TENNESSEE REPERTORY THEATRE, INC

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2013 AND 2012

(With Independent Auditor's Report Thereon)

TENNESSEE REPERTORY THEATRE, INC.
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
JUNE 30, 2013 AND 2012

CONTENTS

PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tennessee Repertory Theatre, Inc.

We have audited the accompanying financial statements of Tennessee Repertory Theatre, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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 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 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 Tennessee Repertory Theatre, Inc. as of June 30, 2013 and 2012, 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.

Patterson Hardee & Ballentine

September 30, 2013

1889 General George Patton Drive, Suite 200 Franklin, TN 37067 phone: 615-750-5537 fax: 615-750-5543

www.phbcpas.com

TENNESSEE REPERTORY THEATRE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
Current Assets:		
Cash	$ 121,719	$ 167,811
Receivables	117,211	118,738
Prepaid expenses	30,461	17,284
Total current assets	269,391	303,833
Property and equipment, net	22,592	11,320
Restricted cash	60,500	49,666
Total assets	$ 352,483	$ 364,819

LIABILITIES AND NET ASSETS

	2013	2012
Current Liabilities:		
Accounts payable and accrued expenses	$ 60,974	$ 71,628
Deferred ticket sales	107,115	110,102
Total current liabilities	168,089	181,730
Net Assets:		
Unrestricted	123,894	133,423
Temporarily restricted	60,500	49,666
Total net assets	184,394	183,089
Total liabilities and net assets	$ 352,483	$ 364,819

See accompanying notes to the financial statements.

TENNESSEE REPERTORY THEATRE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenues:						
Ticket sales	$ 499,059	$ -	$ 499,059	$ 395,805	$ -	$ 395,805
Contributions	560,303	60,500	620,803	618,657	47,500	666,157
Grants	153,820	-	153,820	156,900	-	156,900
Special events	52,035	-	52,035	54,590	-	54,590
Rental and sales income	106,088	-	106,088	68,732	-	68,732
In-kind donations	7,400	-	7,400	12,241	-	12,241
Other income	16,604	-	16,604	11,497	2,166	13,663
Net assets released from restrictions	49,666	(49,666)	-	2,294	(2,294)	-
Total support and revenues	1,444,975	10,834	1,455,809	1,320,716	47,372	1,368,088
Expenses:						
Program services:						
Main stage productions	1,122,256	-	1,122,256	1,085,336	-	1,085,336
New stages	59,582	-	59,582	69,270	-	69,270
Professional training and education	51,022	-	51,022	72,401	-	72,401
Total program services	1,232,860	-	1,232,860	1,227,007	-	1,227,007
Supporting services:						
Management and general	115,380	-	115,380	109,987	-	109,987
Fundraising	106,264	-	106,264	98,169	-	98,169
Total supporting services	221,644	-	221,644	208,156	-	208,156
Total expenses	1,454,504	-	1,454,504	1,435,163	-	1,435,163
Increase (decrease) in net assets	(9,529)	10,834	1,305	(114,447)	47,372	(67,075)
Net assets - beginning of year	133,423	49,666	183,089	247,870	2,294	250,164
Net assets - end of year	$ 123,894	$ 60,500	$ 184,394	$ 133,423	$ 49,666	$ 183,089

TENNESSEE REPERTORY THEATRE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows From Operating Activities:		
Increase (decrease) in net assets	$ 1,305	$ (67,075)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	4,095	2,841
Changes in:		
Receivables	1,527	(4,901)
Prepaid expenses	(13,177)	6,439
Restricted cash	(10,834)	(47,372)
Accounts payable and accrued expenses	(10,654)	16,078
Deferred ticket sales	(2,987)	3,884
Total adjustments	(32,030)	(23,031)
Net cash used in operating activities	(30,725)	(90,106)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(15,367)	(5,188)
Net cash used in investing activities	(15,367)	(5,188)
Net decrease in cash	(46,092)	(95,294)
Cash - beginning of year	167,811	263,105
Cash - end of year	$ 121,719	$ 167,811

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2013, was $214.
Interest paid during the year ended June 30, 2012, was $344.

See accompanying notes to the financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms ""we", "us", or "our"" are used throughout these notes to the financial statements to identify the Tennessee Repertory Theatre, Inc, a Tennessee not-for-profit organization. We were established in February 1985. We are the theatre in residence at the Tennessee Performing Arts Center ("TPAC") and are a Professional Actors' Equity Troupe in Middle Tennessee.

Our mission is to serve through creating "Ah-ha!" moments that inspire empathy, prod intellectual and emotional engagement, and expand the creative capacity of audience and artists though the dynamic connection unique to live theatre.

Our vision is to be a strong and vital professional regional theatre that is an indispensable part of our community's creative life, widely embraced and deeply valued as an essential source for illuminating artistic experiences and exciting entertainment, and recognized as a model of sustainability that is home for a thriving community of professional artists and whose name is synonymous with excellence in every aspect

Program and Supporting Services

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

Program Services

Operating expenses include the following:

Main Stage Productions - includes expenses that are directly identifiable with a particular production.

New Stages - includes expenses that are directly identifiable with the Ingram New Works program, which enables us to bring attention to the importance of new play development and establishes us as a leading advocate for new work. This program also includes the staged reading series "REPaloud".

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

Supporting Services

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

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

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").

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. 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 - Net assets subject to donor-imposed stipulations which may or will be met, either by our actions and/or the passage of time. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statements of Activities as unrestricted. As of June 30, 2013 and 2012, all of our temporarily restricted net assets were from contributions for next year's operations.

Permanently restricted net assets - Net assets subject to permanent donor-imposed stipulations. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. We had no permanently restricted net assets as of June 30, 2013 and 2012.

Contributions, Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. 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 Statements of Activities as net assets released from restrictions.

We receive grant revenue from various state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grants received in advance of the expenditure are recorded initially as deferred revenue.

We report 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.

We lease certain items in our inventory and recognize income as items are leased.

Cash and Cash Equivalents
For purposes of the Statements of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2013 and 2012, we had no cash equivalents
.
Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present values of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. All promises to give at June 30, 2013 and 2012 were expected to be received within one year.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Contributions Receivable

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

Accounts Receivable

Ticket sales are processed by TPAC through the TPAC ticketing system. TPAC remits the tickets sales proceeds to us throughout the year. We also lease our performance props and costumes to other organizations, which is recorded as rental and sales income in the Statements of Activities.

Accounts receivable are reported at gross sales price less any applicable payments of adjustments. We do not charge interest on any past due accounts.

We use the allowance method in accordance with Generally Accepted Accounting Principles. In 2013 $1,035 worth of receivables were deemed uncollectible and have been written off as Bad Debt Expense. As of June 30, 2013 and 2012, accounts receivables are deemed to be fully collectible and no allowance for bad debts was recorded.

Prepaid Expenses

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

Property and Equipment

Property and equipment are recorded at cost at the date of purchase or estimated fair value at the date of gift to us. Our policy is to capitalize purchases with a cost of $500 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, ranging from three to seven years for computers, furniture and fixtures, and equipment.

Donated Goods, Facilities, and Services

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

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

Donated Goods, Facilities, and Services

Donated goods, which amounted to $7,400 in 2013 and $12,241 in 2012, are recorded at their estimated fair value at the date of donation, and have been included in the appropriate categories revenue, expenses, and fixed assets. In 2013, an in-kind donation of a $6,000 vehicle was received and capitalized.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Accrued Vacation

All full-time staff employees are eligible to accrue vacation time. For the employees who have been with us one to two years, one day per month can be accrued up to a maximum of twelve days. For the employees who have been with us for three to four years, fifteen days can be accrued in total. For the employees who have been with us for five or more years, twenty-one days are available to be accrued. These accrued days are accounted for at the average daily rate per employee, based on a 260-day work calendar.

Advance Ticket Sales

Ticket sales made prior to the fiscal year to which they apply are reported as advance ticket sales on the Statements of Financial Position. Such revenue is recognized and reported in the Statements of Activities in the year the productions are performed.

Production Expenses

All production expenses, including props and costumes, are expensed in the Statements of Activities in the year the associated productions are performed. Some props and costumes are kept if we believe they can be repurposed for future productions. We lease our old costumes and props to other organizations as well as utilizing them for future performances. Revenue from rental activities is recognized in the period it is earned in the Statements of Activities. When we no longer have space to store them, the props or costumes are disposed or sold in a yard sale. Revenue from such sales is recognized at that time in the Statements of Activities.

Income Tax Status

We qualify as a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

A tax position is recognized as a benefit only if it is “more likely than not” the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit greater than 50 percent likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. We recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. We have no amounts accrued for interest or penalties as of September 30, 2013. We are no longer subject to examination by U.S. federal and state taxing authorities for fiscal years ending before June 30, 2010.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

NOTE 2 - Accounts Receivable

At June 30, we were due the following amounts:

	2013	2012
Accounts receivable	$ 6,546	$ 6,078
Advanced ticket sales receivable	107,115	110,102
Pledge receivable	3,550	2,558
	117,211	118,738
Less: allowance for bad debts	(-)	(-)
	$ 117,211	$ 118,738

NOTE 3 - Property and Equipment

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

	2013	2012
Computers	$ 42,702	$ 33,335
Furniture and fixtures	2,587	2,587
Equipment	41,838	41,838
Vehicle	6,000	(-)
	93,127	77,760
Less: accumulated depreciation	(70,535)	(66,440)
	$ 22,592	$ 11,320

Depreciation expense for 2013 and 2012 totaled $4,095 and $2,841 respectively.

NOTE 4 - Accounts Payable and Accrued Expenses

At June 30, expenses were accrued for the following:

	2013	2012
Accounts payable	$ 16,139	$ 20,736
Credit card payable	13,629	8,574
Accrued employee benefits	31,206	42,318
	$ 60,974	$ 71,628

NOTE 5 - Line of Credit

We have a $200,000 operating line of credit with a bank. The line is evidenced by a promissory note which bears interest, payable monthly, on the amount borrowed at a variable interest rate based on the bank's base commercial rate plus .75%. The interest rate at June 30, 2013 and 2012 was 4.5% and 4.75% respectively. The line of credit matures on December 15, 2013. As of June 30, 2013 and 2012, there was no outstanding balance on the line of credit.

NOTE 6 - Letters of Credit

We maintain two letters of credit with various groups named as the beneficiaries. These letters of credit are secured by our fixed assets. The two letters of credit are maintained at First Tennessee Bank.

Bank	Vendor	Maturity	Amount
First Tennessee Bank	Actors' Equity Association	August 31, 2013	$ 21,223
First Tennessee Bank	Tennessee Performing Arts Center	August 31, 2013	8,287
			$ 29,510

NOTE 7 - Net Assets

Also at June 30, we held assets whose use was temporarily restricted by donors or grantors for:

	2013	2012
Operations	$ 60,500	$ 49,666

NOTE 8 - Lease Agreements

We lease our office under an operating lease requiring monthly rental payments through June 30, 2014. We also lease certain office equipment. Total rental expense on June 30, 2013 and 2012 under all agreements totaled $94,728 and $92,115 respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	
2014	$ 87,828
2015	4,344
2016	4,344
2017	4,344
2018	3,258
	$ 104,118

NOTE 9 - Concentrations and Contingencies

We maintain cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporations ("FDIC") up to statutory limits. As of June 30, 2013 and 2012, all of our depositor accounts were fully insured.

At the years ended June 30, 2013 and 2012, 91% and 93%, respectively, of our total receivables were due to our ticket sales held by TPAC and are accounted for as a receivable. If this vendor were be unable to satisfy those receivables we would experiences significant losses, however, management believes this vendor will remain solvent for the foreseeable future.

For the years ended June 30, 2013 and 2012, combined contributions from one source were approximately 57% and 58%, respectively, of total contribution revenues.

NOTE 10 - Retirement Plan

We sponsor a tax-deferred annuity plan ("Plan") under Section 403(b) of the Internal Revenue Code. Full-time employees are eligible after one year of employment. Eligible employees may elect to defer a portion of their compensation through the Plan, not to exceed the allowable amount under Section 403(b). We may make an annual contribution to the Plan equivalent to 1% of the employee's annual salary; however, there were no such contributions to the Plan for the years ended June 30, 2013 and 2012.

NOTE 11 - Related Party Transactions

During the years ended June 30, 2013 and 2012, we paid $83,484 and $81,053, respectively, in rent expense for office spaces leased from a Board member's employer. In addition, an in-kind contribution for travel expenses, valued at $1,400 in 2013 and $4,900 in 2012, was received from a Board member's company.

NOTE 12 - Donor-Designated Endowment Funds Held in Trust

Certain individuals have established one donor-designated endowment funds with the Community Foundation of Middle Tennessee for the benefit of the Tennessee Repertory Theatre. The Community Foundation of Middle Tennessee has the ultimate authority and control over these Funds and, therefore, these investments are not included in our financial statements. Income distributed to us from these funds is recognized in the year received. Such distributions totaled approximately $1,100 and $1,100 during the years ended June 30, 2013 and 2012, respectively. Total assets held in this fund amount to approximately, $24,269 and $24,124 at June 30, 2013 and 2012, respectively.

One donor-designed endowment fund was re-designated as general donations from an unrelated fund in 2013.

NOTE 13 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2013 and 2012. As of September 30, 2013, the date that the financial statements were available to be issued, no events subsequent to the Statements of Financial Position date are considered necessary to be included in the financial statements for the years ended June 30, 2013 and 2012.

PHB

PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Tennessee Repertory Theatre, Inc.

We have audited the financial statements of Tennessee Repertory Theatre, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated September 30, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Statement of Functional Expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Patterson Hardee & Ballentine

September 30, 2013

1889 General George Patton Drive, Suite 200 Franklin, TN 37067 phone: 615-750-5537 fax: 615-750-5543

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TENNESSEE REPERTORY THEATRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services				Supporting Services		
	Main Stage Productions	New Stages	Professional Training and Education	Total Program Services	Management and General	Fundraising	Total Functional Expenses
Salaries	$ 307,433	$ 4,641	$ 27,787	$ 339,861	$ 56,117	$ 51,790	$ 447,768
Wages	131,476	6,500	-	137,976	-	-	137,976
Hourly wages	21,382	-	-	21,382	-	-	21,382
Payroll taxes	34,083	869	2,039	36,991	4,348	4,149	45,488
Fringe benefits	39,989	914	4,424	45,327	8,954	6,031	60,312
Total payroll costs	534,363	12,924	34,250	581,537	69,419	61,970	712,926
Bad debt expense	924	-	-	924	111	-	1,035
Bank fees	-	-	-	-	3,113	-	3,113
Communications	4,646	218	593	5,457	870	791	7,118
Conferences	6,742	3,893	240	10,875	100	448	11,423
Contract services	59,507	-	2,450	61,957	1,800	-	63,757
Depreciation	-	-	-	-	4,096	-	4,096
Dues and subscriptions	233	-	-	233	4,077	560	4,870
Equipment rental	3,423	160	437	4,020	641	583	5,244
In-kind expense	1,400	-	-	1,400	-	-	1,400
Insurance	8,681	406	1,108	10,195	1,625	1,477	13,297
Marketing	95,380	81	24	95,485	-	-	95,485
Meals and entertainment	1	2,411	392	2,804	984	28	3,816
Miscellaneous	1,283	42	42	1,367	8,053	2,065	11,485
Office Supplies	201	192	20	413	862	277	1,552
Postage & shipping	146	-	-	146	425	764	1,335
Printing	1,320	209	14	1,543	-	759	2,302
Production expenses	323,803	36,495	3,023	363,321	-	-	363,321
Professional services	-	-	-	-	9,000	-	9,000
Rent	54,496	2,551	6,957	64,004	10,204	9,276	83,484
Special events	-	-	-	-	-	27,266	27,266
Supplies	25,707	-	1,472	27,179	-	-	27,179
	$ 1,122,256	$ 59,582	$ 51,022	$ 1,232,860	$ 115,380	$ 106,264	$ 1,454,504