

THE NASHVILLE SHAKESPEARE FESTIVAL

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

(With Independent Auditor's Report Thereon)

THE NASHVILLE SHAKESPEARE FESTIVAL
FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Nashville Shakespeare Festival

We have audited the accompanying statement of financial position of The Nashville Shakespeare Festival (a nonprofit organization) as of September 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Nashville Shakespeare Festival as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

APH CPAs

November 6, 2009

THE NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2009

ASSETS

Current Assets:

| | | | |
|--------------------------------|----|------------|-----------|
| Cash and cash equivalents | \$ | 14,193 | |
| Certificate of deposit | | 11,804 | |
| Grants and accounts receivable | | 70,686 | |
| Prepaid rent | | <u>350</u> | |
| Total current assets | | | \$ 97,033 |

Assets Whose Use is Limited:

| | | | |
|-----------------------------------|--|--------------|-------|
| Cash | | <u>6,500</u> | |
| Total assets whose use is limited | | | 6,500 |

Equipment:

| | | | |
|--------------------------------|--|----------------|-------------------|
| Equipment | | 9,975 | |
| Less: accumulated depreciation | | <u>(7,273)</u> | |
| | | | <u>2,702</u> |
| | | | <u>\$ 106,235</u> |

LIABILITIES AND NET ASSETS

Current Liabilities:

| | | | |
|--|----|------------|-----------|
| Credit card payable | \$ | 36,384 | |
| Accounts payable and payroll liabilities | | <u>859</u> | |
| Total current liabilities | | | \$ 37,243 |

Net Assets:

| | | | |
|------------------------|--|--------------|-------------------|
| Unrestricted | | 62,492 | |
| Temporarily restricted | | <u>6,500</u> | |
| | | | <u>68,992</u> |
| | | | <u>\$ 106,235</u> |

See accompanying notes to financial statements.

THE NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------|
| Public Support and Revenues: | | | | |
| Contributions | \$ 190,793 | \$ 6,500 | \$ - | \$ 197,293 |
| Revenues: | | | | |
| Grants | 102,130 | - | - | 102,130 |
| Program fees and tickets | 46,226 | - | - | 46,226 |
| In-kind donations | 335,141 | - | - | 335,141 |
| Investment and interest income | 328 | - | - | 328 |
| Miscellaneous income | - | - | - | - |
| Net assets released from restrictions | 18,132 | (18,132) | - | - |
| Total revenues | 501,957 | (18,132) | - | 483,825 |
| Total public support and revenues | 692,750 | (11,632) | - | 681,118 |
| Expenses and Losses: | | | | |
| Program services: | | | | |
| Education | 22,150 | - | - | 22,150 |
| Richard III | 197,200 | - | - | 197,200 |
| Shakes Case | 90,769 | - | - | 90,769 |
| Shakespeare in the Park | 269,937 | - | - | 269,937 |
| Total program services | 580,056 | - | - | 580,056 |
| Supporting Services: | | | | |
| Management and general | 52,964 | - | - | 52,964 |
| Fundraising | 33,951 | - | - | 33,951 |
| Total supporting services | 86,915 | - | - | 86,915 |
| Total program and supporting expenses | 666,971 | - | - | 666,971 |
| Increase (decrease) in net assets | 25,779 | (11,632) | - | 14,147 |
| Net assets - beginning of year | 36,713 | 18,132 | - | 54,845 |
| Net assets - end of year | \$ 62,492 | \$ 6,500 | \$ - | \$ 68,992 |

See accompanying notes to financial statements.

Supporting Services

| <u>Total Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|----------------------|-----------------------------------|--------------------|-----------------------|
| \$ 72,219 | \$ 14,249 | \$ 18,842 | \$ 105,310 |
| 23,116 | 5,892 | 7,252 | 36,260 |
| 1,438 | 1,396 | 1,323 | 4,157 |
| 50 | 250 | 400 | 700 |
| 10,547 | 679 | 284 | 11,510 |
| 320,938 | 14,203 | - | 335,141 |
| 6,147 | 2,147 | - | 8,294 |
| 250 | - | 3,322 | 3,572 |
| - | 96 | 12 | 108 |
| 250 | 1,141 | - | 1,391 |
| - | 3,739 | - | 3,739 |
| 143,776 | - | - | 143,776 |
| 39 | 133 | 185 | 357 |
| - | 4,698 | - | 4,698 |
| 680 | 899 | 1,260 | 2,839 |
| 166 | 1,742 | 403 | 2,311 |
| 440 | 638 | 668 | 1,746 |
| <hr/> | | | |
| 580,056 | 51,902 | 33,951 | 665,909 |
| <hr/> | | | |
| - | 1,062 | - | 1,062 |
| <hr/> | | | |
| <u>\$ 580,056</u> | <u>\$ 52,964</u> | <u>\$ 33,951</u> | <u>\$ 666,971</u> |

THE NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

| | | |
|---|-----------------|-------------------------|
| Cash Flows From Operating Activities: | | |
| Increase in net assets | | \$ 14,147 |
| Adjustments to reconcile increase in net assets | | |
| to net cash provided by operating activities: | | |
| Depreciation | \$ 1,062 | |
| Changes in: | | |
| Accounts receivable | 12,983 | |
| Prepaid expenses | 524 | |
| Cash whose use is limited | 172 | |
| Restricted cash in excess of operating cash | - | |
| Accounts payable and payroll liabilities | <u>(2,026)</u> | |
| Total adjustments | | <u>12,715</u> |
| Net cash provided by operating activities | | 26,862 |
| Cash Flows From Financing Activities | | |
| Net change in credit card payable | <u>(13,515)</u> | |
| Net cash used in financing activities | | <u>(13,515)</u> |
| Net increase in cash | | 13,347 |
| Cash - beginning of year | | <u>846</u> |
| Cash - end of year | | <u><u>\$ 14,193</u></u> |

Supplemental Information

During the year, the Organization incurred \$998 in finance charges.

THE NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 - Summary of Significant Accounting Policies

a. **Nature of Activities**

The Nashville Shakespeare Festival is a nonprofit organization, organized on September 12, 1988, which produces a variety of theatrical productions and workshops for the benefit of the general public, students of Middle Tennessee schools, and businesses. The major sources of funding for the Organization are grants and contributions from local and state governments, private foundations, corporations, and individuals in the Middle Tennessee area.

b. **Basis of Presentation**

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

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

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

c. **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted cash, certificates of deposit and investment instruments purchased with original maturities of three months or less to be cash equivalents. At September 30, 2009, there were no cash equivalents.

At September 30, 2009, the Organization has one certificate of deposit which expires on June 20, 2010, which earns interest at 1.74% per year.

d. **Grants Receivable and Revenues**

The Organization receives several grants from the State of Tennessee and from the Metropolitan Government of Nashville and Davidson County, Tennessee. Most of these grants require the submission of reimbursement requests before funds are disbursed. Grant revenue is recognized as these expenses are incurred. At September 30, 2009, the Organization was due \$69,186 from the Metro Nashville Arts Commission and the Tennessee Arts Commission.

e. **Pledges Receivable**

Receivables for corporate donations and reimbursement of expenses are recognized when the services are provided. Uncollectible accounts are written off in the period in which they are determined to be uncollectible and are charged to bad debts. For the year ended September 30, 2009, management believes that all pledges receivable are fully collectible; therefore, no allowance has been recorded. At September 30, 2009, the Organization had pledges receivable of \$1,500, which is included in grants and accounts receivable.

THE NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 - Summary of Significant Accounting Policies (continued)

f. **Inventory**

The Organization does not maintain inventory. On occasion, there are items that are used in more than one production, but are not considered significant to the overall financial statements taken as a whole and are expensed as production cost as the items are purchased.

g. **Property and Equipment**

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

h. **Income Tax Status**

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Organization is 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 financial statements.

i. **Functional Allocation of Expenses**

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

j. **Use of Estimates**

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

k. **Fair Values of Financial Instruments**

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

l. **Advertising Expense**

Advertising costs are expensed as incurred and include expenses for playbills and other production related print advertising. The total amount of advertising expenses for the year was \$2,834.

NOTE 2 - Assets Whose Use is Limited

Two donations totaling \$6,500 were received by the Organization for the winter play "The Tempest", and those assets have been classified as "assets whose use was limited" until the Organization incurs expenses directly relating to that production.

THE NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 3 - Credit Card

The Organization has the use of a credit card through First Tennessee Bank. The credit cards are typically used by the Executive Director and Operations Manager. The credit card is mainly used to pay expenses incurred and reimbursed at a later time under various grant agreements. The interest rate on the line of credit varies throughout the year (3.25% at September 30, 2009), and at September 30, 2009, the Organization had used \$36,384 of the available \$50,000.

NOTE 4 - Leases

The Organization leases office space from Nashville Public Television under a lease agreement that expires on December 31, 2010. This agreement carries a rent rate of \$350 per month until December 31, 2009, and then increases to \$360. The Organization may also lease additional space for 3 weeks each year for rehearsal space at \$500 per week. Future minimum lease payments for the years ending September 30, 2010 and 2011 will be \$4,744 and \$1,082, respectively. The Organization also rents equipment as needed on a month-to-month basis. Total rent expense for the year ending September 30, 2009, was \$7,325.

NOTE 5 - Insurance

The Organization finances its insurance premiums through Bank Direct Capital Finance at an annual rate of 7.95%. The Organization made a down payment of \$1,611 and the outstanding premium of \$4,832 is payable in nine consecutive payments during the next fiscal year.

NOTE 6 - Concentrations

At September 30, 2009, 98% of the Organization's grants receivable was due from two grantors.

NOTE 7 - In-Kind Contributions

The Organization is the recipient of various in-kind gifts and donations. All gifts in-kind are recorded as revenue at fair market value and fully expensed when received. The total amount of the revenue and expense recognized for the fiscal year was \$335,141. The Organization also received donated time from volunteers, totaling \$8,729, which was not recognized as revenue during the period since requirements under current accounting standards were not met.

The donated goods and services were used for both the winter and summer theatre productions along with professional services donated for general and administrative uses. The donated goods included rental space, marketing items, door prizes, and concessions for the performances. Donated services included public relations, legal, media production, performance direction, and website design.

NOTE 8 - Subsequent Events

The Organization has evaluated events subsequent to the year ending September 30, 2009. As of November 6, 2009, the date that the financial statements were available to be issued, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the year ended September 30, 2009.

