

NASHVILLE REPERTORY THEATRE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(With Independent Auditor's Report Thereon)

NASHVILLE REPERTORY THEATRE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nashville Repertory Theatre, Inc.

We have audited the accompanying financial statements of Nashville Repertory Theatre, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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.

Auditor's 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 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 Nashville Repertory Theatre, Inc. as of June 30, 2020 and 2019, 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.

Patterson Hardee & Ballentine

December 7, 2020

NASHVILLE REPERTORY THEATRE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 198,462	\$ 26,592
Accounts receivable	82,699	77,069
Grants receivable	14,050	18,000
Prepaid expenses	6,124	15,128
Total current assets	<u>301,335</u>	<u>136,789</u>
Property and equipment, net	<u>35,220</u>	<u>38,410</u>
Assets whose use is limited:		
Restricted receivables	<u>790,181</u>	<u>1,390,181</u>
Total assets whose use is limited	<u>790,181</u>	<u>1,390,181</u>
Total assets	<u>\$ 1,126,736</u>	<u>\$ 1,565,380</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 43,389	\$ 106,348
Deferred ticket sales	47,953	75,288
Deferred revenue	-	25,000
Current portion of long-term debt	<u>223,108</u>	<u>158,472</u>
Total current liabilities	<u>314,450</u>	<u>365,108</u>
Long-term debt	<u>297,259</u>	<u>-</u>
Total liabilities	<u>611,709</u>	<u>365,108</u>
Net Assets:		
Without donor restrictions	(285,154)	(189,909)
With donor restrictions	<u>800,181</u>	<u>1,390,181</u>
Total net assets	<u>515,027</u>	<u>1,200,272</u>
Total liabilities and net assets	<u>\$ 1,126,736</u>	<u>\$ 1,565,380</u>

See accompanying notes to the financial statements.

NASHVILLE REPERTORY THEATRE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:						
Gross special event revenue	\$ 54,328	\$ -	\$ 54,328	\$ 146,731	\$ -	\$ 146,731
Less direct cost of special events	(17,747)	-	(17,747)	(27,029)	-	(27,029)
Net special events revenue	36,581	-	36,581	119,702	-	119,702
Public support						
Ticket sales	306,202	-	306,202	415,402	-	415,402
Contributions	423,971	10,000	433,971	573,633	1,390,181	1,963,814
Grants	177,900	-	177,900	168,500	-	168,500
Rental and sales income	17,807	-	17,807	22,833	-	22,833
In-kind donations	45,164	-	45,164	134,323	-	134,323
Other income	6,048	-	6,048	2,480	-	2,480
Net assets released from restrictions	600,000	(600,000)	-	45,000	(45,000)	-
Total public support	1,577,092	(590,000)	987,092	1,362,171	1,345,181	2,707,352
Total support and revenues	1,613,673	(590,000)	1,023,673	1,481,873	1,345,181	2,827,054
Expenses:						
Program services:						
Main stage productions	1,143,093	-	1,143,093	1,003,868	-	1,003,868
New stages	25,590	-	25,590	156,099	-	156,099
Professional training and education	20,449	-	20,449	28,019	-	28,019
Total program services	1,189,132	-	1,189,132	1,187,986	-	1,187,986
Supporting services:						
Management and general	505,766	-	505,766	552,234	-	552,234
Fundraising	14,020	-	14,020	101,980	-	101,980
Total supporting services	519,786	-	519,786	654,214	-	654,214
Total functional expenses	1,708,918	-	1,708,918	1,842,200	-	1,842,200
Change in net assets	(95,245)	(590,000)	(685,245)	(360,327)	1,345,181	984,854
Net assets (deficit) - beginning of year,	(189,909)	1,390,181	1,200,272	170,418	45,000	215,418
Net assets (deficit) - end of year	\$ (285,154)	\$ 800,181	\$ 515,027	\$ (189,909)	\$ 1,390,181	\$ 1,200,272

See accompanying notes to the financial statements.

NASHVILLE REPERTORY THEATRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Program Services					
	Main stage productions			Professional training and education		
	New stages			Total program services		
	2020	2019	2020	2019	2020	2019
Salaries and wages	\$ 505,995	\$ 341,589	\$ -	\$ 61,537	\$ 3,177	\$ 509,172
Payroll taxes	38,404	32,332	-	5,825	258	38,662
Fringe benefits	37,843	13,292	-	2,395	8,514	46,357
						16,558
Total payroll costs	582,242	387,213	-	69,757	11,949	594,191
Bad debt expense	-	-	-	-	-	-
Bank fees	-	-	-	-	63	-
Communications	1,014	966	-	-	-	966
Conferences	58	3,606	11,771	18,869	1,359	13,188
Contract services	58,155	47,195	-	100	-	58,155
Depreciation	27,344	25,232	-	-	-	27,344
Dues and subscriptions	-	240	-	-	1,080	1,080
Equipment rental	-	-	-	-	-	-
In-kind expense	45,164	130,323	-	-	-	45,164
Insurance	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Marketing	78,393	105,909	100	1,985	-	78,493
Meals and entertainment	139	463	7,769	19,309	-	7,908
Miscellaneous	676	894	-	-	627	1,303
Office supplies	33	10	-	52	-	33
Postage and shipping	13	2,277	-	-	-	13
Printing	175	-	-	-	-	175
Production expenses	343,260	284,501	5,950	45,964	3,346	352,556
Professional services	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Special events	-	-	-	-	-	-
Supplies	6,034	14,646	-	63	2,024	8,058
Technology	393	393	-	-	-	393
						17,003
						393
Total expenses by function	1,143,093	1,003,868	25,590	156,099	20,449	1,189,132
Less expense included with revenues on the statement of activities:						
Direct cost of special events	-	-	-	-	-	-
Total expenses included in the expense section on the statement of activities	\$ 1,143,093	\$ 1,003,868	\$ 25,590	\$ 156,099	\$ 20,449	\$ 1,189,132
						\$ 1,187,986

See accompanying notes to the financial statements.

NASHVILLE REPERTORY THEATRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Supporting Services				Total	
	Management and general	Fundraising			2020	2019
	2020	2019	2020	2019		
Salaries and wages	260,922	\$ 247,957	\$ -	\$ 81,365	\$ 770,094	\$ 754,831
Payroll taxes	19,736	23,537	-	7,701	58,398	71,514
Fringe benefits	12,000	9,677	-	3,166	58,357	29,401
Total payroll costs	292,658	281,171	-	92,232	886,849	855,746
Bad debt expense	-	11,157	-	1,000	-	12,157
Bank fees	8,959	6,380	-	-	9,022	6,380
Communications	10,364	8,099	1,014	966	12,392	10,031
Conferences	1,380	786	-	-	14,568	23,613
Contract services	500	325	-	-	58,655	47,620
Depreciation	-	-	-	-	27,344	25,232
Dues and subscriptions	6,136	7,901	30	-	7,246	8,141
Equipment rental	3,115	4,918	-	-	3,115	4,918
In-kind expense	-	-	-	-	45,164	130,323
Insurance	23,673	23,739	-	-	23,673	23,739
Interest expense	15,414	14,701	-	-	15,414	14,701
Marketing	544	2,250	42	19	79,079	110,163
Meals and entertainment	4,959	3,944	74	1,248	12,941	24,964
Miscellaneous	541	3,181	5,127	2,802	6,971	6,877
Office supplies	2,817	3,068	573	56	3,423	3,186
Postage and shipping	738	767	2,053	2,124	2,804	5,168
Printing	2,527	3,663	3,113	1,523	5,815	5,186
Production expenses	4,061	34,440	-	-	356,617	364,905
Professional services	15,000	34,000	-	-	15,000	34,000
Rent	111,142	101,776	-	-	111,142	101,776
Special events	-	-	17,747	27,029	17,747	27,029
Supplies	-	165	-	10	8,058	17,178
Technology	1,238	5,803	1,995	-	3,626	6,196
Total expenses by function	505,766	552,234	31,767	129,009	1,726,665	1,869,229
Less expense included with revenues on the statement of activities:						
Direct cost of special events	-	-	(17,747)	(27,029)	(17,747)	(27,029)
Total expenses included in the expense section on the statement of activities	\$ 505,766	\$ 552,234	\$ 14,020	\$ 101,980	\$ 1,708,918	\$ 1,842,200

See accompanying notes to the financial statements.

NASHVILLE REPERTORY THEATRE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (685,245)	\$ 984,854
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	27,344	25,232
Changes in:		
Accounts receivable	(5,630)	3,977
Grants receivable	3,950	(350)
Prepaid expenses	9,004	(8,200)
Assets whose use is limited	600,000	(1,355,181)
Accounts payable and accrued expenses	(62,959)	56,280
Deferred ticket sales	(27,335)	11,987
Deferred revenue	(25,000)	25,000
Total adjustments	519,374	(1,241,255)
Net cash used in operating activities	(165,871)	(256,401)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(24,154)	(23,598)
Net cash used in investing activities	(24,154)	(23,598)
Cash Flows from Financing Activities:		
Cash received from issuance of debt	796,433	-
Payments on debt	(434,538)	(141,528)
Contributions of furniture	-	(4,000)
Net cash provided by (used in) financing activities	361,895	(145,528)
Net change in cash	171,870	(425,527)
Cash - beginning of year	26,592	452,119
Cash - end of year	\$ 198,462	\$ 26,592

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2020, was \$15,414.

Interest paid during the year ended June 30, 2019, was \$14,701.

See accompanying notes to the financial statements.

NASHVILLE REPERTORY THEATRE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms “we”, “us”, “our”, or “Organization” are used throughout these notes to the financial statements to identify the Nashville Repertory Theatre, Inc., a Tennessee not-for-profit organization. We were established in February 1985. We are the theatre in residence at the Tennessee Performing Arts Center (“TPAC”) and are a Professional Actors’ Equity Troupe in Middle Tennessee.

Our mission is to serve through creating “Ah-ha!” moments that inspire empathy, prod intellectual and emotional engagement, and expand the creative capacity of audience and artists through the dynamic connection unique to live theatre.

Our vision is to be a strong and vital professional regional theatre that is an indispensable part of our community’s creative life, widely embraced and deeply valued as an essential source for illuminating artistic experiences and exciting entertainment, and recognized as a model of sustainability that is home for a thriving community of professional artists and whose name is synonymous with excellence in every aspect.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services

Operating expenses include the following:

Main stage productions - includes expenses that are directly identifiable with a particular production.

New stages - includes expenses that are directly identifiable with the Ingram New Works program, which enables us to bring attention to the importance of new play development and establishes us as a leading advocate for new work. This program also includes the staged reading series “Replied”.

Professional training and education - includes expenses that are directly identifiable with the professional and student internships program, workshops’ program, and educational outreach activities.

Supporting Services

Management and general - relates to the overall direction of the organization. These costs are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include creation and distribution of fundraising materials.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

NASHVILLE REPERTORY THEATRE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Accordingly, our net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions, Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

We receive grant revenue from various state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grants received in advance of the expenditure are recorded initially as deferred revenue.

We report any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

We lease certain items in our production assets inventory and recognize income as items are leased.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2020 and 2019, we had no cash equivalents.

Contributions Receivable

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. 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. All promises to give at June 30, 2020 and 2019, were expected to be received within one year.

An allowance for uncollectible contributions has not been provided based on our estimate that the balance is fully collectible.

NASHVILLE REPERTORY THEATRE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Ticket sales are processed by TPAC through the TPAC ticketing system. TPAC remits the ticket sales proceeds to us throughout the year. We also lease our performance props and costumes to other organizations, which is included in rental and sales income on the Statements of Activities.

Accounts receivable are reported at gross sales price less any applicable payments or adjustments. We do not charge interest on any past due accounts.

We use the allowance method in accordance with accounting principles generally accepted in the United States of America. As of June 30, 2020 and 2019, an allowance of \$0 was assessed.

Prepaid Expenses

Prepaid expenses consist of certain marketing and promotional costs pertaining to the following theatre season that are paid for in advance and charged to operating expense in the following fiscal year.

Property and Equipment

Property and equipment are recorded at cost at the date of purchase or estimated fair value at the date of gift to us. Our policy is to capitalize purchases with a cost of \$500 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, ranging from three to seven years for computers, furniture and fixtures, and equipment.

Donated Goods, Facilities, and Services

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Members of the Board of Directors have provided substantial assistance to us by donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

Donated Goods, Facilities, and Services

Donated goods, which amounted to \$45,164 in 2020 and \$134,323 in 2019, respectively, are recorded at their estimated fair value at the date of donation, and have been included in the appropriate categories of revenue, expenses, and fixed assets.

Accrued Vacation

All full-time staff employees are eligible to accrue vacation time. For the employees who have been with us one to two years, one day per month can be accrued up to a maximum of twelve days. For the employees who have been with us for three to four years, fifteen days can be accrued in total. For the employees who have been with us for five or more years, twenty-one days are available to be accrued. These accrued days are accounted for at the average daily rate per employee, based on a 260-day work calendar.

Advance Ticket Sales

Ticket sales made prior to the fiscal year to which they apply are reported as advance ticket sales on the Statements of Financial Position. Such revenue is recognized and reported on the Statements of Activities in the year the productions are performed.

NASHVILLE REPERTORY THEATRE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

Production Expenses

Production assets, including props and costumes, are included on the Statement of Financial Position if we believe they can be repurposed for future productions. The net book value of these assets is included in property, plant, and equipment, net on the Statement of Financial Position. We may lease our old costumes and props to other organizations as well as use them for future performances. Revenue from rental activities is recognized in the period it is earned on the Statements of Activities. When we no longer have space to store them, the props or costumes are disposed of or sold in a yard sale. Revenue from such sales is recognized at that time on the Statements of Activities.

Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that 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 consolidated financial statements. We do not believe there are any uncertain tax positions.

Fair Value of Financial Instruments

The fair values of current assets and current liabilities approximate the carrying amounts due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy. The fair value of the line of credit approximates the carrying amount and is estimated based on the current rates offered to us.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis on the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Remaining categories are allocated based on an invoice-by-invoice basis for the direct category affected.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the June 30, 2019, financial statements have been reclassified for comparative purposes to conform to the presentation of the June 30, 2020, financial statements.

New Accounting Pronouncement

In June 2018, FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958)*. The update will assist organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance. This update will also assist in determining whether a contribution is conditional. This implementation had no effect on our current year financial statements.

NASHVILLE REPERTORY THEATRE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement (continued)

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified on the statements of financial position and cash flows. The statements of financial position and cash flows have been presented to reflect this Accounting Standards Update at September 30, 2019, and certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended

Cash	\$ 198,462
Accounts receivable	82,699
Grants receivable	14,050
	<hr/>
	\$ 295,211

In the next fiscal year, we plan to receive the same level of income from our donors and our program services, and consider this income for programs which are ongoing, major, and central to our annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. We also have an open line of credit to draw on for any immediate cash needs (NOTE 7).

All cash is considered readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures

NOTE 3 - Accounts Receivable

We were due the following amounts at June 30,

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 35,170	\$ 1,781
Advanced ticket sales receivable	47,529	75,288
Pledge receivable, net	790,181	1,390,181
	<hr/>	<hr/>
	872,880	1,467,250
Less: restricted receivables	(790,181)	(1,390,181)
Less: allowance for bad debts	-	-
	<hr/>	<hr/>
	\$ 82,699	\$ 77,069

NASHVILLE REPERTORY THEATRE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 - Pledge Receivables

Due in less than one year	\$ 600,000
Due in one or more years	<u>300,000</u>
	900,000
Less: discounts to net present value	(109,819)
Less: allowance for doubtful accounts	<u>-</u>
Net pledge receivable	<u>\$ 790,181</u>

Pledge receivable as shown on the Statement of Financial Position as follows at June 30,

	<u>2020</u>	<u>2019</u>
Restricted receivables	790,181	1,390,181

Gross pledge receivable originally due in one or more years of \$900,000 pledged in 2019 has been discounted for the time value of money using a discount rate of 6.80%. The rate was determined using the interest method. The net pledge at June 30, 2020 and 2019, was \$790,181 and \$1,390,181, respectively.

NOTE 5 - Property and Equipment

Property and equipment consisted of the following as of June 30,

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 62,812	\$ 62,812
Vehicles	6,000	6,000
Production assets and equipment	<u>131,891</u>	<u>107,737</u>
	200,703	176,549
Less: accumulated depreciation	<u>(165,483)</u>	<u>(138,139)</u>
	<u>\$ 35,220</u>	<u>\$ 38,410</u>

Depreciation expense for June 30, 2020 and 2019, totaled \$27,344 and \$25,232, respectively.

NOTE 6 - Accounts Payable and Accrued Expenses

Expenses were accrued for the following at June 30,

	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 31,297	\$ 37,731
Credit card payable	1,636	14,707
Accrued payroll	<u>10,456</u>	<u>53,910</u>
	<u>\$ 43,389</u>	<u>\$ 106,348</u>

NASHVILLE REPERTORY THEATRE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 - Letters of Credit

We maintain two letters of credit with various groups named as the beneficiaries. These letters of credit are secured by our fixed assets. The two letters of credit are maintained at Pinnacle Bank.

<u>Bank</u>	<u>Vendor</u>	<u>Maturity</u>	<u>Amount</u>
First Tennessee Bank	Actors' Equity Association	August 31, 2020	\$ 2,243
First Tennessee Bank	Tennessee Performing Arts Center	August 31, 2020	7,628
			<u>\$ 9,871</u>

NOTE 8 - Debt

Long-term debt at June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Line of credit payable to First Horizon Bank that matured in March 2020 with a 6.80% interest rate.	\$ -	\$ 158,472
Line of credit payable to Pinnacle Bank with a maturity of March 2021 and 3.75% interest rate. This debt is collateralized by all of the Organization's assets, including equipment, accounts, and letters of credit.	94,325	-
Note payable to Pinnacle Bank with a maturity of March 2024. Monthly payments of \$2,330 are required, including 5.50% interest. This debt is collateralized by all of the Organization's assets, including equipment, accounts, and letters of credit.	93,934	-
U.S. Small Business Administration Paycheck Protection Plan under the Coronavirus Aid, Relief, and Economic Security Act Loan.	182,108	-
U.S. Small Business Administration EIDL note payable with a maturity of June 2050. Monthly payments beginning June 2021 of \$641 are required, including 2.75% interest. This debt is collateralized by all of the Organization's assets, including equipment, accounts, and letters of credit.	150,000	-
	520,367	158,472
Less: current maturities	<u>(223,108)</u>	<u>(158,472)</u>
Total long-term debt	<u>\$ 297,259</u>	<u>\$ -</u>

The following is a schedule of future maturities:

<u>Year Ended June 30,</u>	
2021	\$ 223,108
2022	104,849
2023	30,135
2024	23,848
2025	3,876
Thereafter	134,551
	<u>\$ 520,367</u>

NASHVILLE REPERTORY THEATRE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9 – Net Assets

Net assets with donor restrictions consisted of the following at June 30,

	<u>2020</u>	<u>2019</u>
Cash for 2021 operating assistance	\$ 10,000	\$ -
Time restricted pledge	<u>790,181</u>	<u>1,390,181</u>
	<u>\$ 800,181</u>	<u>\$ 1,390,181</u>

NOTE 10 - Lease Agreements

We lease our office under an operating lease requiring monthly rental payments through the end of this fiscal year. We also lease certain office equipment. Total rental expense on June 30, 2020 and 2019, under all agreements, totaled \$111,142 and \$101,776 respectively.

Future minimum lease payments are as follows:

Year Ending June 30,

2021	\$ 111,994
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NOTE 11 - Concentrations and Contingencies

We maintain cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporations ("FDIC") up to statutory limits. As of June 30, 2020 and 2019, all of our depositor accounts were fully insured.

As of the years ended June 30, 2020 and 2019, 59% and 98% of our total receivables were due from one donor and one grantor. If TPAC, who holds our advance ticket sales, or Metro Nashville Arts, who funds basic operating support grants for us, were unable to satisfy the outstanding receivables as of June 30, 2020, we would experience significant losses, however, management believes these entities will remain solvent for the foreseeable future. For the years ended June 30, 2020 and 2019, combined contributions from three sources and one source were approximately 24% and 52%, respectively, of total contribution revenues.

As of December 7, 2020, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of our operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results due to families not wanting services due to the uncertainty of the virus; however, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 12 - Retirement Plan

We sponsor a tax-deferred annuity plan ("Plan") under Section 403(b) of the Internal Revenue Code. Full-time employees are eligible after one year of employment. Eligible employees may elect to defer a portion of their compensation through the Plan, not to exceed the allowable amount under Section 403(b). We may make an annual contribution to the Plan equivalent to 1% of the employee's annual salary; however, there were no such contributions to the Plan for the years ended June 30, 2020 and 2019.

NASHVILLE REPERTORY THEATRE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 - Donor-Designated Endowment Funds Held in Trust

Certain individuals have established a donor-designated endowment fund with the Community Foundation of Middle Tennessee for the benefit of the Nashville Repertory Theatre, Inc. The Community Foundation of Middle Tennessee has the ultimate authority and control over these Funds and, therefore, these investments are not included in our financial statements. Income distributed to us from these funds is recognized in the year received. Such distributions totaled approximately \$0 and \$0 during the years ended June 30, 2020 and 2019, respectively. Total assets held in this fund amount to approximately, \$21,243 and \$21,948 at June 30, 2020 and 2019 respectively.

In 2015, certain individuals also established a donor-designated endowment fund with the Middle Tennessee Repertory Theatre Support Fund for the benefit of the Nashville Repertory Theatre, Inc. The Middle Tennessee Repertory Theatre Support Fund has the ultimate authority and control over these Funds and, therefore, these investments are not included in our financial statements. Income distributed to us from these funds is recognized in the year received. Such distributions for June 30, 2020 and 2019, totaled approximately \$52,400 and \$52,200, respectively. Total assets held in this fund at June 30, 2020 and 2019, amount to approximately \$1,012,651 and \$1,043,479, respectively.

NOTE 14 - Related Party Transactions

During the years ended June 30, 2020 and 2019, we paid \$111,142 and \$101,776, respectively, in rent expense for office spaces leased from an Advisory Board member's employer.

NOTE 15 - New Pronouncements

In June 2018, FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958)*. The update will assist organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance. This update will also assist in determining whether a contribution is conditional. This implementation had no effect on our current year financial statements.

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2019. We are currently evaluating the impact of adopting this statement.

In February 2017, FASB issued Accounting Standards Update 2017-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 16 - Subsequent Events

We have evaluated events subsequent to the years ending June 30, 2020 and 2019, as of December 7, 2020, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.