

2014
Financial Statements
With
Auditor's Letters

NASHVILLE SHAKESPEARE FESTIVAL

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

(With Independent Auditor's Report Thereon)

NASHVILLE SHAKESPEARE FESTIVAL
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Nashville Shakespeare Festival

We have audited the accompanying financial statements of the Nashville Shakespeare Festival (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nashville Shakespeare Festival as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards 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 audit of the financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Patterson Handley & Ballentine

December 15, 2014

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2014

ASSETS

Current Assets:			
Cash	\$	12,443	
Accounts receivable		49,171	
Prepaid insurance		<u>1,408</u>	
Total current assets			63,022
Assets Whose Use is Limited:			
Cash		8,803	
Certificate of deposit		<u>8,146</u>	
Total assets whose use is limited			16,949
Equipment:			
Equipment		38,260	
Less: accumulated depreciation		<u>(16,843)</u>	
Total equipment, net			<u>21,417</u>
Total assets			<u><u>\$ 101,388</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts payable	\$	3,676	
Line of credit		<u>24,000</u>	
Total current liabilities			27,676
Net Assets:			
Unrestricted		56,763	
Temporarily restricted		<u>16,949</u>	
Total net assets			<u>73,712</u>
Total liabilities and net assets			<u><u>\$ 101,388</u></u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Public support:			
Contributions	\$ 252,096	\$ 7,000	\$ 259,096
Total public support	252,096	7,000	259,096
Revenue:			
Grants	103,833	-	103,833
Program fees and tickets	91,496	-	91,496
In-kind donations	1,040,854	-	1,040,854
Investment and interest income	41	-	41
Net assets released from restrictions	9,658	(9,658)	-
Total revenue	1,245,882	(9,658)	1,236,224
Total public support and revenue	1,497,978	(2,658)	1,495,320
Expenses:			
Program services:			
Workshops and Education	24,201	-	24,201
Winter	436,462	-	436,462
Shakespeare in the Park	804,676	-	804,676
Other	72,539	-	72,539
Total program services	1,337,878	-	1,337,878
Supporting services:			
Management and general	67,528	-	67,528
Fundraising	86,448	-	86,448
Total supporting services	153,976	-	153,976
Total expenses	1,491,854	-	1,491,854
Increase (decrease) in net assets	6,124	(2,658)	3,466
Net assets - beginning of year	60,588	9,658	70,246
Transfer of net assets	(9,949)	9,949	-
Net assets - end of year	<u>\$ 56,763</u>	<u>\$ 16,949</u>	<u>\$ 73,712</u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER, 30, 2014

	Program Services					Supporting Services		
	<u>Workshops and Education</u>	<u>Winter</u>	<u>Shakespeare in the Park</u>	<u>Other</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 21,430	\$ 49,374	\$ 53,378	\$ 51,789	\$ 175,971	\$ 35,285	\$ 28,928	\$ 240,184
Employee benefits and payroll taxes	1,660	5,885	6,480	4,086	18,111	2,775	2,570	23,456
Bank charges and ticket fees	58	4,333	19	539	4,949	116	1,216	6,281
Dues, subscriptions and fees	-	-	-	-	-	1,362	400	1,762
In-kind expenses	151	332,316	680,685	-	1,013,152	6,540	21,162	1,040,854
General liability and workers' compensation	-	-	-	3,473	3,473	1,930	-	5,403
Health insurance	-	8,183	9,350	4,200	21,733	4,488	4,200	30,421
Interest	-	-	-	-	-	743	-	743
Marketing and publications	150	5,394	6,039	908	12,491	-	6,584	19,075
Merchandising and promotional items	-	-	9	-	9	-	11,495	11,504
Miscellaneous	105	19	365	719	1,208	238	3,907	5,353
Productions contractors	-	22,033	29,242	2,305	53,580	-	-	53,580
Production costs	148	8,421	14,041	740	23,350	-	220	23,570
Postage	-	-	-	-	-	171	1,732	1,903
Professional services	-	-	-	-	-	3,450	-	3,450
Rent	499	419	4,913	3,517	9,348	2,638	2,638	14,624
Office supplies and expenses	-	46	-	18	64	1,186	921	2,171
Telephone	-	39	155	245	439	1,491	475	2,405
Total expenses before depreciation	24,201	436,462	804,676	72,539	1,337,878	62,413	86,448	1,486,739
Depreciation	-	-	-	-	-	5,115	-	5,115
Total program and supporting services	<u>\$ 24,201</u>	<u>\$ 436,462</u>	<u>\$ 804,676</u>	<u>\$ 72,539</u>	<u>\$1,337,878</u>	<u>\$ 67,528</u>	<u>\$ 86,448</u>	<u>\$ 1,491,854</u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Cash Flows From Operating Activities:		
Increase in net assets		\$ 3,466
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	5,115	
Changes in:		
Accounts receivable	(3,721)	
Prepaid insurance	(1,408)	
Assets whose use is limited	(7,291)	
Accounts payable	1,772	
Total adjustments		(5,533)
Net cash used in operating activities		(2,067)
Cash Flow From Investing Activities:		
Purchase of equipment	(13,408)	
Net cash used in investing activities		(13,408)
Cash Flows From Financing Activities:		
Net change in line of credit	42	
Net cash provided by financing activities		42
Net decrease in cash		(15,433)
Cash - beginning of year		27,876
Cash - end of year		<u>\$ 12,443</u>

SUPPLEMENTAL INFORMATION

Total interest paid for the year ending September 30, 2014, was \$743.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - Summary of Significant Accounting Policies

a. **Nature of Activities and Program Descriptions**

The terms "we", "us", or "our" are used throughout these notes to the financial statements to identify the Nashville Shakespeare Festival, a nonprofit organization, incorporated on September 12, 1988. We produce a variety of theatrical productions and workshops for the benefit of the general public, students of Middle Tennessee schools, and businesses. Other program expenses on the Statement of Functional Expenses consist of smaller productions and workshops that are program related. The major sources of our funding are grants and contributions from local and state governments, private foundations, corporations, and individuals in the Middle Tennessee area.

b. **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets which are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations which may or will be met, either by our actions and/or the passage of time. Restrictions which are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which are maintained permanently by us. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. There are no permanently restricted net assets at September 30, 2014.

c. **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, we consider all unrestricted cash, certificates of deposit and investment instruments purchased with original maturities of three months or less to be cash equivalents. At September 30, 2014, there were no cash equivalents.

At September 30, 2014, we have one certificate of deposit, which expires on November 11, 2014, which earns interest at .65% per year. The certificate of deposit will automatically renew for another six month period.

d. **Grants Receivable and Revenues**

We receive several grants from the State of Tennessee and from the Metropolitan Government of Nashville and Davidson County, Tennessee. Most of these grants require the submission of reimbursement requests before funds are disbursed. Grant revenue is recognized as these expenses are incurred. At September 30, 2014, we were due a total of \$41,633 from the Metro Nashville Arts Commission and the Tennessee Arts Commission, which is included in accounts receivable.

e. **Pledges Receivable**

Receivables for corporate donations and reimbursement of expenses are recognized when the services are provided. Uncollectible accounts are written off in the period in which they are determined to be uncollectible and are charged to bad debts. For the year ended September 30, 2014, we have no pledges receivable.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - Summary of Significant Accounting Policies (continued)

f. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred. It is our policy to capitalize purchases of fixed assets with a value of \$500 or more.

Props and costumes are not capitalized as fixed assets in accordance with generally accepted accounting principles. All costume and props are deemed to have a useful life of less than one year and are expensed when incurred. We believe the understatement of our fixed assets are immaterial and incidental to the financial statements as a whole.

g. Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and we are classified as an organization which is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2011.

h. Functional Allocation of Expenses

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

i. Use of Estimates

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

j. Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

NOTE 2 - Accounts Receivable

At September 30, 2014, accounts receivable consisted of the following:

Grants receivable	\$ 46,433
Other receivable	<u>2,738</u>
	<u>\$ 49,171</u>

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3 - Assets Whose Use is Limited

The certificate of deposit and a portion of our savings, which total \$9,949, are required to be restricted for the actors' pay while a play is running by the Actor's Equity Association. After the play is concluded, the certificate of deposit and cash are released by the Actor's Equity Association. For the year ended September 30, 2014, we transferred \$9,949 from unrestricted net assets to temporarily restricted net assets for the play to be performed in the year ending September 30, 2015.

NOTE 4 - Line of Credit

We have the use of a line of credit, which is accessed through a credit card from First Tennessee Bank. The credit card is mainly used to pay expenses incurred and reimbursed later under various grant agreements. The interest rate on the line of credit varies throughout the year (4.5% at September 30, 2014), and at September 30, 2014, we have used \$24,000 of the available \$50,000. The line of credit has a maturity date of September 15, 2015.

NOTE 5 - Leases

We lease office space from Nashville Public Television under two lease agreements, which expire on December 31, 2014. We may also lease additional space for 3 weeks each year for rehearsal space at \$500 per week. We also rent a storage unit on a month-to-month basis. We also rent production equipment. Total rent expense for the year ending September 30, 2014, was \$14,624.

The following is a schedule of future minimum lease payments:

<u>Year Ending</u> <u>September 30,</u>	
2015	\$ 2,198
Total	\$ 2,198

NOTE 6 - Insurance

We finance insurance premiums through Bank Direct Capital Finance at an annual rate of 7.42%. We made a down payment of \$1,407.80, and the outstanding premium of \$4,086 is payable in seven consecutive payments during the next fiscal year.

NOTE 7 - Net Assets

At September 30, 2014, we had assets whose use was restricted as follows:

Actors' Equity Association Equity Security	\$ 9,949
Grants for future year productions	<u>7,000</u>
	<u>\$ 16,949</u>

NOTE 8 - Concentrations

At September 30, 2014, 85% of our total receivables were due from one grantor.

NOTE 9 - In-kind Contributions

We receive various in-kind gifts and donations, which are recorded as revenue at fair market value and fully expensed when received. The total amount of the revenue and expense recognized for the fiscal year was \$1,040,854. Of this amount, \$925,336, represents advertising slots provided by Comcast.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9 - In-kind Contributions (continued)

The donated goods and services were used for both the winter and summer theater productions, along with professional services donated for general and administrative uses. The donated goods included rental equipment, marketing items, software, building materials, and venue rentals for the performances. Donated services included advertising, public relations, legal, media production, and graphic design.

NOTE 10 - Subsequent Events

We have evaluated events subsequent to the year ending September 30, 2014. As of December 15, 2014, the date the financial statements were available to be issued, no events subsequent to the Statement of Financial Position date are considered necessary to be included in the financial statements for the year ended September 30, 2014.

NASHVILLE SHAKESPEARE FESTIVAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor Pass-Through Grantor Grant Program Title	CFDA Number	Contract Number	Expenditures
<u>Federal Awards</u>			
National Endowment for the Arts			
Direct			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	14-3200-7244	\$ 35,000
TOTAL FEDERAL AWARDS			\$ 35,000

Basis of Presentation:

Note 1: This schedule was prepared on an accrual basis