

2021

Financial Statements

NASHVILLE SHAKESPEARE FESTIVAL

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(With Independent Auditor's Report Thereon)

NASHVILLE SHAKESPEARE FESTIVAL
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SEPTEMBER 30, 2021

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Nashville Shakespeare Festival

We have audited the accompanying financial statements of Nashville Shakespeare Festival (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Shakespeare Festival as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Patterson Hardee & Ballentine

December 21, 2021

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

ASSETS

Current Assets:

Cash	\$ 348,188	
Accounts receivable	211,810	
Prepaid expenses	8,919	
Total current assets	<u>568,917</u>	\$ 568,917

Equipment:

Equipment	58,727	
Less: accumulated depreciation	<u>(49,786)</u>	
Total equipment, net		<u>8,941</u>

Total assets	<u><u>\$ 577,858</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 17,454	
Deferred revenue	4,900	
Other liabilities	928	
Total current liabilities	<u>23,282</u>	\$ 23,282

Net Assets:

Without donor restrictions	554,576	
With donor restrictions	<u>-</u>	
Total net assets		<u>554,576</u>

Total liabilities and net assets	<u><u>\$ 577,858</u></u>
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NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Public support:			
Contributions	\$ 392,569	\$ -	\$ 392,569
Total public support	<u>392,569</u>	<u>-</u>	<u>392,569</u>
Revenue:			
Grants	501,106	-	501,106
Program fees and tickets	28,907	-	28,907
In-kind donations	95,640	-	95,640
Investment and interest income	18	-	18
Merchandise & concession	19,431	-	19,431
Gain on debt forgiveness	143,577	-	143,577
Other income	301	-	301
Total revenue	<u>788,980</u>	<u>-</u>	<u>788,980</u>
Total public support and revenue	<u>1,181,549</u>	<u>-</u>	<u>1,181,549</u>
Expenses:			
Program services:			
Workshops and Education	51,446	-	51,446
Winter Shakespeare	36,417	-	36,417
Summer Shakespeare	360,697	-	360,697
Other	139,723	-	139,723
Total program services	<u>588,283</u>	<u>-</u>	<u>588,283</u>
Supporting services:			
Management and general	101,209	-	101,209
Fundraising	31,695	-	31,695
Total supporting services	<u>132,904</u>	<u>-</u>	<u>132,904</u>
Total expenses	<u>721,187</u>	<u>-</u>	<u>721,187</u>
Increase (decrease) in net assets	460,362	-	460,362
Net assets - beginning of year	<u>94,214</u>	<u>-</u>	<u>94,214</u>
Net assets - end of year	<u>\$ 554,576</u>	<u>\$ -</u>	<u>\$ 554,576</u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER, 30, 2021

	Program Services					Supporting Services		
	<u>Workshops and Education</u>	<u>Winter Shakespeare</u>	<u>Summer Shakespeare</u>	<u>Other</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 45,955	\$ 15,050	\$ 113,145	\$ 127,797	\$ 301,947	\$ 48,815	\$ 20,687	\$ 371,449
Employee benefits and payroll taxes	3,612	1,257	20,120	9,907	34,896	3,818	1,632	40,346
Bank charges and ticket fees	349	84	2,685	29	3,147	218	1,180	4,545
Dues, subscriptions and fees	-	-	114	-	114	1,555	707	2,376
In-kind expenses	-	9,500	74,755	-	84,255	9,655	1,730	95,640
General liability and workers' compensation	-	-	3,605	-	3,605	8,973	-	12,578
Interest	-	-	-	-	-	1,127	-	1,127
Marketing and publications	1,078	498	11,422	951	13,949	2,907	3,619	20,475
Meals and entertainment	-	352	329	-	681	-	(241)	440
Merchandising and promotional items	-	-	8,879	160	9,039	-	267	9,306
Miscellaneous	-	-	27	-	27	-	658	685
Productions contractors	325	6,150	66,111	550	73,136	-	-	73,136
Production costs	48	3,526	58,892	12	62,478	-	181	62,659
Postage	-	-	-	-	-	25	714	739
Professional services	-	-	-	-	-	9,191	-	9,191
Rent	-	-	-	-	-	9,790	-	9,790
Office supplies and expenses	-	-	-	-	-	179	-	179
Travel	79	-	-	-	79	-	-	79
Telephone	-	-	613	317	930	308	561	1,799
Total expenses before depreciation	51,446	36,417	360,697	139,723	588,283	96,561	31,695	716,539
Depreciation	-	-	-	-	-	4,648	-	4,648
Total program and supporting services	<u>\$ 51,446</u>	<u>\$ 36,417</u>	<u>\$ 360,697</u>	<u>\$ 139,723</u>	<u>\$ 588,283</u>	<u>\$ 101,209</u>	<u>\$ 31,695</u>	<u>\$ 721,187</u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Cash Flow From Operating Activities:		
Increase in net assets		\$ 460,362
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 4,648	
Gain on debt forgiveness	(143,577)	
Changes in:		
Accounts receivable	(122,277)	
Prepaid expenses	(5,731)	
Accounts payable	15,500	
Credit card payable	928	
Deferred revenue	2,100	
Total adjustments		(248,409)
Net cash provided by operating activities		211,953
Cash Flow From Investing Activities:		
Purchase of equipment	(1,298)	
Net cash used in investing activities		(1,298)
Cash Flow From Financing Activities:		
Proceeds from issuance of debt	95,629	
Net cash provided by financing activities		95,629
Net increase in cash		306,284
Cash - beginning of year		41,904
Cash - end of year		\$ 348,188

SUPPLEMENTAL INFORMATION

Total interest paid for the year ending September 30, 2021, was \$1,127.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities and Program Descriptions

The terms "we", "us", "our", "the Organization", and "the Festival" are used throughout these notes to the financial statements to identify Nashville Shakespeare Festival, a nonprofit organization, incorporated on September 12, 1988. The Festival's mission is to educate and entertain the Mid-South community through professional Shakespearean experiences. The Festival accomplishes its mission through unifying and enriching the community with bold, innovative and relevant productions along with empowering, participatory educational programs, setting the community standard of excellence in educational outreach and performances of Shakespeare's plays. The Festival's signature programs are Summer Shakespeare and Winter Shakespeare. Summer Shakespeare is an annual free, outdoor, family-friendly event attended by 12,000-15,000 people per year. Winter Shakespeare is an annual production in residence at Belmont University typically attended by 6,000 people per year, half of them school groups, many of which also receive in-school outreach services. In the year ended 2021, the Winter Shakespeare performances and outreach were replaced with online versions, due to the COVID-19 pandemic, and reached 2,400 people. The Festival produces a variety of outreach opportunities for schools, institutions, and the general public including workshops, artists in residence, and travelling performances. The major sources of our funding are grants and contributions from local and state governments, private foundations, corporations, and individuals in the Middle Tennessee area. In the year ended 2021, the Festival also received significant one-time COVID-19 relief grants from the federal government in the form of forgiven PPP loans and the Shuttered Venue Operator's Grant.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Accordingly, our net assets and changes therein are classified and reported as follows:

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. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.

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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Festival considers all unrestricted cash, certificates of deposit and investment instruments purchased with original maturities of three months or less to be cash equivalents. At September 30, 2021, there were no cash equivalents.

Accounts Receivable

The Festival reports accounts receivable, net of an allowance for doubtful accounts, at the amount which represents management's estimate of the amount that ultimately will be realized. The Festival reviews the adequacy of its allowance for uncollectible accounts on an ongoing basis, using historical payment trends, as well as review of specific accounts, and makes adjustments in the allowance as necessary. Management determined that no allowance for doubtful accounts was necessary at September 30, 2021.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. The Festival does not imply time restrictions on contributions of long-lived assets. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for props, costumes, and repairs and maintenance are charged to expense as incurred. It is the Festival's policy to capitalize purchases of fixed assets with a value of \$500 or more and have a useful life greater than one year.

The Festival retains the title to all of our long-lived assets. None of the long-lived assets were purchased with restricted assets, have been pledged as collateral or are subject to legal limitations on use or disposal.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted support is reported as an increase in net assets with donor restrictions; however, contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities and changes in net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the Statement of Financial Position. All cost-reimbursable grants have been received at September 30, 2021. One grant in the amount of \$4,900 has been recognized in the Statement of Financial Position as deferred revenue, because qualifying expenditures have not yet been incurred.

The Organization reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

The Organization recognizes revenue from program services when the performance obligations, detailed in the contracts with the customers, are fulfilled. Our service contracts consist of ticket, merchandise, and concession sales. Revenue from ticket sales is recognized at the time of admission. Revenue from concessions and merchandise sales is recognized at the time of the sale.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the new revenue recognition standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. All our services have a single performance obligation that is based on the service specifically described in the contracts.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - Summary of Significant Accounting Policies (continued)

Performance Obligations Satisfied at a Point in Time

All of our revenue is recognized at a point in time rather than over time. Upon fulfillment of the performance obligation, which is the delivery of the service and reimbursement requests to the customer, the customer is provided an invoice demonstrating transfer of control to the customer. The Company believes that point in time recognition remains appropriate for this segment and will continue to recognize revenues upon completion of the performance obligation and issuance of an invoice.

Income Tax Status

The Festival is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and classified as an organization which is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. The Festival does not believe there are any uncertain tax positions or any unrelated business income, which would be subject to federal taxes.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Operating costs other than personnel and occupancy costs are allocated based on an invoice by invoice basis. Personnel costs are allocated based on the time spent in each area the employee works. Occupancy costs, such as leases and utilities are allocated based on square footage used for each functional classification.

Use of Estimates

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 the 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.

Fair Values of Financial Instruments

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

Advertising

Advertising is expensed as incurred. Total advertising expense for the year ended September 30, 2021, was \$20,475.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended

Cash	\$ 348,188
Accounts receivable	<u>211,810</u>
	<u>\$ 559,998</u>

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2 - Availability and Liquidity (continued)

In the next fiscal year, we plan to receive the same level of income from our donors and our program services, and consider this income for programs which are ongoing, major, and central to our annual operations to be available to meet cash needs for general expenditures.

The Festival has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. We also have an open line of credit to draw on for any immediate cash needs and is described in (NOTE 4).

Except as noted as limited, cash is considered readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures

NOTE 3 - Accounts Receivable

At September 30, 2021, accounts receivable consisted of the following:

Grants receivable	\$ 206,390
Other receivable	<u>5,420</u>
	<u>\$ 211,810</u>

NOTE 4 - Line of Credit

The Festival has a \$60,000 revolving line of credit with First Horizon which is not required to be renewed. The revolving line of credit bears interest at a variable interest rate (7.25% at September 30, 2021), and is unsecured. The Festival had a balance of \$0 due under the line at September 30, 2021.

NOTE 5 - Deferred Revenue

At September 30, 2021, the Festival had deferred revenue in the amount of \$4,900 related to grants for future productions.

NOTE 6 - PPP Loans

During 2020 and 2021, the Organization was the recipient of two loans under the Paycheck Protection Program ("PPP"). The PPP1 and PPP2, established as a part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act, provides for loans to small businesses to pay up to 24 weeks of payroll costs and benefits, interest on mortgages, rent and utilities. Both liens were forgiven in full during the year ended September 30, 2021, as shown on the Statement of Activities as a gain on forgiveness of debt.

NOTE 7 - Leases

The Festival leases office space from Nashville Public Television which expires on June 30, 2022. The Festival may also enter into other short term leases for rehearsal or storage space. Total rent expense for the year ending September 30, 2021, was \$9,790 for the office space and storage unit.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 – Leases (continued)

The following is a schedule of future minimum lease payments:

Year Ending <u>September 30,</u> 2022	<u>8,158</u>
	<u>\$ 8,158</u>

NOTE 8 - Net Assets

Board designated net assets without donor restrictions consisted of the following at September 30, 2021:

Actor's Equity Association Bonding Account	<u>\$ 11,886</u>
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NOTE 9 - Insurance

The Festival finances insurance premiums through a third party at an annual rate of 7.65%. The Festival made a down payment of \$2,639, and the outstanding premium of \$10,556 is payable in ten consecutive payments during the next fiscal year.

The policy period is August 20, 2020, to August 19, 2021. The Festival has not booked a prepaid insurance asset for the entire amount of the premiums and a corresponding liability for the amount of premiums financed. The right to off-set exists and the Festival has netted these two amounts in the prepaid asset. Insurance expense and interest expense will be recorded as the premium payments are made.

NOTE 10 - Concentrations and Contingencies

At September 30, 2021, 61% of our total payables were due to four vendors and 84% of our total receivables were due from two grantors.

As of December 21, 2021, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of our operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results due to families not wanting services due to the uncertainty of the virus; however, the related financial impact and duration cannot be reasonably estimated at this time.

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe that we are exposed to any significant credit risk on our cash.

NOTE 11 - In-kind Contributions

The Festival receives various in-kind gifts and donations which are recorded as revenue at fair market value and fully expensed when received. The donated goods included rental equipment, marketing items, software, building materials, and venue rentals for the performances. Donated services included advertising, public relations, legal, media production, and graphic design. The donated goods and services were used for both the winter and summer theater productions, along with professional services donated for general and administrative uses. The total amount of the in-kind revenue for the year ended September 30, 2021, was \$95,640. The total amount of in-kind expense for the year ended September 30, 2021, was \$95,640.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 12 - New Pronouncements

In February 2017, FASB issued Accounting Standards Update 2017-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 13 - Subsequent Events

We have evaluated events subsequent to the year ending September 30, 2021. As of December 21, 2021, the date that the financial statements were available to be issued, we are not aware of any material subsequent events, which would require recognition or disclosure in the accompanying financial statements for the year ended September 30, 2021.