losses	14,947	(28,925)
Purchases, issuances and settlements	<u>(762)</u>	<u>(698)</u>
Fair value, end of year	<u>\$ 130,835</u>	<u>\$ 116,650</u>

## ADDITIONAL INFORMATION

NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Program services</u>		<u>Supporting services</u>		<u>Total</u>
	<u>Production</u>	<u>Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries	\$ 491,614	\$ 123,971	\$ 63,007	\$ 38,000	\$ 716,592
Fringe benefits	133,026	22,515	9,786	9,339	174,666
	<u>624,640</u>	<u>146,486</u>	<u>72,793</u>	<u>47,339</u>	<u>891,258</u>
Depreciation	217,928	29,234	18,604	-	265,766
Advertising and public relations	89,238	27,976	546	20	117,780
Interest	4,766	2,383	1,653	-	8,802
Utilities	33,900	16,950	5,650	-	56,500
Royalties	40,825	-	-	-	40,825
Professional fees	8,605	8,690	17,211	-	34,506
Office supplies	1,608	3,834	3,599	1,718	10,759
Scenery and production	24,496	-	-	-	24,496
Communications	8,846	4,341	1,412	-	14,599
Custodial services	16,440	8,220	2,740	-	27,400
Property insurance	16,856	8,428	2,810	-	28,094
Brochures and programs	8,261	-	-	-	8,261
Ticketing	18,999	8,142	-	-	27,141
Rent	44,600	22,310	7,433	-	74,343
Program supplies	-	12,120	1,825	-	13,945
Building and plant maintenance	1,924	473	158	-	2,555
Costumes	4,931	-	-	-	4,931
Equipment rental and maintenance	3,123	1,692	521	-	5,336
Conferences and membership	1,042	200	2,386	4,389	8,017
Hospitality	464	162	7,570	-	8,196
Academy	-	12,514	-	-	12,514
Dues and permits	-	-	-	464	464
Lighting	2,869	-	-	-	2,869
Sound and music	10,435	-	-	-	10,435
Background checks	-	2,362	122	-	2,484
Loss on disposal of equipment	4,594	-	-	-	4,594
Other	<u>160</u>	<u>-</u>	<u>192</u>	<u>127</u>	<u>479</u>
	<u>\$ 1,189,550</u>	<u>\$ 316,517</u>	<u>\$ 147,225</u>	<u>\$ 54,057</u>	<u>\$ 1,707,349</u>

NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Program services</u>		<u>Supporting services</u>			<u>Total</u>
	<u>Production</u>	<u>Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Capital Campaign</u>	
Salaries	\$ 487,683	\$ 151,485	\$ 50,313	\$ 48,906	\$ -	\$ 738,387
Fringe benefits	129,610	40,577	11,593	11,594	-	193,374
	<u>617,293</u>	<u>192,062</u>	<u>61,906</u>	<u>60,500</u>	<u>-</u>	<u>931,761</u>
Depreciation	213,494	28,640	18,225	-	-	260,359
Advertising and public relations	132,493	22,805	843	345	-	156,486
Interest	7,557	3,779	1,260	-	-	12,596
Utilities	44,209	22,105	7,368	-	-	73,682
Royalties	41,188	-	-	-	-	41,188
Professional fees	18,206	9,358	2,994	-	3,974	34,532
Office supplies	15,343	7,197	7,063	687	-	30,290
Scenery and production	26,756	-	-	-	-	26,756
Custodial services	16,448	8,224	2,741	-	-	27,413
Property insurance	18,057	9,028	3,010	-	-	30,095
Brochures and programs	18,382	-	-	-	-	18,382
Ticketing	21,578	-	-	-	-	21,578
Rent	61,061	9,804	9,232	-	-	80,097
Program supplies	67	12,728	298	-	-	13,093
Building and plant maintenance	8,433	4,217	1,406	-	-	14,056
Costumes	8,303	-	-	-	-	8,303
Equipment rental and maintenance	3,703	792	1,677	-	-	6,172
Conferences and membership	3,423	665	567	129	-	4,784
Hospitality	2,343	1,142	203	266	-	3,954
Academy	-	11,331	-	-	-	11,331
Dues and permits	-	-	-	471	1,500	1,971
Lighting	5,038	-	-	-	-	5,038
Sound and music	2,692	-	-	-	-	2,692
Background checks	-	451	93	-	-	544
Other	725	959	858	-	236	2,778
	<u>\$ 1,286,792</u>	<u>\$ 345,287</u>	<u>\$ 119,744</u>	<u>\$ 62,398</u>	<u>\$ 5,710</u>	<u>\$ 1,819,931</u>