

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2015 AND 2014**

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YEARS ENDED JUNE 30, 2015 AND 2014**

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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, 2015 and 2014, 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, 2015 and 2014, 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
January 13, 2016

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

	2015	2014
ASSETS		
Cash	\$ 136,279	\$ 42,758
Restricted certificate of deposit	20,068	20,048
Accounts receivable	2,466	6,039
Contributions receivable, net - capital, legacy and annual	132,600	233,291
Contributions receivable - facilities use	74,333	74,333
Prepaid expenses and other	25,555	20,475
Property and equipment, net	3,458,358	3,678,191
Beneficial interest in agency endowment funds held by Community Foundation of Middle Tennessee	<u>258,693</u>	<u>265,703</u>
TOTAL ASSETS	<u><u>\$ 4,108,352</u></u>	<u><u>\$ 4,340,838</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 26,243	\$ 26,991
Accrued expenses	31,459	30,332
Line of credit	-	42,000
Deferred revenues	<u>125,809</u>	<u>106,927</u>
TOTAL LIABILITIES	<u>183,511</u>	<u>206,250</u>
NET ASSETS		
Unrestricted	3,538,317	3,700,384
Temporarily restricted	94,486	135,156
Permanently restricted	<u>292,038</u>	<u>299,048</u>
TOTAL NET ASSETS	<u>3,924,841</u>	<u>4,134,588</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,108,352</u></u>	<u><u>\$ 4,340,838</u></u>

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

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES AND SUPPORT		
Revenues		
Admissions	\$ 788,584	\$ 695,970
Theatre academy	370,047	397,385
Concessions and merchandise (net of direct costs of: 2015 - \$16,025; 2014 - \$13,730)	7,023	4,043
Contracted services	27,953	13,414
Total Revenues	<u>1,193,607</u>	<u>1,110,812</u>
Support		
Contributions	350,332	177,790
Government grants and support	272,451	284,930
Benefit events (net of direct expenses of 2015 - \$17,523; 2014 - \$8,446)	31,433	14,000
Net assets released from restrictions	151,803	155,890
Total Support	<u>806,019</u>	<u>632,610</u>
Interest income	<u>30</u>	<u>127</u>
TOTAL REVENUES, SUPPORT AND RECLASSIFICATIONS	<u>1,999,656</u>	<u>1,743,549</u>
UNRESTRICTED FUNCTIONAL EXPENSES		
Program services		
Production costs	1,348,026	1,244,350
Educational expenses	500,469	523,520
Supporting services		
General and administrative expenses	249,164	240,239
Fundraising expenses	64,064	59,312
TOTAL UNRESTRICTED FUNCTIONAL EXPENSES	<u>2,161,723</u>	<u>2,067,421</u>
Decrease in unrestricted net assets	<u>(162,067)</u>	<u>(323,872)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Donated facilities usage	74,333	74,333
Contributions	36,800	114,700
Net assets released from restrictions	<u>(151,803)</u>	<u>(155,890)</u>
(Decrease) increase in temporarily restricted net assets	<u>(40,670)</u>	<u>33,143</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	-	123,325
Change in value of beneficial interest in agency endowment funds held by Community Foundation of Middle Tennessee	<u>(7,010)</u>	<u>14,372</u>
(Decrease) increase in permanently restricted net assets	<u>(7,010)</u>	<u>137,697</u>
DECREASE IN NET ASSETS	<u>(209,747)</u>	<u>(153,032)</u>
NET ASSETS - BEGINNING OF YEAR	<u>4,134,588</u>	<u>4,287,620</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,924,841</u></u>	<u><u>\$ 4,134,588</u></u>

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

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

	<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	\$ 482,959	\$ 199,254	\$ 120,719	\$ 41,372	\$ 844,304
Fringe benefits	140,312	37,730	24,728	9,705	212,475
	<u>623,271</u>	<u>236,984</u>	<u>145,447</u>	<u>51,077</u>	<u>1,056,779</u>
Depreciation	159,658	73,688	12,281	-	245,627
Scholarships and discounts	147,840	61,149	14,143	-	223,132
Advertising and public relations	70,321	22,206	-	-	92,527
Professional services	59,637	7,233	17,142	2,084	86,096
Rent	44,600	22,300	7,433	-	74,333
Utilities	39,136	19,567	6,523	-	65,226
Royalties	57,062	-	-	-	57,062
Printing	19,265	8,822	2,523	4,362	34,972
Supplies	11,229	9,373	9,753	3,589	33,944
Insurance	18,726	9,363	3,121	-	31,210
Ticketing fees	19,286	8,201	-	-	27,487
Custodial services	16,440	8,220	2,740	-	27,400
Production materials	24,330	2,044	-	-	26,374
Software and licensing	16,782	4,807	3,506	296	25,391
Travel and registrations	10,974	1,786	3,034	118	15,912
Postage	385	907	8,809	1,438	11,539
Equipment rental and maintenance	4,387	2,194	731	-	7,312
Hospitality	4,002	625	1,267	1,027	6,921
Interest	-	-	4,037	-	4,037
Bad debts	-	-	3,500	-	3,500
Subscriptions and dues	544	-	2,514	73	3,131
Employment screening	151	1,000	660	-	1,811
	<u>\$ 1,348,026</u>	<u>\$ 500,469</u>	<u>\$ 249,164</u>	<u>\$ 64,064</u>	<u>\$ 2,161,723</u>

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

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014**

	Program services		Supporting services		
	Production	Educational	General and Administrative	Fundraising	Total
Salaries	\$ 451,510	\$ 197,280	\$ 113,992	\$ 43,433	\$ 806,215
Fringe benefits	141,039	38,709	24,683	8,710	213,141
	<u>592,549</u>	<u>235,989</u>	<u>138,675</u>	<u>52,143</u>	<u>1,019,356</u>
Depreciation	174,021	80,317	13,387	-	267,725
Scholarships and discounts	112,808	69,398	11,808	-	194,014
Advertising and public relations	64,582	20,395	-	-	84,977
Professional services	29,254	6,109	20,882	270	56,515
Rent	44,600	34,400	7,433	-	86,433
Utilities	39,015	19,508	6,503	-	65,026
Royalties	53,939	840	-	-	54,779
Printing	15,679	9,559	3,306	1,511	30,055
Supplies	19,651	4,304	7,498	1,944	33,397
Insurance	19,330	9,664	3,221	-	32,215
Ticketing fees	18,204	7,802	-	-	26,006
Custodial services	16,440	8,220	2,740	-	27,400
Production materials	22,652	6,356	-	-	29,008
Software and licensing	12,557	4,085	3,918	23	20,583
Travel and registrations	1,988	662	3,893	641	7,184
Postage	303	1,091	7,283	1,570	10,247
Equipment rental and maintenance	5,579	2,790	930	-	9,299
Hospitality	588	341	1,677	1,210	3,816
Interest	-	-	2,466	-	2,466
Bad debts	-	-	1,800	-	1,800
Subscriptions and dues	152	250	2,233	-	2,635
Employment screening	459	1,440	586	-	2,485
	<u>\$ 1,244,350</u>	<u>\$ 523,520</u>	<u>\$ 240,239</u>	<u>\$ 59,312</u>	<u>\$ 2,067,421</u>

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

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (209,747)	\$ (153,032)
Adjustments to reconcile decrease in net assets to net cash provided by (used by) operating activities		
Depreciation	245,627	267,725
Donation of property and equipment	(20,601)	-
Change in value of beneficial interest in agency endowment funds	7,010	(14,372)
Donation of beneficial interest in agency endowment funds	-	(100,000)
Decrease (increase) in		
Restricted certificate of deposit	(20)	(110)
Accounts receivable	3,573	(5,429)
Contributions receivable	90,691	(74,902)
Prepaid expenses and other	(5,080)	10,055
Increase (decrease) in		
Accounts payable	(748)	10,229
Accrued expenses	1,127	(5,278)
Deferred revenues	18,882	(21,771)
Net Cash Provided By (Used By) Operating Activities	<u>130,714</u>	<u>(86,885)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	<u>(5,193)</u>	<u>(8,883)</u>
Net Cash Used By Investing Activities	<u>(5,193)</u>	<u>(8,883)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayments) borrowings on line of credit	(42,000)	42,000
Capital campaign contributions collected	<u>10,000</u>	<u>10,000</u>
Net Cash (Used By) Provided By Financing Activities	<u>(32,000)</u>	<u>52,000</u>
Net Increase (Decrease) in Cash	93,521	(43,768)
CASH - BEGINNING OF YEAR	<u>42,758</u>	<u>86,526</u>
CASH - END OF YEAR	<u>\$ 136,279</u>	<u>\$ 42,758</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	<u>\$ 4,037</u>	<u>\$ 2,466</u>

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

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

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.

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, 2015 AND 2014**

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. No allowance was deemed necessary in 2015 and 2014.

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, 2015 AND 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Endowment Funds

The Academy's beneficial interest in agency endowment funds held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value of the funds 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, 2015, 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. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2011.

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, 2015 AND 2014**

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 funds - The agency endowment funds held by the Community Foundation of Middle Tennessee ("CFMT") represent 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 funds 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, 2015 AND 2014**

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows:

	2015	2014
Legacy of Laughter campaign	\$ 68,995	\$ 109,286
Government grants	38,665	66,550
Foundation/corporate grants	24,840	36,300
Annual giving and other	100	8,655
Capital campaign	<u>-</u>	<u>12,500</u>
Total contributions receivable	<u>\$ 132,600</u>	<u>\$ 233,291</u>

The total contributions receivable expected to be collected by the year ended June 30, 2016 totals \$115,166 with the remainder expected to be collected by the year ended June 30, 2017.

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, 2015 and 2014.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	2014
Building improvements	\$ 5,074,765	\$ 5,074,765
Theatre equipment	204,919	185,116
Furniture and fixtures	<u>215,404</u>	<u>214,040</u>
	5,495,088	5,473,921
Less accumulated depreciation	<u>(2,036,730)</u>	<u>(1,795,730)</u>
	<u>\$ 3,458,358</u>	<u>\$ 3,678,191</u>

Depreciation expense was \$245,627 and \$267,725 for 2015 and 2014, respectively.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7 - AGENCY ENDOWMENT FUNDS

The Academy has a beneficial interest in two agency endowment funds held by the Community Foundation of Middle Tennessee (the "CFMT"). Earnings on these funds 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 up to a 5% annual return may be distributed to the Academy or to another suggested beneficiary. A portion of the funds will not be available for any distribution until 2023 as requested by the contributor.

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

	2015	2014
Balance – beginning of year	<u>\$ 265,703</u>	<u>\$ 151,331</u>
Change in value of beneficial interest:		
Contributions	375	100,325
Investment gain	2,167	23,205
Grants paid out	(8,300)	(7,900)
Administrative expenses	<u>(1,252)</u>	<u>(1,258)</u>
	<u>(7,010)</u>	<u>114,372</u>
Balance – end of year	<u>\$ 258,693</u>	<u>\$ 265,703</u>

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 3.0% per annum, with a minimum rate of 4.5%. The arrangement expires August 28, 2017.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014**

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:

	2015	2014
Facilities use	\$ 74,333	\$ 74,333
Time restricted pledges and grants	20,153	48,323
Capital campaign receivables	<u>-</u>	<u>12,500</u>
	<u>\$ 94,486</u>	<u>\$ 135,156</u>

Permanently restricted net assets consisted of the following at June 30:

	2015	2014
Beneficial interests in agency endowment funds	\$ 258,693	\$ 265,703
Legacy of Laughter Endowment	<u>33,345</u>	<u>33,345</u>
	<u>\$ 292,038</u>	<u>\$ 299,048</u>

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014**

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:

	2015	2014
Included in unrestricted contributions/ property and equipment		
Theatre equipment	\$ 20,601	\$ -
Included in unrestricted contributions/ expenses		
Utilities	56,500	56,500
Advertising	45,850	47,795
Custodial	27,400	27,400
Software	2,198	-
Printing	1,836	931
Website consulting	1,500	-
Included in restricted contributions/expenses		
Rent	74,333	74,333
Included in benefit events income/expenses		
Prizes, fees and materials	<u>5,930</u>	<u>4,435</u>
	<u>\$ 236,148</u>	<u>\$ 211,394</u>

Additionally, in-kind contributions for auction items were received and recorded as assets that totaled \$3,147 and \$5,356 for 2015 and 2014, respectively. These assets were subsequently sold during fundraising events with the proceeds recorded in special events income.

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 \$19,068 and \$17,055 for the years ended June 30, 2015 and 2014, respectively.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2015 AND 2014**

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 January 13, 2016, which is the date the financial statements were available to be issued.