

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2013 AND 2012**

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INDEPENDENT AUDITORS' REPORT  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Nashville Academy Theatre and  
Nashville Children's Theatre Association

We have audited the accompanying financial statements of the Nashville Academy Theatre and Nashville Children's Theatre Association (the "Academy"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses 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.

### Auditors' 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 the auditors' 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 Academy'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 purposes of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Academy Theatre and Nashville Children's Theatre Association 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.

*Blankenship CPA Group, PLLC*

November 15, 2013

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012**

	2013	2012
<b>ASSETS</b>		
Cash	\$ 86,526	\$ 204,085
Restricted certificate of deposit	19,938	19,838
Accounts receivable	610	-
Contributions receivable, net - capital and annual	168,389	61,461
Contributions receivable - facilities use	74,333	74,333
Prepaid expenses and other	30,530	49,050
Property and equipment, net	3,937,033	4,203,542
Beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	<u>151,331</u>	<u>140,295</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,468,690</u></u>	<u><u>\$ 4,752,604</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 16,762	\$ 20,202
Accrued expenses	35,610	35,136
Deferred revenues	<u>128,698</u>	<u>119,656</u>
<b>TOTAL LIABILITIES</b>	<u>181,070</u>	<u>174,994</u>
<b>NET ASSETS</b>		
Unrestricted		
Designated for beneficial interest in agency endowment fund	151,331	140,295
Undesignated	<u>4,024,256</u>	<u>4,307,629</u>
Total unrestricted	4,175,587	4,447,924
Temporarily restricted	102,013	129,686
Permanently restricted	<u>10,020</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>4,287,620</u>	<u>4,577,610</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,468,690</u></u>	<u><u>\$ 4,752,604</u></u>

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

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>UNRESTRICTED REVENUES AND SUPPORT</b>		
Revenues		
Admissions	\$ 614,850	\$ 683,554
Theatre academy	340,672	337,834
Concessions and merchandise (net of direct costs of: 2013 - \$13,940; 2012 - \$14,015)	7,151	5,667
Contracted services	10,801	8,540
Loss on disposal of property and equipment	(1,655)	(1,709)
Total Revenues	<u>971,819</u>	<u>1,033,886</u>
Support		
Contributions	406,796	287,373
Government grants	205,350	193,150
Benefit events (net of direct expenses of 2013 - \$29,814; 2012 - \$30,568)	23,001	25,834
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	11,035	(10,798)
Net assets released from restrictions	147,096	119,639
Total Support	<u>793,278</u>	<u>615,198</u>
Interest income	<u>191</u>	<u>170</u>
<b>TOTAL REVENUES, SUPPORT AND RECLASSIFICATIONS</b>	<u>1,765,288</u>	<u>1,649,254</u>
<b>UNRESTRICTED FUNCTIONAL EXPENSES</b>		
Program services		
Production costs	1,244,427	1,193,798
Educational expenses	470,865	427,106
Supporting services		
General and administrative expenses	246,857	213,529
Fundraising expenses	75,476	78,009
<b>TOTAL UNRESTRICTED FUNCTIONAL EXPENSES</b>	<u>2,037,625</u>	<u>1,912,442</u>
<b>Decrease in unrestricted net assets</b>	<u>(272,337)</u>	<u>(263,188)</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Donated facilities usage	74,333	74,333
Contributions	45,090	23,820
Losses on temporarily restricted pledges	-	(12,334)
Net assets released from restrictions	(147,096)	(119,639)
<b>Decrease in temporarily restricted net assets</b>	<u>(27,673)</u>	<u>(33,820)</u>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	<u>10,020</u>	<u>-</u>
<b>Increase in permanently restricted net assets</b>	<u>10,020</u>	<u>-</u>
<b>DECREASE IN NET ASSETS</b>	(289,990)	(297,008)
<b>NET ASSETS - BEGINNING OF YEAR</b>	4,577,610	4,874,618
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,287,620</u>	<u>\$ 4,577,610</u>

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

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013**

	Program services		Supporting services		Total
	Production	Educational	General and Administrative	Fundraising	
Salaries	\$ 474,777	\$ 168,457	\$ 123,070	\$ 22,436	\$ 788,740
Fringe benefits	147,393	31,916	31,079	5,377	215,765
	<u>622,170</u>	<u>200,373</u>	<u>154,149</u>	<u>27,813</u>	<u>1,004,505</u>
Depreciation	176,309	81,374	13,562	-	271,245
Scholarships and discounts	89,720	65,278	8,080	-	163,078
Professional services	35,969	6,308	19,346	29,241	90,864
Advertising and public relations	60,203	19,011	-	-	79,214
Rent	44,600	22,300	7,433	-	74,333
Utilities	39,024	19,512	6,504	-	65,040
Royalties	52,867	1,656	-	-	54,523
Printing	16,397	9,278	2,156	5,649	33,480
Supplies	18,476	5,630	6,063	2,088	32,257
Custodial services	16,440	8,220	2,740	-	27,400
Production materials	24,607	2,773	-	-	27,380
Insurance	16,027	8,013	2,671	-	26,711
Ticketing fees	14,966	6,414	-	-	21,380
Software and licensing	9,156	6,757	3,382	295	19,590
Postage	766	1,338	7,695	4,362	14,161
Hospitality	538	627	2,216	5,751	9,132
Travel and registrations	1,082	2,140	3,776	277	7,275
Equipment rental and maintenance	4,359	2,179	727	-	7,265
Interest	-	-	3,569	-	3,569
Employment screening	656	1,654	357	-	2,667
Subscriptions and dues	95	30	2,431	-	2,556
Bad debts	-	-	-	-	-
	<u>\$ 1,244,427</u>	<u>\$ 470,865</u>	<u>\$ 246,857</u>	<u>\$ 75,476</u>	<u>\$ 2,037,625</u>

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

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2012**

	<u>Program services</u>		<u>Supporting services</u>		<u>Total</u>
	<u>Production</u>	<u>Educational</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries	\$ 471,692	\$ 156,040	\$ 111,803	\$ 50,545	\$ 790,080
Fringe benefits	136,840	28,956	22,416	10,575	198,787
	<u>608,532</u>	<u>184,996</u>	<u>134,219</u>	<u>61,120</u>	<u>988,867</u>
Depreciation	177,290	81,826	13,638	-	272,754
Scholarships and discounts	88,320	38,422	6,467	-	133,209
Professional services	16,043	6,575	15,943	5,447	44,008
Advertising and public relations	53,954	17,038	-	-	70,992
Rent	44,600	22,300	7,433	-	74,333
Utilities	38,783	19,392	6,464	-	64,639
Royalties	46,484	1,467	-	-	47,951
Printing	13,171	7,315	3,190	1,728	25,404
Supplies	13,222	7,599	8,961	5,212	34,994
Custodial services	16,440	8,220	2,740	-	27,400
Production materials	23,930	-	-	-	23,930
Insurance	16,157	8,078	2,693	-	26,928
Ticketing fees	14,526	6,226	-	-	20,752
Software and licensing	11,163	8,215	1,333	1,800	22,511
Postage	2,757	2,915	1,972	1,601	9,245
Hospitality	601	231	1,753	925	3,510
Travel and registrations	1,058	1,668	1,897	78	4,701
Equipment rental and maintenance	6,537	3,268	1,089	-	10,894
Interest	-	-	68	-	68
Employment screening	230	901	292	-	1,423
Subscriptions and dues	-	454	3,057	98	3,609
Bad debts	-	-	320	-	320
	<u>\$ 1,193,798</u>	<u>\$ 427,106</u>	<u>\$ 213,529</u>	<u>\$ 78,009</u>	<u>\$ 1,912,442</u>

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

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (289,990)	\$ (297,008)
Adjustments to reconcile decrease in net assets to net cash (used by) provided by operating activities		
Depreciation	271,245	272,754
Loss on disposal of property and equipment	1,655	1,709
(Increase) decrease in value of beneficial interest in agency endowment fund	(11,035)	10,798
Decrease (increase) in		
Restricted certificate of deposit	(100)	(122)
Accounts receivable	(610)	1,177
Contributions receivable	(116,392)	43,448
Prepaid expenses and other	18,520	(31,869)
Increase (decrease) in		
Accounts payable	(3,440)	7,996
Accrued expenses	474	329
Deferred revenues	9,042	(5,151)
Net Cash (Used By) Provided By Operating Activities	<u>(120,631)</u>	<u>4,061</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property and equipment	(6,392)	(11,772)
Proceeds from sale of investments	<u>-</u>	<u>3,475</u>
Net Cash Used By Investing Activities	<u>(6,392)</u>	<u>(8,297)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital campaign contributions collected	<u>9,464</u>	<u>43,875</u>
Net Cash Provided By Financing Activities	<u>9,464</u>	<u>43,875</u>
Net (Decrease) increase in Cash	(117,559)	39,639
CASH - BEGINNING OF YEAR	<u>204,085</u>	<u>164,446</u>
CASH - END OF YEAR	<u>\$ 86,526</u>	<u>\$ 204,085</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid during the year	<u>\$ 3,569</u>	<u>\$ 68</u>

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



**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Revenue Recognition

Revenues are recognized in the period that performances occur or services are provided. Admissions and theatre academy revenues are recorded at the face value of ticket prices or tuition rates. Discounts from face value are recorded as a corresponding expense. Revenue received in advance is recorded as deferred revenues on the statements of financial position and recognized as revenue in the year in which it is earned.

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions**

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 statements of activities and changes in net assets as net assets released from restrictions.

Contributions are recognized when the donor makes an unconditional promise to give to the Academy. The Academy uses the allowance method to determine uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Cash**

Cash consists of checking and money market deposits held in financial institutions.

**Investments**

Investments are reported at fair value. Realized and unrealized gains and losses on investments are recognized in current period operations.

**Property and Equipment and Depreciation**

It is the Academy's policy to capitalize all property and equipment over \$1,000. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities and changes in net assets for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets ranging from five to twenty-five years and computed on the straight-line method.

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Agency Endowment Fund

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

Vacation Leave

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

Income Taxes

The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation.

Accounting principles generally accepted in the United States of America require the management to evaluate tax positions taken by the Academy and recognize a tax liability (or asset) if the Academy has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Academy and has concluded that as of June 30, 2013, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Academy is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Fair Value Measurements

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

Level 1 Inputs – Fair values are based on quoted prices (unadjusted) in active markets for identical assets that the Academy has the ability to access at the measurement date (e.g. prices derived from NYSE, NAADAQ or Chicago Board of Trade).

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fair Value Measurements (Continued)

Level 2 Inputs – Fair values are based on inputs other than quoted price included within level 1 that are observable for valuing the asset or liability, either directly or indirectly (e.g. interest rate and yield curves observable at commonly quoted intervals, default rates, etc.). Observable inputs include quoted prices for similar assets or liabilities in active or non-active markets. Level 2 inputs may also include insignificant adjustments to market observable inputs.

Level 3 Inputs – Fair values are based on unobservable inputs used for valuing the asset or liability. Unobservable inputs are those that reflect the Academy's own assumptions about the assumptions that market participants would use in pricing the asset, based on the best information available in the circumstances. An example could be real estate valuations, which require significant judgment.

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

*Beneficial interest in agency endowment fund* - The agency endowment fund held at the Community Foundation of Middle Tennessee ("CFMT") represents the Academy's interest in pooled investments with other participants in the funds. CFMT prepares a valuation of the fund based on the fair value of the underlying investments and allocates income or loss to each participant based on market results. Due to the nature of the underlying investments and method of allocation of the fund, the beneficial interest in the agency endowment fund is classified within Level 3 of the valuation hierarchy (see Note 7).

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

**NOTE 3 - RESTRICTED CERTIFICATE OF DEPOSIT**

Restricted certificate of deposit consists of a six month certificate of deposit held in the Actors Federal Credit Union as collateral for benefits for equity actors.

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable for capital campaign and annual giving are summarized as follows:

	2013	2012
Legacy of Laughter campaign	\$ 53,860	\$ -
Foundation grants	51,000	-
Capital campaign	22,500	111,964
Annual giving and other	41,029	2,597
Government grants	-	18,900
Corporate	<u>-</u>	<u>8,000</u>
	168,389	141,461
Less allowance for doubtful accounts	<u>-</u>	<u>(80,000)</u>
Total unconditional promises to give	<u>\$ 168,389</u>	<u>\$ 61,461</u>

All contributions receivable are expected to be collected during the current year.

Contributions receivable for facility use consists of the fair value of one year's ensuing rent totaling \$74,333. As more fully described in Note 11, the Academy has in-kind leasing arrangements with the Metropolitan Government of Nashville and Davidson County for its operational and performance space.

**NOTE 5 - INVESTMENTS**

The Academy's policy is to liquidate investments as soon as practical after the donation of investment securities is received. Occasionally, the Academy will have investment securities on the statements of financial position that have not been liquidated at year end. There were no investments as of June 30, 2013 and 2012.

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2013	2012
Building improvements	\$ 5,074,765	\$ 5,074,765
Theatre equipment	178,108	177,246
Furniture and fixtures	<u>212,165</u>	<u>216,899</u>
	5,465,038	5,468,910
Less accumulated depreciation	<u>(1,528,005)</u>	<u>(1,265,368)</u>
	<u>\$ 3,937,033</u>	<u>\$ 4,203,542</u>

Depreciation expense was \$271,245 and \$272,754 for 2013 and 2012, respectively.

**NOTE 7 - AGENCY ENDOWMENT FUND**

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

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

	2013	2012
Balance – beginning of year	<u>\$ 140,295</u>	<u>\$ 151,093</u>
Change in value of beneficial interest:		
Contributions	750	250
Investment gain (loss)	18,831	(2,592)
Grants paid out	(7,390)	(7,300)
Administrative expenses	<u>(1,155)</u>	<u>(1,156)</u>
	<u>11,036</u>	<u>(10,798)</u>
Balance – end of year	<u>\$ 151,331</u>	<u>\$ 140,295</u>

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 8 - LINE OF CREDIT**

The Academy has a maximum \$250,000 unsecured line of credit arrangement with a financial institution. Interest on outstanding borrowings is payable monthly at the three-month London Interbank Offered Rate ("LIBOR") plus 3.00 percent per annum, with a minimum rate of 4.5%. No borrowings on the line were outstanding at June 30, 2013 or 2012. The arrangement expires August 30, 2015.

**NOTE 9 - LEASING ARRANGEMENTS**

The land and building occupied by the Academy is leased through the year 2018 from the Metropolitan Government of Nashville and Davidson County ("Lessor") for one dollar per year. The lease includes three five-year extension terms. The lease contains a cancellation provision should the Lessor decide to use the premises for a governmental purpose. The Academy would have no less than one calendar year's notice for cancellation. Additional time would be granted in excess of the year to allow the Academy to locate suitable, alternative space as long as the Academy is using good faith efforts to locate such space. Should the Lessor exercise the cancellation provision, the Academy would be reimbursed the unamortized portion of the capital improvements that have been amortized over the term of the lease. The Lessor also provides an in-kind donation for utilities and custodial services (see Note 11).

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

**NOTE 10 - RESTRICTED NET ASSETS**

The temporary restrictions on net assets at June 30, are as follows:

	2013	2012
Facilities use	\$ 74,333	\$ 74,333
Capital campaign receivables	22,500	31,964
Other time restricted pledges	5,180	-
Grants	<u>-</u>	<u>23,389</u>
	<u>\$ 102,013</u>	<u>\$ 129,686</u>

**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 10 - RESTRICTED NET ASSETS (CONTINUED)**

Permanently restricted net assets consisted of the following:

	2013	2012
Legacy of Laughter Endowment	<u>\$ 10,020</u>	<u>\$ -</u>

**NOTE 11 - IN-KIND CONTRIBUTIONS**

The following in-kind contributions have been included in unrestricted revenues and expenses/assets in the financial statements for the years ended June 30:

	2013	2012
Included in unrestricted contributions/expenses		
Utilities	\$ 56,500	\$ 56,500
Advertising	35,880	33,287
Custodial	27,400	27,400
Printing	-	1,625
Food	-	389
Included in restricted contributions/expenses		
Rent	74,333	74,333
Included in special events income/expenses		
Prizes, fees and materials	<u>6,945</u>	<u>6,860</u>
	<u>\$ 201,058</u>	<u>\$ 200,394</u>

Additionally, in-kind contributions for auction items were received and recorded as assets that totaled \$9,979 and \$11,933 for 2013 and 2012, respectively. These assets were subsequently sold during fundraising events with the proceeds recorded in special events income.



**NASHVILLE ACADEMY THEATRE AND  
NASHVILLE CHILDREN'S THEATRE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2013 AND 2012**

**NOTE 12 - EMPLOYEE BENEFIT PLAN**

The Academy sponsors a Simplified Employee Pension Plan under Internal Revenue Code §403(b). The plan allows all employees over the age of twenty-one to participate. The Academy makes discretionary contributions based on a uniform contribution allocation formula. Participant salary reduction contributions are not permitted by the plan; however, participants may make self-directed contributions to their account. The amount of the Academy's contributions to a participant's account for any plan year may not exceed the lesser of 15% of the participant's salary or \$35,000. Total contributions to the plan by the Academy were \$18,219 and \$19,684 for the years ended June 30, 2013 and 2012, respectively.

**NOTE 13 - CONTINGENCIES**

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

**NOTE 14 - EVALUATION OF SUBSEQUENT EVENTS**

The Academy has evaluated subsequent events through November 15, 2013, which is the date the financial statements were available to be issued.