TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2013 AND 2012

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

KraftCPAs PLLC

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Tennessee Performing Arts Center Management Corporation (the "Organization"), which comprise the statements of financial position as of June 30, 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 of 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 Organization'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 Organization'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 the Tennessee Performing Arts Center Management Corporation 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.

KraftCPAs PLLC - Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • Phone 615-242-7351 • Fax 615-782-4271 • www.kraftcpas.com

OTHER MATTER

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 22 is presented for 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 audits 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.

Kraft CPAs PLLC

Nashville, Tennessee
December 11, 2013

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 4,146,493	$ 4,566,207
Receivables:		
Accounts	434,325	153,846
Contributions	218,242	122,318
Prepaid expenses, inventory and other assets	256,955	356,222
Investments	215,936	160,080
Property and equipment, less accumulated depreciation	5,004,718	5,113,250
TOTAL ASSETS	$ 10,276,669	$ 10,471,923
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 1,137,830	$ 1,012,585
Advance ticket sales	2,580,234	2,251,448
Deposits and other	187,166	253,620
Capital lease obligations	239,230	539,130
Notes payable	969,841	1,146,177
TOTAL LIABILITIES	5,114,301	5,202,960
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Invested in property and equipment, net of related debt	3,993,099	3,661,296
Undesignated	856,789	1,365,141
Total unrestricted	4,849,888	5,026,437
Temporarily restricted	312,480	242,526
TOTAL NET ASSETS	5,162,368	5,268,963
TOTAL LIABILITIES AND NET ASSETS	$ 10,276,669	$ 10,471,923

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013		
	Unrestricted	Temporarily Restricted	Totals
OPERATING REVENUE			
Ticket sales	$ 8,605,664	$ -	$ 8,605,664
Rental income	647,204	-	647,204
Salary and wage reimbursements	718,983	-	718,983
Other reimbursements	237,324	-	237,324
Concession sales	760,085	-	760,085
Ticketing service charges and fees	2,116,126	-	2,116,126
Sponsorships - earned	166,260	-	166,260
Sales tax rebate	564,900	-	564,900
Other income	96,233	-	96,233
TOTAL OPERATING REVENUE	13,912,779	-	13,912,779
OPERATING COSTS AND EXPENSES			
Programming and production	8,639,246	-	8,639,246
Food and beverage	539,925	-	539,925
Operations	1,732,052	-	1,732,052
Marketing	877,295	-	877,295
Box office	670,709	-	670,709
Event services	711,179	-	711,179
TOTAL OPERATING COSTS AND EXPENSES	13,170,406	-	13,170,406
INCOME FROM OPERATIONS	742,373	-	742,373
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions	1,255,876	272,480	1,528,356
Sponsorships - philanthropic	-	40,000	40,000
Grants	422,936	-	422,936
Income from Foundation	783,851	-	783,851
Gain on investments	7,430	-	7,430
Interest income	79	-	79
Net assets released from restrictions	242,526	(242,526)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	2,712,698	69,954	2,782,652
FUNCTIONAL EXPENSES			
Program services:			
Educational programs	891,267	-	891,267
Supporting services:			
Management and general	2,195,786	-	2,195,786
Fundraising	544,567	-	544,567
Total supporting services	2,740,353	-	2,740,353
TOTAL FUNCTIONAL EXPENSES	3,631,620	-	3,631,620
CHANGE IN NET ASSETS	(176,549)	69,954	(106,595)
NET ASSETS - BEGINNING OF YEAR	5,026,437	242,526	5,268,963
NET ASSETS - END OF YEAR	$ 4,849,888	$ 312,480	$ 5,162,368

See accompanying notes to financial statements.

2012		
Unrestricted	Temporarily Restricted	Totals
$ 8,012,512	$ -	$ 8,012,512
591,472	-	591,472
684,364	-	684,364
255,840	-	255,840
701,283	-	701,283
2,081,913	-	2,081,913
126,664	-	126,664
531,977	-	531,977
74,892	-	74,892
13,060,917	-	13,060,917
6,861,441	-	6,861,441
449,250	-	449,250
2,043,830	-	2,043,830
886,804	-	886,804
721,778	-	721,778
685,632	-	685,632
11,648,735	-	11,648,735
1,412,182	-	1,412,182
1,295,720	202,526	1,498,246
-	40,000	40,000
695,364	-	695,364
626,931	-	626,931
2,269	-	2,269
127	-	127
364,934	(364,934)	-
2,985,345	(122,408)	2,862,937
917,829	-	917,829
2,194,369	-	2,194,369
502,860	-	502,860
2,697,229	-	2,697,229
3,615,058	-	3,615,058
782,469	(122,408)	660,061
4,243,968	364,934	4,608,902
$ 5,026,437	$ 242,526	$ 5,268,963

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING ACTIVITIES		
Change in net assets	$ (106,595)	$ 660,061
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	507,501	480,283
Gain on investments	(7,430)	(2,269)
(Increase) decrease in:		
Accounts receivable	(280,479)	48,993
Contributions receivable	(95,924)	(11,860)
Prepaid expenses, inventory and other assets	99,267	(85,885)
Increase (decrease) in:		
Accounts payable and accrued expenses	125,245	168,693
Advance ticket sales	328,786	(1,653,409)
Deposits and other	(66,454)	98,775
TOTAL ADJUSTMENTS	610,512	(956,679)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	503,917	(296,618)
INVESTING ACTIVITIES		
Purchases of equipment	(398,969)	(185,410)
Purchase of investments	(48,426)	(42,791)
NET CASH USED IN INVESTING ACTIVITIES	(447,395)	(228,201)
FINANCING ACTIVITIES		
Repayment of notes payable	(176,336)	(176,334)
Repayment of capital lease obligations	(299,900)	(281,536)
NET CASH USED IN FINANCING ACTIVITIES	(476,236)	(457,870)
DECREASE IN CASH AND CASH EQUIVALENTS	(419,714)	(982,689)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,566,207	5,548,896
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,146,493	$ 4,566,207
OTHER CASH FLOW DISCLOSURES:		
Interest paid during the year	$ 39,817	$ 60,143

See accompanying notes to financial statements.

NOTE 1 - GENERAL

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2013 or 2012.

NOTE 2 - 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 consist of demand deposits with banks except for cash and cash equivalents held in brokerage accounts, which are included in investments.

Promises to Give

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Continued)

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. Contributions receivable are deemed to be fully collectible by management and no allowance for uncollectible contributions is considered necessary at June 30, 2013 and 2012. All contributions receivable at June 30, 2013 and 2012 are due within one year.

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, 2013 and 2012.

Prepaid Expenses, Inventory and Other Assets

Prepaid expenses, inventory, and other assets consist primarily of certain marketing and promotional costs and food and beverage 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, 2013 and 2012 totaled approximately $1,162,000 and $911,000, 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 acquisitions 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.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

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

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

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 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.

There have been no changes in the valuation methodologies used at June 30, 2013 and 2012.

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

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 $384,532 in 2013 ($349,476 in 2012), 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.

NOTE 2 - 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 2010 are no longer open to examination.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

During the 2013 fiscal year, Humanities Outreach in Tennessee (HOT) presented 46 (33 during 2012) professional performances of theater, dance and music for student audiences at TPAC. 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 2012-2013 academic year, 20,232 students and teachers from 206 schools attended HOT Season for Young People performances (26,484 students and teachers from 205 schools during the 2011-2012 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 4,592 students and teachers participated in ArtSmart in 2012-2013 (6,009 students and teachers in 2011-2012). Thirty schools from Metro Nashville Public Schools received ArtSmart education services at no charge in 2013 (29 schools in 2012).

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 1,270 children and teachers participated in Wolf Trap in 2012-2013 at no charge (1,150 children and teachers in 2011-2012).

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 3,686 individuals participated in this program during the year at no charge (4,222 individuals during 2012).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

Disney Musicals in Schools ("DMIS") develops a culture of musical theatre performance in Metro Nashville elementary schools. The program introduces the collaborative art of musical theatre, strengthens arts programming and develops partnerships among students, faculty, staff and the greater Nashville community. Participating schools receive (at no cost) a performance license to any Disney KIDS musical, ShowKit materials (including directors guides, student scripts, accompaniment and guide vocal CDs and a choreography DVD), and cross-curricular activities, along with in-school support from a team of two TPAC teaching artists for 15 weeks. In 2012-2013, 662 students and 79 educators from ten Metro Nashville Public Schools took part in the DMIS program (305 students and 34 educators from five schools during 2011 - 2012).

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to prior year amounts in order to be comparative with the current year presentation.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2013 and December 11, 2013, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - INVESTMENTS

Investments consisted of the following as of June 30:

	2013	2012
Cash and cash equivalents	$ 23,223	$ 53,483
Equity securities	100,350	49,136
Fixed income securities	92,363	57,461
	$ 215,936	$ 160,080

NOTE 4 - FAIR VALUE MEASUREMENTS

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

	2013			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities:				
Large growth	$ 26,714	$ -	$ -	$ 26,714
Mid value	4,176	-	-	4,176
Large blend	23,901	-	-	23,901
Large value	26,606	-	-	26,606
Small blend	6,363	-	-	6,363
Mid growth	3,174	-	-	3,174
Small value	9,416	-	-	9,416
Total equity securities	100,350	-	-	100,350
Fixed income securities:				
Muni national short	7,000	-	-	7,000
Intermediate term bond	27,424	-	-	27,424
Ultrashort bond	8,167	-	-	8,167
Short term bond	13,546	-	-	13,546
Inflation protected bond	11,163	-	-	11,163
Multisector bond	17,242	-	-	17,242
World bond	7,821	-	-	7,821
Total fixed income securities	92,363	-	-	92,363
	$ 192,713	$ -	$ -	$ 192,713

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

	2012			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities:				
Large growth	$ 14,391	$ -	$ -	$ 14,391
Mid value	2,243	-	-	2,243
Large blend	6,597	-	-	6,597
Large value	16,701	-	-	16,701
Small blend	2,969	-	-	2,969
Mid growth	1,989	-	-	1,989
Small value	4,246	-	-	4,246
Total equity securities	49,136	-	-	49,136
Fixed income securities:				
Intermediate term bond	20,157	-	-	20,157
Short term bond	4,248	-	-	4,248
Inflation protected bond	8,552	-	-	8,552
Multisector bond	17,750	-	-	17,750
World bond	6,754	-	-	6,754
Total fixed income securities	57,461	-	-	57,461
	$ 106,597	$ -	$ -	$ 106,597

NOTE 5 - PROPERTY AND EQUIPMENT

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

	2013	2012
Lobby improvements	$ 4,925,138	$ 4,925,138
Other improvements	2,324,391	2,146,096
Computers	588,330	460,196
Furniture	332,559	332,706
Equipment	767,797	727,505
Construction in progress	-	43,942
	8,938,215	8,635,583
Less accumulated depreciation	(3,933,497)	(3,522,333)
	$ 5,004,718	$ 5,113,250

NOTE 6 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	2013	2012
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, 2013; 0.83% at June 30, 2012).	$ 772,389	$ 912,824
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, 2013; 1.53% at June 30, 2012).	197,452	233,353
	$ 969,841	$ 1,146,177

NOTE 6 - 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 January 28, 2014, 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, 2013 or 2012.

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, 2013.

A schedule of annual principal maturities of notes payable as of June 30, 2013, follows:

For the year ending June 30,	
2014	$ 176,335
2015	176,335
2016	176,335
2017	176,335
2018	176,335
Thereafter	88,166
	$ 969,841

Total interest expense recognized by the Organization for the year ended June 30, 2013, was $39,817 ($60,143 in 2012). Interest expense is reported in the statement of activities under operating costs and expenses.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Annual fund contributions receivable	$ 92,325	$ 59,026
Philanthropic sponsorship for future Broadway seasons	40,000	40,000
Contributions and contributions receivable restricted for future years programming and/or fundraising events	180,155	143,500
	$ 312,480	$ 242,526

NOTE 8 - LEASES

The Organization leases certain office equipment and a portion of its office space under non-cancelable operating leases. Total rental expense incurred under all such agreements for the year ended June 30, 2013, amounted to approximately $97,000 ($84,000 in 2012).

During 2009, the Organization acquired ticketing software and equipment under a capital lease, which requires monthly payments of $24,684 through April 2014. This capital lease liability at June 30, 2013 amounted to $239,230 ($508,809 in 2012). The cost and accumulated depreciation of assets under this capital lease is included in property and equipment as other improvements and totaled $1,253,540 and $375,809, respectively, at June 30, 2013 ($1,253,540 and $250,539, respectively, at June 30, 2012).

During 2008, the Organization entered into a capital lease for a phone system which ended during the year ended June 30, 2013. The cost and accumulated depreciation of assets recorded under this capital lease is included in property and equipment as other improvements and totaled $146,934 and $117,548 at June 30, 2012. At June 30, 2013, the asset was fully depreciated. Subsequent to year end, the Organization purchased the phone system at a fair market value of $19,800.

Depreciation on assets placed in service is included in depreciation expense.

Future minimum lease commitments under all non-cancelable leases in effect as of June 30, 2013, are as follows:

For the year ending June 30,	Operating Leases	Capital Leases
2014	$ 83,400	$ 246,846
2015	69,950	-
2016	64,065	-
	$ 217,415	246,846
Less: imputed interest at 6.89%		7,616
Net minimum lease payments		$ 239,230

NOTE 9 - 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, 2013, receivables from one source totaled approximately \$325,000, or 50% of total receivables. At June 30, 2012, receivables from three sources amounted to approximately \$128,000, or 46% of total receivables.

Grants from one source amounted to approximately \$378,000, or 17% of total contribution and grant revenues for the year ended June 30, 2012. There were no concentrations of contribution or grant revenues for the year ended June 30, 2013.

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

NOTE 10 - RELATED PARTY TRANSACTIONS

Insurance services for the Organization are provided by an entity where a Board member is employed. Also, legal services for the Organization are provided from time to time by firms where Board members are employed. Additionally, one Board member is employed with the Organization's primary bank, another Board member is employed by the entity that administers the Organization's 401(k) plan, and another Board member is employed by an entity that provides talent for performances.

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, 2013, the Foundation distributed \$783,851 to the Organization (\$626,931 distributed in 2012), which the Organization recognized as income in the year received.

NOTE 10 - RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2013	2012
Total Assets	$ 16,437,084	$15,697,318
Total Liabilities	12,197	19,230
Net Assets - Unrestricted	$ 16,424,887	$15,678,088
Total Revenues (Expenses):		
Interest, dividends, and capital gain distributions	$ 778,728	$ 605,849
Realized and unrealized gains (losses)	832,410	(793,970)
Other income	2,940	1,358
Investment management fees	(64,865)	(86,879)
Endowment distributions to the Organization	(783,851)	(626,931)
Management and general expenses	(18,563)	(24,461)
Change in Net Assets	$ 746,799	$ (925,034)

NOTE 11 - 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 $4,150 during fiscal year 2013 ($3,700 during fiscal year 2012). Total assets held in these funds amounted to $107,469 at June 30, 2013, and $104,198 at June 30, 2012.

NOTE 12 - EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Organization sponsors the Tennessee Performing Arts Center 401(k) Plan (the "Plan") under Section 401(k) of the Internal Revenue Code. All 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, 2013 ($94,000 for the year ended June 30, 2012).

Deferred Compensation Plan

The Corporation has a deferred compensation plan for a member of management and has established a "rabbi trust" for the purpose of accumulating funds applicable thereto. The plan allows for an eligible account, in which the participant is fully vested, and a noneligible account, in which the participant will be eligible to receive the funds upon attaining retirement age, except in the case of death, disability or involuntary termination without cause, in which the balance will be paid to the participant or the participant's estate. Contributions to the trust by the Corporation were $41,200 and $42,436 for the years ended June 30, 2013 and 2012, respectively. Trust assets are shown as investments in the accompanying statements of financial position, and totaled $215,936 at June 30, 2013 ($160,080, at June 30, 2012). The related liability, equal to the eligible account balance, is included in accounts payable and accrued expenses, and totaled $95,159 at June 30, 2013 ($71,669 at June 30, 2012).

SUPPLEMENTARY INFORMATION

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

SCHEDULE OF COSTS AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013, WITH COMPARATIVE TOTALS FOR 2012

	OPERATING EXPENSES				
	PROGRAMMING AND PRODUCTION	FOOD AND BEVERAGE	OPERATIONS	MARKETING	BOX OFFICE
Artist fees	$ 5,764,607	$ -	$ -	$ -	$ -
Contract labor	933,900	-	-	900	-
Marketing - programming	996,685	-	-	359	-
Salaries	131,465	55,167	339,960	438,843	280,667
Wages - full time	3,601	80,613	556,429	-	145,163
Wages - part time	127,250	78,770	55,682	11,314	14,179
Employee related expenses	33,824	30,475	147,779	70,533	79,432
Bad debt expense	-	-	-	-	1,827
Cash (over) and short	-	5,707	23	-	(90)
Concessions supplies	-	238,397	-	-	-
Credit card fees	240,710	27,708	-	-	48,799
Custodial	54,946	-	35,510	-	-
Depreciation	-	16,489	224,558	12,049	461
Dues and subscriptions	6,287	-	888	12,633	28,333
Equipment rentals	8,511	-	578	83	-
Fees-ticketing/bank/other	2,280	-	-	724	-
Freight and shipping	-	-	-	-	-
Insurance	962	-	-	-	-
Interest expense	-	-	39,817	-	-
Marketing - institution	7,812	-	-	150,456	1,207
Meals and entertainment	7,494	936	3,527	3,131	1,131
Miscellaneous expense	7,349	370	725	56,731	566
Office and computer supplies	-	-	-	4	154
Postage	-	-	60	12,924	10,945
Presenter share	11,999	-	-	-	-
Printing and reproduction	1,731	68	31	29,382	-
Production costs	256,187	11	-	-	-
Promoter profit sharing	3,073	-	-	-	-
Professional consulting	-	-	728	18,945	46,322
Repairs and maintenance	2,232	3,402	166,281	35,941	4,570
Security	22,722	-	-	-	-
State maintenance expenses	-	-	135,586	-	-
Tech and house supplies	-	269	14,522	-	-
Telephone	2,803	1,525	4,230	3,127	2,615
Transportation grants expense	-	-	-	-	-
Travel - air/hotel/auto	10,816	18	4,616	19,216	4,428
Uniforms and alterations	-	-	522	-	-
Total costs and expenses for the year ended June 30, 2013	$ 8,639,246	$ 539,925	$ 1,732,052	$ 877,295	$ 670,709
Total costs and expenses for the year ended June 30, 2012	$ 6,861,441	$ 449,250	$ 2,043,830	$ 886,804	$ 721,778

		PROGRAM SERVICES	SUPPORTING SERVICES				
			MANAGEMENT			TOTALS	
EVENT SERVICES	TOTAL	EDUCATIONAL PROGRAMS	AND GENERAL	FUNDRAISING	TOTAL	2013	2012
$ -	$ 5,764,607	$ 128,090	$ -	$ 16,956	$ 16,956	$ 5,909,653	$ 4,957,194
-	934,800	150,853	-	1,100	1,100	1,086,753	892,863
1,979	999,023	66	-	-	-	999,089	765,665
210,248	1,456,350	369,400	1,059,671	272,634	1,332,305	3,158,055	2,943,708
26,624	812,430	-	34,108	-	34,108	846,538	853,591
274,247	561,442	25,097	3,348	3,513	6,861	593,400	533,789
68,554	430,597	59,183	228,578	46,054	274,632	764,412	835,635
3,421	5,248	-	2,261	11,600	13,861	19,109	2,599
-	5,640	-	-	-	-	5,640	4,633
-	238,397	-	-	-	-	238,397	195,493
-	317,217	-	-	7,021	7,021	324,238	299,153
-	90,456	13,334	-	-	-	103,790	97,409
9,440	262,997	1,757	239,240	3,507	242,747	507,501	480,283
1,455	49,596	2,944	24,010	2,578	26,588	79,128	79,093
-	9,172	6,162	33,662	16,257	49,919	65,253	59,057
-	3,004	-	15,187	-	15,187	18,191	21,392
-	-	-	-	-		-	152
-	962	35	107,294	-	107,294	108,291	93,233
-	39,817	-	-	-	-	39,817	60,143
2,550	162,025	-	1,102	194	1,296	163,321	144,188
1,161	17,380	11,799	8,741	52,305	61,046	90,225	117,829
593	66,334	49,207	45,608	67,973	113,581	229,122	247,166
-	158	29	19,342	174	19,516	19,703	35,880
-	23,929	802	7,006	3,411	10,417	35,148	41,516
-	11,999	-	-	-	-	11,999	8,395
242	31,454	9,760	3,036	8,303	11,339	52,553	70,894
4,760	260,958	26,199	-	3,419	3,419	290,576	89,348
20,841	23,914	-	-	-	-	23,914	34,567
100	66,095	4,600	214,176	-	214,176	284,871	277,943
4,244	216,670	-	39,126	-	39,126	255,796	301,009
69,535	92,257	3,254	-	1,115	1,115	96,626	73,419
-	135,586	-	-	-	-	135,586	377,964
-	14,791	-	898	-	898	15,689	38,029
10,321	24,621	5,788	86,464	6,644	93,108	123,517	117,150
-	-	7,684	-	-	-	7,684	3,948
864	39,958	15,224	22,928	19,809	42,737	97,919	100,961
-	522	-	-	-	-	522	8,502
$ 711,179	$ 13,170,406	$ 891,267	$ 2,195,786	$ 544,567	$ 2,740,353	$ 16,802,026	
$ 685,632	$ 11,648,735	$ 917,829	$ 2,194,369	$ 502,860	$ 2,697,229		$ 15,263,793