

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION

AND

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2008 AND 2007

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NASHVILLE CHILDREN'S THEATRE ASSOCIATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2008 AND 2007

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Nashville Academy Theatre and
Nashville Children's Theatre Association
Nashville, Tennessee

We have audited the accompanying balance sheets of the Nashville Academy Theatre and Nashville Children's Theatre Association, a Tennessee not-for-profit corporation (the "Academy"), as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years 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 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 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 audits provide 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 Theatre and Nashville Children's Theatre Association at June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 14 and 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KraftCPAs PLLC

Nashville, Tennessee
December 15, 2008

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

BALANCE SHEETS

JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u> (Restated - Note 13)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 453,919	\$ 10,678
Accounts receivable	3,676	11,800
Contributions receivable, net - Note 2:		
Annual giving	42,047	26,023
Capital campaign	1,529,587	2,310,724
Contributions receivable, facilities use - Note 8	74,333	103,000
Prepaid expenses and other	11,756	6,619
TOTAL CURRENT ASSETS	2,115,318	2,468,844
INVESTMENTS - Note 3	181,312	123,377
PROPERTY AND EQUIPMENT - at cost, less accumulated depreciation of: 2008 - \$246,669; 2007 - \$133,125 - Note 4	5,059,585	1,557,944
BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND HELD BY COMMUNITY FOUNDATION OF MIDDLE TENNESSEE - Note 10	146,273	152,111
TOTAL ASSETS	<u>\$ 7,502,488</u>	<u>\$ 4,302,276</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 49,799	\$ 415,011
Retainage payable	-	33,934
Accrued expenses	32,921	20,916
Deferred revenues	49,122	28,241
Note payable, current - Note 6	1,362,661	-
TOTAL CURRENT LIABILITIES	1,494,503	498,102
NOTE PAYABLE, long-term - Note 6	-	169,310
COMMITMENTS AND CONTINGENCIES - Notes 7 and 8		
NET ASSETS		
Unrestricted:		
Designated for beneficial interest in agency endowment fund - Note 10	146,273	152,111
Undesignated	4,215,745	1,024,006
Total unrestricted	4,362,018	1,176,117
Temporarily restricted - Notes 2, 8 and 11	1,645,967	2,458,747
TOTAL NET ASSETS	6,007,985	3,634,864
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,502,488</u>	<u>\$ 4,302,276</u>

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

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008			2007		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
				(Restated - Note 13)		
REVENUES AND SUPPORT						
Admissions	\$ 522,954	\$ -	\$ 522,954	\$ 370,703	\$ -	\$ 370,703
Theatre academy	106,278	-	106,278	104,606	-	104,606
Investment income (loss)	(7,097)	-	(7,097)	3,024	-	3,024
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee - Note 10	(5,838)	-	(5,838)	21,685	-	21,685
Contributions	136,791	34,649	171,440	167,592	10,755	178,347
Donated facilities	-	74,333	74,333	-	103,000	103,000
Donated goods and services	106,129	-	106,129	202,735	-	202,735
Government grants	534,147	-	534,147	209,300	-	209,300
Benefit events (less direct expenses of: 2008 - \$21,678; 2007 - \$17,369)	81,106	-	81,106	50,865	-	50,865
Capital campaign - Note 2	1,043,513	1,455,886	2,499,399	22,544	192,434	214,978
Other	7,482	-	7,482	8,686	-	8,686
Loss on disposal of property and equipment - Note 4	(16,946)	-	(16,946)	(71,286)	-	(71,286)
Net assets released from restrictions	2,377,648	(2,377,648)	-	964,733	(964,733)	-
TOTAL REVENUE AND SUPPORT	4,886,167	(812,780)	4,073,387	2,055,187	(658,544)	1,396,643
COSTS AND EXPENSES						
Production costs	1,212,942	-	1,212,942	941,237	-	941,237
Educational expenses	268,811	-	268,811	199,214	-	199,214
General and administrative expenses	120,479	-	120,479	90,173	-	90,173
Fundraising expenses	46,622	-	46,622	39,877	-	39,877
Capital campaign expenses - Note 2	51,412	-	51,412	70,813	-	70,813
TOTAL COSTS AND EXPENSES	1,700,266	-	1,700,266	1,341,314	-	1,341,314
INCREASE (DECREASE) IN NET ASSETS	3,185,901	(812,780)	2,373,121	713,873	(658,544)	55,329
NET ASSETS - BEGINNING OF YEAR, as previously reported	1,176,117	2,355,747	3,531,864	462,244	2,991,291	3,453,535
Prior period adjustment - Note 13	-	103,000	103,000	-	126,000	126,000
NET ASSETS - BEGINNING OF YEAR, as restated	1,176,117	2,458,747	3,634,864	462,244	3,117,291	3,579,535
NET ASSETS - END OF YEAR	\$ 4,362,018	\$ 1,645,967	\$ 6,007,985	\$ 1,176,117	\$ 2,458,747	\$ 3,634,864

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

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
		(Restated - Note 13)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 2,373,121	\$ 55,329
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	154,749	19,440
Loss on disposal of property and equipment	16,946	71,286
Realized and unrealized (gain) loss on investments	9,291	(1,018)
Change in value of beneficial interest in agency endowment fund	5,838	(21,685)
Restricted contributions for capital campaign	(2,499,399)	(192,434)
(Increase) decrease in:		
Accounts receivable	8,124	(11,335)
Contributions receivable - annual giving	(16,024)	15,960
Contributions receivable - facilities use	28,667	23,000
Prepaid expenses and other	(5,137)	2,381
Increase (decrease) in:		
Accounts payable	45,638	(3,394)
Retainage payable	(33,934)	33,934
Accrued expenses	12,005	543
Deferred revenues	20,881	(9,109)
Total adjustments	(2,252,355)	(72,431)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	120,766	(17,102)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(3,673,336)	(1,072,006)
Proceeds from sale of investments	-	418
Purchase of investments	(67,226)	(1,705)
NET CASH USED IN INVESTING ACTIVITIES	(3,740,562)	(1,073,293)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	1,193,351	169,310
Payment of accounts payable for prior year's additions to property and equipment	(410,850)	-
Capital campaign contributions collected	3,280,536	831,018
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,063,037	1,000,328
NET INCREASE (DECREASE) IN CASH	443,241	(90,067)
CASH - BEGINNING OF YEAR	10,678	100,745
CASH - END OF YEAR	\$ 453,919	\$ 10,678
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Accounts payable for additions to property and equipment	\$ -	\$ 410,850
Interest payments made (including \$18,101 of capitalized interest in 2008)	\$ 64,100	\$ 1,676

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

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

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."

Use of estimates in the preparation of financial statements

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation

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

Resources are classified as unrestricted, temporarily restricted and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring in perpetuity that the principal be invested and the income or specific portions thereof be used for operations. The Academy had no permanently restricted net assets as of June 30, 2008.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Other current funds are reported as revenue in the period received or accrued. Theatre academy revenues received in advance are reported as deferred revenues and recognized in the year earned.

Promises to give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received (3.34% in 2008; 4.82% in 2007). Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investments

Investments are stated at current market value based on the last reported sale price on the last business day of the period. Realized and unrealized gains and losses on investments are recognized in current period operations.

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Academy's investments and/or its beneficial interest in the agency endowment fund held by the Community Foundation of Middle Tennessee (see Note 10) have likely incurred a significant decline in market value since June 30, 2008.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Building improvements and theatre equipment are stated at cost (or estimated fair value at date of gift, if donated, with a corresponding credit to contributions). Expenditures for items with a useful life greater than one year in amounts greater than \$500 are capitalized. Depreciation expense is computed on the straight-line method over the estimated useful lives of the assets. Interest costs are capitalized in connection with construction of qualifying assets. Capitalization begins when expenditures for qualifying assets are made, activities necessary to prepare the asset for its intended use are in progress, and interest cost is being incurred. Capitalization ends when the asset is ready for its intended use. Capitalized interest cost is depreciated the same as the associated qualifying asset. Interest costs of \$18,101 were capitalized in 2008 (\$-0- in 2007).

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.

Income tax status

The Academy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided for in the accompanying financial statements.

In-kind donations

The Academy occupies certain premises owned and provided at no rent by the Metropolitan Government of Nashville and Davidson County ("Metro"). The estimated fair rental value of the facility is recognized as support and rent expense. (See Note 8.) Certain goods and services donated to the Academy have been recognized at their estimated fair value in the period received, with a corresponding charge to the applicable expense.

A number of unpaid volunteers contribute their time to assist in the Academy's operation. The value of these services is not recognized in the financial statements since the requirements for recognition are not met.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation leave

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

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity benefited based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by the Academy's management.

Reclassifications

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

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of June 30:

	<u>2008</u>	<u>2007</u>
Temporarily restricted:		
Less than one year	\$ 677,263	\$ 1,927,075
One to five years	<u>948,781</u>	<u>429,417</u>
	1,626,044	2,356,492
Less discount to net present value	<u>(54,410)</u>	<u>(19,745)</u>
Total	<u>\$ 1,571,634</u>	<u>\$ 2,336,747</u>

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 2 - CONTRIBUTIONS RECEIVABLE (CONTINUED)

Contributions receivable are classified as follows as of June 30:

	<u>2008</u>	<u>2007</u>
Annual giving receivables	\$ 42,047	\$ 26,023
Capital campaign receivables	<u>1,529,587</u>	<u>2,310,724</u>
	<u>\$ 1,571,634</u>	<u>\$ 2,336,747</u>

During 2005, the Academy began a capital campaign to raise funds for a redesign of its facility. The redesign is necessary because Metro is turning the entrance of the theatre into a greenway.

In September 2007, the Academy was notified that it was the recipient of a \$500,000 challenge grant to use toward the renovation and expansion of its facility. To receive this grant, the Academy had to raise the amount required to complete the funding of the campaign goal and projects through new private gifts, pledges and grants by April 1, 2008. The conditions were met and the grant was recognized in 2008.

NOTE 3 - INVESTMENTS

Investments consist of the following as of June 30:

	<u>2008</u>	<u>2007</u>
Liquid asset accounts	\$ 127,721	\$ 100,297
Common stock	53,591	-
Mutual funds	<u>-</u>	<u>23,080</u>
	<u>\$ 181,312</u>	<u>\$ 123,377</u>

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2008</u>	<u>2007</u>
Building improvements	\$ 4,947,792	\$ 26,585
Theatre equipment	156,643	198,526
Furniture and fixtures	201,819	-
Construction in progress	-	1,465,958
	<u>5,306,254</u>	<u>1,691,069</u>
Less accumulated depreciation	<u>246,669</u>	<u>133,125</u>
	<u>\$ 5,059,585</u>	<u>\$ 1,557,944</u>

Depreciation expense totals \$154,749 in 2008 (\$19,440 in 2007). The general range of useful lives is 10 to 25 years for improvements and 5 to 20 years for equipment and furniture and fixtures. Fully depreciated assets had an original cost totaling approximately \$33,000 in 2008 (\$55,000 in 2007).

During fiscal 2007, the Academy began its construction project to build a new theatre facility. The existing auditorium and related improvements were gutted, which resulted in a loss of \$16,946 recognized in 2008 (\$71,286 in 2007), representing the remaining net book value of those assets.

NOTE 5 - LINE OF CREDIT

The Academy has a maximum \$100,000 unsecured line of credit arrangement with a financial institution. Interest on outstanding borrowings is payable monthly at the Eurodollar Daily Floating Rate plus 1.00 percent, per annum. No borrowings on the line were outstanding at June 30, 2008 or 2007. The arrangement expires October 9, 2009.

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 6 - NOTE PAYABLE

On May 11, 2007, the Academy entered into a \$3,200,000 construction loan agreement with a financial institution. As of June 30, 2008, the total amount drawn on the note was \$1,362,661 (\$169,310 as of June 30, 2007). The agreement provides for payment of all outstanding principal and unpaid interest on May 11, 2009. Interest is due monthly and is charged at a rate equal to 1.9% above the 3-Month LIBOR rate.

NOTE 7 - 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 8 - LEASES

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 fair rental value of the leased facility declined from \$126,000 in 2007 to \$103,000 in 2008, based on the significant construction by the Academy of its own new facility on the leased property. In 2009 and subsequent years, the fair rental value is \$74,333 per year.

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 9 - 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 for the year ended June 30, 2008, were \$15,494 (\$12,392 for the year ended June 30, 2007).

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 10 - 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 "Community Foundation"). 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 Community Foundation, and the Community Foundation has the ultimate authority and control over the Fund and the income derived therefrom. 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:

	<u>2008</u>	<u>2007</u>
Balance - beginning of year	\$ 152,111	\$ 130,426
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	-	155
Investment income (loss)	(4,889)	22,444
Administrative expenses	(949)	(914)
	<u>(5,838)</u>	<u>21,685</u>
Distributions to the Academy	<u>-</u>	<u>-</u>
Balance - end of year	<u>\$ 146,273</u>	<u>\$ 152,111</u>

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2008</u>	<u>2007</u>
Annual giving receivables - time restricted	\$ 42,047	\$ 26,023
Capital campaign receivables - time restricted	1,529,587	2,310,724
Facilities use - time restricted	74,333	103,000
Other	<u>-</u>	<u>19,000</u>
	<u>\$ 1,645,967</u>	<u>\$ 2,458,747</u>

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2008 AND 2007

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The Academy's cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2008, cash deposits per bank exceeded insured amounts by approximately \$369,000 (\$- at June 30, 2007). Management considers bank balances in excess of statutory limits to be a normal business risk, mitigated by the underlying quality of the financial institutions used by the Academy.

Subsequent to year end, the Emergency Economic Stabilization Act of 2008 temporarily increased FDIC coverage from \$100,000 to \$250,000 per depositor, effective October 3, 2008 through December 31, 2009.

NOTE 13 - RESTATEMENT OF PRIOR YEAR

A prior period adjustment has been made, and the June 30, 2007 financial statements have been restated, in order to recognize a contribution receivable for the estimated fair rental value of donated use of property in accordance with the provisions in the lease with the Metropolitan Government of Nashville and Davidson County. The effects of the restatement were to increase temporarily restricted net assets and contributions receivable, facilities use, by \$126,000 as of July 1, 2006 and \$103,000 as of June 30, 2007, and to decrease the previously reported change in net assets by \$23,000 for the year ended June 30, 2007.

NOTE 14 - RECENT ACCOUNTING PRONOUNCEMENT

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, which is effective for fiscal years beginning after December 15, 2007. FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including the decision whether to file in a particular jurisdiction. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption.

The Academy is currently evaluating the impact, if any, of the adoption of this pronouncement on the financial statements.

STATE OF NEW YORK

FOR THE YEAR ENDING 1964

	Personal Services		Supporting Services		Total
	General Fund	Special Fund	General Fund	Special Fund	
Salaries and Wages	1,000,000	100,000	500,000	50,000	1,650,000
Retirement	100,000	10,000	50,000	5,000	165,000
Travel	50,000	5,000	25,000	2,500	82,500
Telephone	25,000	2,500	12,500	1,250	40,750
Postage	10,000	1,000	5,000	500	16,500
Printing	5,000	500	2,500	250	8,250
Supplies	2,500	250	1,250	125	4,125
Repairs and Maintenance	1,000	100	500	50	1,650
Utilities	500	50	250	25	825
Insurance	250	25	125	12.5	407.5
Depreciation	100	10	50	5	165
Interest	50	5	25	2.5	82.5
Other	25	2.5	12.5	1.25	41.25
Total	1,382,500	138,250	687,500	68,750	2,276,500

ADDITIONAL INFORMATION

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2008

	<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>	<u>Capital Campaign</u>	
Salaries	\$ 459,900	\$ 126,575	\$ 53,730	\$ 36,374	\$ -	\$ 676,579
Fringe benefits	119,851	23,409	10,144	6,322	-	159,726
	<u>579,751</u>	<u>149,984</u>	<u>63,874</u>	<u>42,696</u>	<u>-</u>	<u>836,305</u>
Donated goods and services	96,887	-	-	-	-	96,887
Depreciation	126,836	16,993	10,920	-	-	154,749
Advertising and public relations	42,316	16,255	31	970	32,318	91,890
Interest	43,223	5,403	5,631	-	-	54,257
Utilities	30,807	15,409	5,110	-	-	51,326
Royalties	49,345	-	-	-	-	49,345
Professional fees	12,169	4,844	8,299	-	9,901	35,213
Office supplies	22,346	5,395	4,068	685	-	32,494
Scenery and production	28,152	-	-	-	-	28,152
Custodial services	11,807	5,903	1,863	-	-	19,573
Property insurance	11,735	5,868	1,956	-	-	19,559
Brochures and programs	17,679	-	-	-	-	17,679
Ticketing	16,449	-	527	-	-	16,976
Rent	87,009	15,909	15,048	-	-	117,966
Special events	-	-	-	1,589	-	1,589
Program supplies	-	10,803	-	-	-	10,803
Building and plant maintenance	6,329	2,989	996	-	-	10,314
Costumes	9,048	-	-	-	-	9,048
Equipment rental and maintenance	4,502	2,251	800	-	-	7,553
Conferences and membership	4,789	1,781	482	-	-	7,052
Hospitality	2,263	925	179	236	2,640	6,243
Academy	-	5,930	-	-	-	5,930
Dues and permits	-	-	-	446	4,510	4,956
Lighting	4,749	-	-	-	-	4,749
Sound and music	3,026	-	-	-	-	3,026
Custodial supplies	1,517	759	360	-	-	2,636
Other	208	326	335	-	2,043	2,912
Background checks	-	1,084	-	-	-	1,084
	<u>\$ 1,212,942</u>	<u>\$ 268,811</u>	<u>\$ 120,479</u>	<u>\$ 46,622</u>	<u>\$ 51,412</u>	<u>\$ 1,700,266</u>

NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2007

	<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>	<u>Capital Campaign</u>	
Salaries	\$ 359,070	\$ 76,584	\$ 45,542	\$ 28,722	\$ -	\$ 509,918
Fringe benefits	92,426	13,752	9,238	5,418	-	120,834
	<u>451,496</u>	<u>90,336</u>	<u>54,780</u>	<u>34,140</u>	<u>-</u>	<u>630,752</u>
Donated goods and services	197,173	2,500	-	-	-	199,673
Depreciation	9,059	3,883	6,498	-	-	19,440
Advertising and public relations	29,457	13,162	-	1,580	15,094	59,293
Interest	781	335	-	-	560	1,676
Utilities	24,447	10,477	3,881	-	-	38,805
Royalties	29,389	-	-	-	-	29,389
Professional fees	6,710	2,876	1,065	-	52,834	63,485
Office supplies	4,274	4,830	1,967	474	-	11,545
Scenery and production	21,356	-	-	-	-	21,356
Custodial services	8,215	3,521	1,304	-	-	13,040
Property insurance	18,188	7,795	2,887	-	-	28,870
Brochures and programs	14,109	-	-	-	-	14,109
Ticketing	8,621	-	-	-	-	8,621
Rent	75,600	37,800	12,600	-	-	126,000
Special events	-	-	-	2,220	-	2,220
Program supplies	-	2,653	-	-	-	2,653
Building and plant maintenance	16,078	6,891	2,552	-	-	25,521
Costumes	7,376	-	-	-	-	7,376
Equipment rental and maintenance	3,123	1,339	774	-	-	5,236
Conferences and membership	2,070	848	371	-	-	3,289
Hospitality	1,462	586	217	179	577	3,021
Academy	-	6,821	-	-	-	6,821
Dues and permits	-	-	-	451	1,300	1,751
Lighting	7,076	-	-	-	-	7,076
Sound and music	3,795	-	-	-	-	3,795
Custodial supplies	1,167	500	186	-	-	1,853
Other	215	866	1,091	833	448	3,453
Background checks	-	1,195	-	-	-	1,195
	<u>\$ 941,237</u>	<u>\$ 199,214</u>	<u>\$ 90,173</u>	<u>\$ 39,877</u>	<u>\$ 70,813</u>	<u>\$ 1,341,314</u>