

TENNESSEE PERFORMING ARTS CENTER  
MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2011

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Tennessee Performing Arts Center Management Corporation (the "Organization") as of June 30, 2011 and 2010, the related statement of activities for the year ended June 30, 2011, and the statements of cash flows for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information in the statement of activities has been derived from the Organization's June 30, 2010 financial statements and, in our report dated October 15, 2010, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Performing Arts Center Management Corporation as of June 30, 2011 and 2010, the changes in its net assets for the year ended June 30, 2011, and its cash flows for the years ended June 30, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional information on page 17 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.



Nashville, Tennessee  
November 8, 2011

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,548,896	\$ 4,500,529
Receivables:		
Accounts	202,839	260,245
Contributions, net of allowance	110,458	169,644
Prepaid expenses, inventory and other assets	385,357	568,797
Property and equipment, less accumulated depreciation	<u>5,408,123</u>	<u>5,648,881</u>
 TOTAL ASSETS	 <u>\$ 11,655,673</u>	 <u>\$ 11,148,096</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 843,892	\$ 853,353
Advance ticket sales	3,904,857	2,148,269
Deposits and other	154,845	206,681
Capital lease obligations	820,666	1,085,033
Notes payable	<u>1,322,511</u>	<u>1,498,845</u>
 TOTAL LIABILITIES	 <u>7,046,771</u>	 <u>5,792,181</u>
 COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Invested in property and equipment, net of related debt	3,534,199	3,370,156
Undesignated	<u>709,769</u>	<u>1,678,681</u>
Total unrestricted	4,243,968	5,048,837
Temporarily restricted	<u>364,934</u>	<u>307,078</u>
 TOTAL NET ASSETS	 <u>4,608,902</u>	 <u>5,355,915</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 11,655,673</u>	 <u>\$ 11,148,096</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENT OF ACTIVITIES

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

	Unrestricted	Temporarily Restricted	Totals	
			2011	2010
OPERATING REVENUE				
Ticket sales	\$ 5,762,516	\$ -	\$ 5,762,516	\$ 8,802,475
Rental income	570,642	-	570,642	560,048
Salary and wage reimbursements	684,423	-	684,423	625,830
Other reimbursements	488,253	-	488,253	235,418
Concession sales	571,796	-	571,796	561,276
Ticketing service charges and fees	1,490,593	-	1,490,593	1,588,558
Sponsorships - earned	152,225	-	152,225	155,300
Sales tax rebate	362,649	-	362,649	539,182
Other income	58,843	-	58,843	61,471
TOTAL OPERATING REVENUE	<u>10,141,940</u>	<u>-</u>	<u>10,141,940</u>	<u>13,129,558</u>
OPERATING COSTS AND EXPENSES				
Programming and production	6,068,082	-	6,068,082	7,227,537
Concessions	391,521	-	391,521	373,708
Operations	1,608,428	-	1,608,428	2,034,984
Marketing	754,886	-	754,886	814,885
Box office	649,529	-	649,529	632,899
Event services	655,973	-	655,973	637,623
TOTAL OPERATING COSTS AND EXPENSES	<u>10,128,419</u>	<u>-</u>	<u>10,128,419</u>	<u>11,721,636</u>
INCOME FROM OPERATIONS	<u>13,521</u>	<u>-</u>	<u>13,521</u>	<u>1,407,922</u>
PUBLIC SUPPORT AND OTHER REVENUES				
Contributions	878,371	117,934	996,305	1,389,994
Sponsorships - philanthropic	-	40,000	40,000	40,000
Grants	353,914	-	353,914	645,996
Income from Foundation	855,900	207,000	1,062,900	894,230
Interest income	351	-	351	951
Net assets released from restrictions	307,078	(307,078)	-	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>2,395,614</u>	<u>57,856</u>	<u>2,453,470</u>	<u>2,971,171</u>
FUNCTIONAL EXPENSES				
Program services:				
Educational programs	827,129	-	827,129	803,292
Supporting services:				
Management and general	1,960,214	-	1,960,214	1,921,838
Fundraising	426,661	-	426,661	460,099
Total Supporting services	<u>2,386,875</u>	<u>-</u>	<u>2,386,875</u>	<u>2,381,937</u>
TOTAL FUNCTIONAL EXPENSES	<u>3,214,004</u>	<u>-</u>	<u>3,214,004</u>	<u>3,185,229</u>
CHANGE IN NET ASSETS	(804,869)	57,856	(747,013)	1,193,864
NET ASSETS - BEGINNING OF YEAR	<u>5,048,837</u>	<u>307,078</u>	<u>5,355,915</u>	<u>4,162,051</u>
NET ASSETS - END OF YEAR	<u>\$ 4,243,968</u>	<u>\$ 364,934</u>	<u>\$ 4,608,902</u>	<u>\$ 5,355,915</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (747,013)	\$ 1,193,864
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	495,766	364,528
Loss on disposal of equipment	433	781
Loss on derivative financial instrument	-	(1,809)
(Increase) decrease in:		
Accounts receivable	57,406	123,015
Contributions receivable	59,186	(78,257)
Prepaid expenses, inventory and other assets	183,440	(190,244)
Increase (decrease) in:		
Accounts payable and accrued expenses	(9,461)	53,021
Advance ticket sales	1,756,588	(3,407,676)
Deposits and other	(51,836)	49,089
TOTAL ADJUSTMENTS	<u>2,491,522</u>	<u>(3,087,552)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,744,509</u>	<u>(1,893,688)</u>
INVESTING ACTIVITIES		
Proceeds from sale of equipment	-	3,480
Purchases of equipment	(255,441)	(668,618)
NET CASH USED IN INVESTING ACTIVITIES	<u>(255,441)</u>	<u>(665,138)</u>
FINANCING ACTIVITIES		
Payment of prior year accounts payable for ticketing software and equipment acquisition	-	(30,236)
Repayment of notes payable	(176,334)	(176,335)
Proceeds from draws under capital lease arrangement	-	398,840
Repayment of capital lease obligations	(264,367)	(163,403)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(440,701)</u>	<u>28,866</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,048,367	(2,529,960)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,500,529</u>	<u>7,030,489</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,548,896</u>	<u>\$ 4,500,529</u>
OTHER CASH FLOW DISCLOSURES:		
Interest paid during the year	<u>\$ 79,483</u>	<u>\$ 103,853</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Undrawn capital lease proceeds held by lender	<u>\$ -</u>	<u>\$ 121,786</u>
Undrawn capital lease proceeds applied to obligation	<u>\$ -</u>	<u>\$ 56,692</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 or operations.

Basis of Presentation

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

Resources are classified as unrestricted, temporarily restricted, or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *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 Organization had no permanently restricted net assets as of June 30, 2011 or 2010.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support

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

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

The Organization also receives grant revenue from various state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

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

Cash and Cash Equivalents

Cash and cash equivalents consists of demand deposits with banks.

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. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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.



TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account 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, 2011 and 2010.

Prepaid Expenses, Inventory and Other Assets

Prepaid expenses, inventory, and other assets consist primarily of certain marketing and promotional costs and concessions supplies pertaining to the following theater season that are paid for in advance and recognized in the following fiscal year, as well as other miscellaneous assets. Marketing and promotional costs for the years ended June 30, 2011 and 2010 totaled approximately \$893,000 and \$959,000, respectively.

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 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 equipment, thirty years for lobby improvements, and ten years for other improvements.

Donated Materials, Facilities, and Services

Significant materials, facilities, and services are donated to the Organization by various individuals and organizations. Donated materials and facilities, which amounted to \$308,506 in 2011 (\$416,662 in 2010), are recorded as revenue and expenses at their estimated fair value at the date of donation.

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 (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advance Ticket Sales

Ticket sale revenues (including handling fees) received prior to the fiscal year to which they apply are reported as advance ticket sales (deferred revenue). Such revenue is recognized and reported in the statement of activities in the year the production is performed or the rental event occurs.

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.

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. Such rebates are recognized and reported in the statement of activities in the period applicable.

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. Tax returns for years prior to fiscal year 2008 are closed.

Program and Supporting Services

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

Program Services

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 four distinct programs that provide extended educational services to students and TPAC audiences:

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (continued)

During the 2011 fiscal year, Humanities Outreach in Tennessee (HOT) presented 59 (39 during 2010) professional performances of theater, dance and music for student audiences at TPAC in addition to one in-school tour and one off-site show. Subsidized tickets, travel grants and classroom materials were provided to ensure that each student could have access to diverse cultural and educational programs. HOT also provided in-school student workshops, audience discussions, and workshops for teachers which addressed the educational content of each performance. During the 2010-2011 academic year, 30,132 students and teachers from 205 schools attended HOT Season for Young People performances (31,652 students and teachers from 204 schools during the 2009-2010 academic year).

ArtSmart is a classroom-based instruction program that accompanies the HOT Season for Young People. Through ArtSmart, students arrive at the theatre with an expanded capacity to engage with the performance they are about to see. Specialized training enables educators and Teaching Artists to guide arts-based instruction that challenges young people to imagine, to practice, and to reflect. A total of 6,086 students and teachers participated in ArtSmart in 2010-2011 (5,157 students and teachers in 2009-2010). All 31 schools from Davidson County received ArtSmart education services at no charge in 2011 (15 schools in 2010).

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. A total of 1,042 children and teachers participated in Wolf Trap in 2010-2011 at no charge (1,089 children and teachers in 2009-2010).

InsideOut is for adults who want to grow in their knowledge and enjoyment of the performing arts. The program offers a series of lunch seminars, performance excerpts, discussions, workshops and sneak previews behind the scenes. A total of 3,889 individuals participated in this program during the year at no charge (3,124 individuals during 2010).

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, recordkeeping, budgeting, financing and other administrative activities.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting Services (continued)

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

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

Use of Estimates in the Preparation of Financial Statements

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

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2011 and November 8, 2011, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 2,524	\$ 2,567
Temporarily restricted	<u>107,934</u>	<u>167,077</u>
Total	<u>\$ 110,458</u>	<u>\$ 169,644</u>

All contributions receivable were due within one year as of June 30, 2011 and 2010.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 3 - PROPERTY AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Lobby improvements	\$ 4,925,138	\$ 4,925,138
Other improvements	2,082,204	2,048,783
Computers	390,877	455,170
Furniture	325,865	332,551
Equipment	708,990	633,048
Construction in progress	95,980	-
	<u>8,529,054</u>	<u>8,394,690</u>
Less accumulated depreciation	<u>(3,120,931)</u>	<u>(2,745,809)</u>
	<u>\$ 5,408,123</u>	<u>\$ 5,648,881</u>

Total depreciation expense for 2011 amounted to \$495,766 (2010 - \$364,528). Property and equipment include fully depreciated items with original costs totaling approximately \$1,271,000 as of June 30, 2011 (\$1,094,000 as of June 30, 2010).

NOTE 4 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2011</u>	<u>2010</u>
Note payable to Bank of America for renovations to the theatre lobby area, requiring monthly principal payments of \$11,703 plus accrued interest. All unpaid principal and interest are due December 1, 2018. Interest is charged at a variable rate based on the 30-day LIBOR fixed rate plus 0.6% (0.79% at June 30, 2011; 0.95% at June 30, 2010).	\$ 1,053,258	\$ 1,193,692
Note payable to Bank of America, requiring monthly principal payments of \$2,992 plus accrued interest. All unpaid principal and interest are due on December 1, 2018. Interest is charged at a variable rate based on the 30-day LIBOR fixed rate plus 1.3% (1.49% at June 30, 2011; 1.65% at June 30, 2010).	<u>269,253</u>	<u>305,153</u>
	<u>\$ 1,322,511</u>	<u>\$ 1,498,845</u>

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 4 - NOTES PAYABLE (CONTINUED)

The Organization also 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 the BBA LIBOR Daily Floating Rate plus 2.0%. The line of credit matures April 30, 2012, 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, 2011 or 2010.

The loan agreement with Bank of America requires maintenance of a specified debt coverage ratio. The Organization was in compliance with this requirement as of June 30, 2011.

A schedule of annual principal maturities of notes payable as of June 30, 2011, follows:

For the year ending June 30,

2012	\$ 176,335
2013	176,335
2014	176,335
2015	176,335
2016	176,335
Thereafter	<u>440,836</u>
	<u>\$ 1,322,511</u>

Total interest expense recognized by the Organization for the year ended June 30, 2011, was \$79,483 (\$103,853 in 2010). Interest expense is reported in the statement of activities under operating costs and expenses.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Annual fund contributions receivable	\$ 106,334	\$ 76,378
Philanthropic sponsorship for future Broadway seasons	40,000	40,000
Contributions and contributions receivable restricted for future years programming and/or fundraising events	<u>218,600</u>	<u>190,700</u>
	<u>\$ 364,934</u>	<u>\$ 307,078</u>

NOTE 6 - LEASES

The Organization leases certain office equipment under non-cancelable operating leases. Total rental expense incurred under all such agreements for the year ended June 30, 2011, amounted to approximately \$28,000 (\$26,000 in 2010).

On April 1, 2009, the Organization purchased certain new ticketing software and equipment and financed the acquisition through a lender under an arrangement structured as a capital lease. The lease allowed the Organization to draw up to \$1,250,000 for the project and requires monthly payments of \$24,684 beginning May 1, 2009, until the outstanding balance is repaid. At June 30, 2011, the balance of draws, net of repayments, amounted to \$760,498 (\$995,485 in 2010). The project was completed and placed in service during the 2010 fiscal year.

During 2008, the Organization entered into a capital lease for a phone system. Monthly payments of \$2,548 are required through June 2013. The aggregate cost of assets recorded under both capital leases is included in property and equipment as other improvements and totaled \$1,400,474 at June 30, 2011 and June 30, 2010. Accumulated depreciation totaled \$213,430 and \$58,774 as of June 30, 2011 and 2010, respectively. Depreciation on assets placed in service is included in depreciation expense.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 6 - LEASES (CONTINUED)

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

<u>For the year ending June 30,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2012	\$ 20,400	\$ 326,795
2013	20,400	326,795
2014	20,400	246,846
2015	6,950	-
2016	1,065	-
	<u>\$ 69,215</u>	<u>900,436</u>
Less: imputed interest at 1.58% and 6.89%		<u>79,770</u>
Net minimum lease payments		<u>\$ 820,666</u>

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, accounts receivable and contributions and grants. Contributions receivable consist of individual and corporate contribution pledges. Account receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. At June 30, 2011, receivables from one source totaled approximately \$99,000, or 32% of total receivables. At June 30, 2010, receivables from two sources amounted to approximately \$127,000, or 29% of total receivables.

Grants from two sources amounted to approximately \$281,000, or 21% of total contribution and grant revenues for the year ended June 30, 2011. Grants from one source amounted to \$351,437, or 17% of total contribution and grant revenues for the year ended June 30, 2010.

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. As of June 30, 2011, all depositor accounts of the Organization were fully insured.



TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 8 - RELATED PARTY TRANSACTIONS

Telephone service for the Organization is provided by a company that employs a Board member. During the year ended June 30, 2011, approximately \$105,000 was paid to this company (approximately \$110,000 for the year ended June 30, 2010). Legal services for the Organization are provided from time to time by a company that employs another Board member. During the year ended June 30, 2011, approximately \$11,000 was paid to this company (approximately \$7,000 for the year ended June 30, 2010). Additionally, one Board member is employed with the Organization's primary bank and a Board member is employed by a company to which the Organization pays music license fees.

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, 2011, the Foundation distributed \$1,062,900 to the Organization (\$894,230 distributed in 2010), 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>2011</u>	<u>2010</u>
Total Assets	\$ 16,627,780	\$14,599,967
Total Liabilities	<u>24,658</u>	<u>22,669</u>
Net Assets - Unrestricted	<u>\$ 16,603,122</u>	<u>\$14,577,298</u>
Total Revenues (Expenses):		
Interest, dividends, and capital gain distributions	\$ 377,387	\$ 317,700
Realized and unrealized gains	2,837,162	1,482,818
Other income	3,587	4,204
Investment management fees	(102,608)	(96,536)
Endowment distributions to the Organization	(1,062,900)	(894,230)
Management and general expenses	<u>(26,804)</u>	<u>(25,684)</u>
Change in Net Assets	<u>\$ 2,025,824</u>	<u>\$ 788,272</u>

Endowment distributions paid to the Organization during the year ended June 30, 2011 includes \$207,000, which is the first quarter distribution for fiscal year 2011-12 operations. This amount is reported as temporarily restricted net assets at June 30, 2011.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 9 - 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. Another donor-designated endowment fund was 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. 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 \$3,300 during fiscal year 2011 (\$4,800 during fiscal year 2010). Total assets held in these funds amounted to \$104,547 at June 30, 2011, and \$92,374 at June 30, 2010.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Organization sponsors the Tennessee Performing Arts Center 401(k) Plan (the "Plan") under Section 401(k) of the Internal Revenue Code. The Organization terminated the 403(b) plan on June 30, 2010 and replaced it with the 401(k) plan. All full-time employees of the Organization are eligible to participate upon reaching age 21 and completing one year (1,000 hours) of qualified service, as defined in the Plan. 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 no contributions to the Plan for the year ended June 30, 2011 and made contributions to the 403(b) plan of approximately \$15,000 for the year ended June 30, 2010.

ADDITIONAL INFORMATION

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

SCHEDULE OF COSTS AND EXPENSES

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

	<u>OPERATING EXPENSES</u>				
	<u>PROGRAMMING AND PRODUCTION</u>	<u>CONCESSIONS</u>	<u>OPERATIONS</u>	<u>MARKETING</u>	<u>BOX OFFICE</u>
Artist fees	\$ 3,804,430	\$ -	\$ -	\$ -	\$ -
Contract labor	997,554	-	-	1,400	-
Marketing - programming	726,066	-	-	-	-
Salaries	69,750	40,154	309,670	333,698	221,903
Wages - full time	24,928	53,328	541,662	-	170,459
Wages - part time	85,053	66,048	43,517	23,104	37,713
Employee related expenses	22,819	24,063	148,557	64,439	79,338
HRA Expense	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Cash (over) and short	-	(106)	-	-	3,743
Concessions supplies	-	172,484	-	-	-
Credit card fees	178,703	14,623	-	-	36,993
Custodial	45,690	-	25,971	-	-
Depreciation	-	13,390	219,376	22,744	1,026
Dues and subscriptions	2,491	60	1,735	11,161	26,865
Equipment rentals	9,893	-	464	-	-
Fees-ticketing/bank/other	-	-	-	538	-
Insurance	530	-	-	-	-
Interest expense	-	-	79,483	-	-
Gain on derivative financial instrument	-	-	-	-	-
Loss on disposal of equipment	-	-	433	-	-
(Gain) loss on other assets	-	-	(5,136)	-	-
Marketing - institution	-	-	-	144,454	2,176
Meals and entertainment	22,727	525	1,318	3,537	403
Miscellaneous expense (revenue)	(600)	187	221	32,752	14,590
Office and computer supplies	-	-	-	-	276
Postage	306	-	-	9,886	19,230
Presenter share	-	-	-	-	-
Printing and reproduction	381	1,154	349	26,083	91
Production costs	33,358	-	57	-	-
Promoter profit sharing	-	-	-	-	-
Professional consulting	591	-	2,176	23,795	26,370
Repairs and maintenance	-	2,698	156,476	25,346	10
Security	19,361	-	-	278	-
State maintenance expenses	-	-	57,864	-	-
Tech and house supplies	(73)	1,120	16,824	-	-
Telephone	1,244	498	4,106	1,320	4,152
Transportation grants expense	-	-	-	-	-
Travel - air/hotel/auto	22,880	9	2,261	30,351	4,191
Uniforms and alterations	-	1,286	1,044	-	-
Total costs and expenses for the year ended June 30, 2011	<u>\$ 6,068,082</u>	<u>\$ 391,521</u>	<u>\$ 1,608,428</u>	<u>\$ 754,886</u>	<u>\$ 649,529</u>
Total costs and expenses for the year ended June 30, 2010	<u>\$ 7,227,537</u>	<u>\$ 373,708</u>	<u>\$ 2,034,984</u>	<u>\$ 814,885</u>	<u>\$ 632,899</u>

EVENT SERVICES	TOTAL	PROGRAM SERVICES	SUPPORTING SERVICES			TOTALS	
		EDUCATIONAL PROGRAMS	MANAGEMENT AND		TOTAL	2011	2010
			GENERAL	FUNDRAISING			
\$ -	\$ 3,804,430	\$ 184,450	\$ -	\$ 3,012	\$ 3,012	\$ 3,991,892	\$ 5,347,402
625	999,579	109,322	-	7,710	7,710	1,116,611	872,962
(1,094)	724,972	13,166	-	-	-	738,138	748,888
198,568	1,173,743	281,146	960,302	200,134	1,160,436	2,615,325	2,551,839
-	790,377	-	32,260	19,955	52,215	842,592	911,252
263,451	518,886	32,831	2,656	6,006	8,662	560,379	506,762
58,796	398,012	54,605	134,414	32,939	167,353	619,970	726,402
-	-	-	58,748	-	58,748	58,748	46,917
-	-	-	-	1,200	1,200	1,200	1,600
-	3,637	-	-	-	-	3,637	5,236
-	172,484	-	-	-	-	172,484	180,089
-	230,319	351	-	5,981	5,981	236,651	290,575
-	71,661	15,600	-	-	-	87,261	114,556
5,238	261,774	5,273	224,000	4,719	228,719	495,766	364,528
2,829	45,141	2,040	18,772	2,718	21,490	68,671	73,070
-	10,357	1,092	30,617	6,987	37,604	49,053	51,707
-	538	1,018	10,015	-	10,015	11,571	10,574
-	530	35	80,247	-	80,247	80,812	88,268
-	79,483	-	-	-	-	79,483	103,853
-	-	-	-	-	-	-	(1,809)
-	433	-	-	-	-	433	781
-	(5,136)	-	-	-	-	(5,136)	1,695
7,591	154,221	-	-	162	162	154,383	210,145
1,886	30,396	14,627	10,949	51,846	62,795	107,818	83,080
615	47,765	43,331	32,628	51,098	83,726	174,822	253,621
-	276	60	18,081	-	18,081	18,417	36,246
86	29,508	27	12,673	2,804	15,477	45,012	48,142
(4,673)	(4,673)	-	-	-	-	(4,673)	2,871
419	28,477	6,431	3,145	5,996	9,141	44,049	61,650
11,262	44,677	6,636	-	1,425	1,425	52,738	68,677
28,641	28,641	-	-	-	-	28,641	-
1,822	54,754	4,420	167,534	263	167,797	226,971	222,705
3,864	188,394	-	37,062	-	37,062	225,456	212,974
65,694	85,333	4,525	170	1,191	1,361	91,219	78,218
-	57,864	-	-	-	-	57,864	351,186
314	18,185	-	338	-	338	18,523	50,880
7,112	18,432	5,309	87,322	5,263	92,585	116,326	107,286
-	-	5,495	-	-	-	5,495	5,604
2,927	62,619	35,339	38,281	15,252	53,533	151,491	108,137
-	2,330	-	-	-	-	2,330	8,296

\$ 655,973   \$ 10,128,419   \$ 827,129   \$ 1,960,214   \$ 426,661   \$ 2,386,875   \$ 13,342,423

\$ 637,623   \$ 11,721,636   \$ 803,292   \$ 1,921,838   \$ 460,099   \$ 2,381,937   \$ 14,906,865