

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2011 AND 2010**

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2011 AND 2010**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-14

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Nashville Academy of Theatre and Nashville Children's Theatre Association (a Tennessee not-for-profit corporation, the "Academy") as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Nashville Academy of Theatre and Nashville Children's Theatre Association as of June 30, 2010, were audited by other auditors whose report dated January 14, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides 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 Nashville Academy of Theatre and Nashville Children's Theatre Association as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

October 26, 2011

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash	\$ 164,446	\$ 208,174
Restricted certificate of deposit	19,716	19,563
Accounts receivable	1,177	13,586
Contributions receivable, net - capital and annual	148,784	469,110
Contributions receivable - facilities use	74,333	74,333
Prepaid expenses and other	17,181	25,325
Investments	3,475	2,614
Property and equipment, net	4,466,233	4,612,367
Beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	<u>151,093</u>	<u>130,835</u>
TOTAL ASSETS	<u><u>\$ 5,046,438</u></u>	<u><u>\$ 5,555,907</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 12,206	\$ 34,729
Accrued expenses	34,807	25,497
Deferred revenues	124,807	116,917
Note payable	<u>-</u>	<u>134,232</u>
TOTAL LIABILITIES	<u>171,820</u>	<u>311,375</u>
NET ASSETS		
Unrestricted		
Designated for beneficial interest in agency endowment fund	151,093	130,835
Undesignated	<u>4,560,019</u>	<u>4,583,754</u>
Total unrestricted	4,711,112	4,714,589
Temporarily restricted	<u>163,506</u>	<u>529,943</u>
TOTAL NET ASSETS	<u>4,874,618</u>	<u>5,244,532</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,046,438</u></u>	<u><u>\$ 5,555,907</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
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES AND SUPPORT		
Revenues		
Admissions	\$ 464,226	\$ 563,996
Theatre academy	259,279	259,564
Concessions and merchandise (net of direct costs of: 2011 - \$11,295; 2010 - \$-0-)	7,294	3,329
Contracted services	7,843	-
Other	4,413	2,978
Total Revenues	<u>743,055</u>	<u>829,867</u>
Support		
Contributions	295,003	299,721
Government grants	206,000	244,372
Benefit events (net direct expenses of 2011 - \$40,189; 2010 - \$18,094)	29,304	26,306
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	20,259	14,185
Net assets released from restrictions	<u>430,870</u>	<u>553,838</u>
Total Support	<u>981,436</u>	<u>1,138,422</u>
Investment income	<u>454</u>	<u>655</u>
TOTAL REVENUES, SUPPORT AND RECLASSIFICATIONS	<u>1,724,945</u>	<u>1,968,944</u>
UNRESTRICTED FUNCTIONAL EXPENSES		
Program services		
Production costs	1,133,476	1,189,550
Educational expenses	362,303	316,517
Supporting services		
General and administrative expenses	177,169	147,225
Fundraising expenses	<u>55,474</u>	<u>54,057</u>
TOTAL UNRESTRICTED FUNCTIONAL EXPENSES	<u>1,728,422</u>	<u>1,707,349</u>
(Decrease) increase in unrestricted net assets	<u>(3,477)</u>	<u>261,595</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Donated facilities usage	74,333	74,333
Capital campaign	-	50,000
Losses on temporarily restricted pledges	(9,900)	(37,900)
Net assets released from restriction	<u>(430,870)</u>	<u>(553,838)</u>
Decrease in temporarily restricted net assets	<u>(366,437)</u>	<u>(467,405)</u>
DECREASE IN NET ASSETS	<u>(369,914)</u>	<u>(205,810)</u>
NET ASSETS - BEGINNING OF YEAR	<u>5,244,532</u>	<u>5,450,342</u>
NET ASSETS - END OF YEAR	<u><u>\$ 4,874,618</u></u>	<u><u>\$ 5,244,532</u></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, 2011**

	Program services		Supporting services		Total
	Production	Educational	General and Administrative	Fundraising	
Salaries	\$ 496,433	\$ 134,291	\$ 90,970	\$ 40,556	\$ 762,250
Fringe benefits	144,544	23,815	15,929	7,047	191,335
	<u>640,977</u>	<u>158,106</u>	<u>106,899</u>	<u>47,603</u>	<u>953,585</u>
Depreciation	177,691	82,011	13,669	-	273,371
Rent	44,600	22,300	7,433	-	74,333
Professional services	35,103	14,290	16,653	-	66,046
Utilities	39,603	19,802	6,601	-	66,006
Advertising and public relations	42,328	13,367	-	-	55,695
Royalties	40,169	-	-	-	40,169
Printing	16,530	11,578	1,318	263	29,689
Custodial services	16,440	8,220	2,740	-	27,400
Software and licensing	11,115	8,780	722	5,448	26,065
Production materials	24,493	-	-	-	24,493
Insurance	13,648	6,824	2,275	-	22,747
Supplies	8,453	5,450	5,069	1,138	20,110
Ticketing fees	11,427	4,897	-	-	16,324
Postage	3,059	1,324	1,709	138	6,230
Equipment rental and maintenance	3,484	1,742	580	-	5,806
Travel and registrations	1,470	1,120	1,349	109	4,048
Subscriptions and dues	-	250	3,132	425	3,807
Hospitality	495	492	1,682	350	3,019
Repairs and maintenance	1,798	899	300	-	2,997
Employment screening	593	851	1,044	-	2,488
Interest	-	-	2,217	-	2,217
Bad debts	-	-	1,777	-	1,777
Loss on disposal of equipment	-	-	-	-	-
Other	-	-	-	-	-
	<u>\$ 1,133,476</u>	<u>\$ 362,303</u>	<u>\$ 177,169</u>	<u>\$ 55,474</u>	<u>\$ 1,728,422</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, 2010

	Program services		Supporting services		
	Production	Educational	General and Administrative	Fundraising	Total
Salaries	\$ 491,614	\$ 123,971	\$ 63,007	\$ 38,000	\$ 716,592
Fringe benefits	133,026	22,515	9,786	9,339	174,666
	<u>624,640</u>	<u>146,486</u>	<u>72,793</u>	<u>47,339</u>	<u>891,258</u>
Depreciation	217,928	29,234	18,604	-	265,766
Rent	44,600	22,310	7,433	-	74,343
Professional services	8,605	8,690	17,211	-	34,506
Utilities	42,746	21,291	7,062	-	71,099
Advertising and public relations	89,238	27,976	546	-	117,760
Royalties	40,825	-	-	-	40,825
Printing	8,261	-	-	-	8,261
Custodial services	16,440	8,220	2,740	-	27,400
Production materials	42,731	-	-	-	42,731
Software and licensing	-	10,270	-	-	10,270
Insurance	16,856	8,428	2,810	-	28,094
Supplies	1,608	18,198	5,424	1,718	26,948
Ticketing fees	18,999	8,142	-	-	27,141
Postage	-	-	-	-	-
Equipment rental and maintenance	3,123	1,692	521	-	5,336
Travel and registrations	1,042	200	2,386	4,389	8,017
Subscriptions and dues	-	-	-	484	484
Hospitality	464	162	7,570	-	8,196
Repairs and maintenance	1,924	473	158	-	2,555
Employment screening	-	2,362	122	-	2,484
Interest	4,766	2,383	1,653	-	8,802
Bad debts	-	-	-	-	-
Loss on disposal of equipment	4,594	-	-	-	4,594
Other	160	-	192	127	479
	<u>\$ 1,189,550</u>	<u>\$ 316,517</u>	<u>\$ 147,225</u>	<u>\$ 54,057</u>	<u>\$ 1,707,349</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, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (369,914)	\$ (205,810)
Adjustments to reconcile decrease in net assets to net cash (used by) provided by operating activities		
Depreciation	273,371	265,766
Loss on disposal of property and equipment	-	4,594
Realized and unrealized gain on investments	(332)	(2)
Contributions of investments	(529)	(542)
Change in value of beneficial interest in agency endowment fund	(20,258)	(14,185)
Restricted contributions for capital campaign	-	(16,793)
Decrease (increase) in		
Restricted certificate of deposit	-	-
Accounts receivable	12,409	54,844
Contributions receivable	(44,340)	26,813
Prepaid expenses and other	8,144	(10,405)
Increase (decrease) in		
Accounts payable	(22,523)	13,935
Accrued expenses	9,310	2,447
Deferred revenues	7,890	13,658
Net Cash (Used By) Provided By Operating Activities	<u>(146,772)</u>	<u>134,320</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(127,237)	(30,738)
Proceeds from sale of investments	-	113
Proceeds from maturity of certificate of deposit	<u>(153)</u>	<u>(424)</u>
Net Cash Used By Investing Activities	<u>(127,390)</u>	<u>(31,049)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign contributions collected	364,666	457,385
Payments on note payable	<u>(134,232)</u>	<u>(450,656)</u>
Net Cash Provided By Financing Activities	<u>230,434</u>	<u>6,729</u>
Net (Decrease) Increase in Cash	(43,728)	110,000
CASH - BEGINNING OF YEAR	<u>208,174</u>	<u>98,174</u>
CASH - END OF YEAR	<u><u>\$ 164,446</u></u>	<u><u>\$ 208,174</u></u>
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	<u><u>\$ 2,217</u></u>	<u><u>\$ 8,802</u></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, 2011 AND 2010**

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.

Cash

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

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

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 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.

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 \$500. 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 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.

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 statement of activities, and distributions received from the fund are recorded as decreases in the beneficial interest.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation Leave

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

Deferred Revenues

Theatre academy revenue and admissions revenue received in advance is recorded as deferred revenue and recognized as revenue in the year in which it is earned.

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 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, 2011, 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, 2011 AND 2010**

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:

Certificates of deposits - Certificates of deposit are classified within Level 2 of the valuation hierarchy.

Investments - Equity securities are classified within Level 1 of the valuation hierarchy.

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.

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

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

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.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

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

	2011	2010
Capital campaign	\$ 169,174	\$ 532,360
Government grants	56,540	8,500
Corporate	2,000	5,000
Annual giving	<u>1,070</u>	<u>3,250</u>
	228,784	549,110
Less allowance for doubtful accounts	<u>(80,000)</u>	<u>(80,000)</u>
Total unconditional promises to give	<u>\$ 148,784</u>	<u>\$ 469,110</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

Investments at June 30, 2011 and 2010 represent equity securities held by the Academy. Total investment income for 2011 was \$442 which includes unrealized gains of \$332. Total investment income for 2010 was \$107 which includes unrealized gains of \$2.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2011	2010
Building improvements	\$ 5,072,232	\$ 4,980,173
Theatre equipment	216,898	175,539
Furniture and fixtures	<u>180,570</u>	<u>213,709</u>
	5,469,700	5,369,421
Less accumulated depreciation	<u>(1,003,467)</u>	<u>(757,054)</u>
	<u>\$ 4,466,233</u>	<u>\$ 4,612,367</u>

Depreciation expense was \$273,371 and \$265,766 for 2011 and 2010, 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:

	2011	2010
Balance – beginning of year	\$ 130,835	\$ 116,650
Change in value of beneficial interest:		
Contributions	100	100
Investment earnings	28,202	14,947
Grants paid out	(7,000)	-
Administrative expenses	<u>(1,044)</u>	<u>(862)</u>
Balance – end of year	<u>\$ 151,093</u>	<u>\$ 130,835</u>

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 8 - NOTE PAYABLE AND LINE OF CREDIT

The Academy had a note payable with a financial institution related to the renovation of the facilities. This note was paid off during the year ended June 30, 2011 with proceeds from the capital campaign.

The Academy has a maximum \$125,000 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 5%. No borrowings on the line were outstanding at June 30, 2011 or 2010. The arrangement expires September 15, 2012.

NOTE 9 - RESTRICTED NET ASSETS

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

	2011	2010
Capital campaign receivables	\$ 89,173	\$ 452,360
Annual giving receivables	-	3,250
Facilities use	<u>74,333</u>	<u>74,333</u>
	<u>\$ 163,506</u>	<u>\$ 529,943</u>

There were no permanently restricted net assets as of June 30, 2011 and 2010.

NOTE 10 - 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:

	2011	2010
Included in contributions/expenses		
Rent	\$ 74,333	\$ 74,333
Utilities	56,500	56,500
Custodial	27,400	27,400
Advertising	17,150	46,719
Professional services	1,400	-
Food	350	-
Printing	69	-
Included in special events income/expenses		
Prizes, fees and materials	<u>28,405</u>	<u>2,941</u>
	<u>\$ 205,607</u>	<u>\$ 207,893</u>

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010**

NOTE 11 - 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 10).

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 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 \$16,623 and \$13,295 for the years ended June 30, 2011 and 2010, 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 October 26, 2011 which is the date the financial statements were available to be issued.