

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	6
Notes to Financial Statements	7 - 15



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville Academy Theatre and Nashville Children's Theatre Association, which comprise the statements of financial position as of June 30, 2020 and 2019, 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 Academy Theatre and Nashville Children's Theatre Association 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.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
February 8, 2021

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Cash	\$ 56,449	\$ 17,022
Restricted certificate of deposit	30,465	30,362
Contributions receivable, net	22,193	83,745
Contributions receivable, facilities use	74,333	74,333
Prepaid expenses and other	29,436	51,770
Property and equipment, net	2,662,867	2,826,524
Beneficial interest in assets held by Community Foundation of Middle Tennessee	<u>310,377</u>	<u>312,286</u>
TOTAL ASSETS	<u>\$ 3,186,120</u>	<u>\$ 3,396,042</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 116,784	\$ 77,145
Accrued expenses	24,443	29,357
Notes payable	504,581	349,464
Deferred revenues	<u>56,822</u>	<u>152,997</u>
Total Liabilities	<u>702,630</u>	<u>608,963</u>
NET ASSETS		
Without donor restrictions	2,230,269	2,427,391
With donor restrictions	<u>253,221</u>	<u>359,688</u>
Total Net Assets	<u>2,483,490</u>	<u>2,787,079</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,186,120</u>	<u>\$ 3,396,042</u>

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

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and Support		
Revenues		
Admissions	\$ 526,506	\$ 817,490
Theatre academy	396,686	386,604
Concessions and merchandise (net of direct expenses of 2020 - \$8,972; 2019 - \$11,805)	308	8,177
Contracted services	18,974	36,148
Total Revenues	<u>942,474</u>	<u>1,248,419</u>
Support		
Contributions	341,362	232,972
Government grants and support	315,620	326,900
Benefit events (net of direct expenses of 2020 - \$46; 2019 - \$29,778)	3,954	51,016
Distribution from beneficial interest in assets held by Community Foundation of Middle Tennessee	9,400	9,300
Change in value of beneficial interest in assets held by Community Foundation of Middle Tennessee	(4,194)	(145)
Net assets released from restrictions	183,085	95,527
Total Support and Reclassifications	<u>849,227</u>	<u>715,570</u>
Total Revenues, Support, and Reclassifications	<u>1,791,701</u>	<u>1,963,989</u>
Expenses		
Program services		
Productions	1,249,679	1,559,820
Education	414,446	561,992
Supporting services		
General and administrative expenses	216,651	240,958
Fundraising expenses	108,047	126,912
Total Expenses	<u>1,988,823</u>	<u>2,489,682</u>
Change in Net Assets Without Donor Restrictions	<u>(197,122)</u>	<u>(525,693)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Donated facilities usage	74,333	74,333
Contributions	-	70,500
Change in value of beneficial interest in assets held by Community Foundation of Middle Tennessee	2,285	4,747
Net assets released from restrictions	(183,085)	(95,527)
Change in Net Assets With Donor Restrictions	<u>(106,467)</u>	<u>54,053</u>
CHANGE IN NET ASSETS	(303,589)	(471,640)
NET ASSETS - BEGINNING OF YEAR	<u>2,787,079</u>	<u>3,258,719</u>
NET ASSETS - END OF YEAR	<u>\$ 2,483,490</u>	<u>\$ 2,787,079</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, 2020**

	Program services		Supporting services			Total
	Productions	Education	General and Administrative	Fundraising		
Salaries	\$ 538,439	\$ 175,408	\$ 114,456	\$ 81,364	\$	909,667
Fringe benefits	111,927	36,463	23,792	16,913		189,095
	<u>650,366</u>	<u>211,871</u>	<u>138,248</u>	<u>98,277</u>		<u>1,098,762</u>
Depreciation	179,195	63,454	10,576	-		253,225
Utilities	45,478	22,739	7,580	-		75,797
Rent	44,600	22,300	7,433	-		74,333
Advertising and public relations	53,301	16,832	-	-		70,133
Production materials	54,690	5,378	-	-		60,068
Supplies	41,723	3,761	4,876	239		50,599
Outside services	14,667	9,873	24,343	400		49,283
Ticket and bank fees	30,855	13,223	-	-		44,078
Insurance	23,742	11,871	3,957	-		39,570
Royalties	28,776	-	-	-		28,776
Travel and registrations	26,119	1,438	770	125		28,452
Custodial services	15,531	7,765	2,588	-		25,884
Software and licensing	8,948	9,194	3,263	-		21,405
Interest	10,072	5,036	1,679	-		16,787
Printing	11,883	3,753	-	-		15,636
Subscriptions and dues	1,652	1,835	7,778	37		11,302
Postage	2,487	811	2,434	2,687		8,419
Food and catering	80	524	526	6,282		7,412
Equipment rental and maintenance	3,603	1,801	600	-		6,004
Employment screening	1,911	987	-	-		2,898
	<u>\$ 1,249,679</u>	<u>\$ 414,446</u>	<u>\$ 216,651</u>	<u>\$ 108,047</u>		<u>\$ 1,988,823</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, 2019**

	Program services		Supporting services			Total
	Productions	Education	General and Administrative	Fundraising		
Salaries	\$ 697,081	\$ 281,545	\$ 106,646	\$ 90,162	\$	1,175,434
Fringe benefits	169,923	40,507	25,606	11,279		247,315
	<u>867,004</u>	<u>322,052</u>	<u>132,252</u>	<u>101,441</u>		<u>1,422,749</u>
Depreciation	172,689	63,622	10,604	-		246,915
Utilities	51,439	25,719	8,573	-		85,731
Rent	44,600	29,112	7,433	-		81,145
Advertising and public relations	68,702	21,695	-	-		90,397
Production materials	76,526	8,581	-	-		85,107
Supplies	15,558	8,880	8,382	990		33,810
Outside services	36,138	20,316	41,074	-		97,528
Ticket and bank fees	31,876	13,661	-	-		45,537
Insurance	13,025	6,512	2,171	-		21,708
Royalties	68,086	260	-	-		68,346
Travel and registrations	25,553	5,261	2,911	2,760		36,485
Custodial services	24,254	12,127	4,042	-		40,423
Software and licensing	19,814	6,217	3,435	-		29,466
Interest	10,662	5,331	1,778	-		17,771
Printing	17,512	6,122	7,298	5,090		36,022
Subscriptions and dues	634	263	3,023	4		3,924
Postage	4,925	1,542	4,202	4,906		15,575
Food and catering	2,096	1,279	2,866	11,721		17,962
Equipment rental and maintenance	5,486	2,743	914	-		9,143
Employment screening	3,241	697	-	-		3,938
	<u>\$ 1,559,820</u>	<u>\$ 561,992</u>	<u>\$ 240,958</u>	<u>\$ 126,912</u>		<u>\$ 2,489,682</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, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (303,589)	\$ (471,640)
Adjustments to reconcile decrease in net assets to net cash used in operating activities		
Depreciation	253,225	246,915
Payout from beneficial interest held in trust by others	(9,400)	(9,300)
Change in value of beneficial interest in assets held by Community Foundation of Middle Tennessee	1,909	(4,602)
Decrease (increase) in		
Restricted certificate of deposit	(103)	(9,877)
Contributions receivable	61,552	(19,162)
Prepaid expenses and other	22,334	20,585
Increase (decrease) in		
Accounts payable	39,639	(7,699)
Accrued expenses	(4,914)	(8,604)
Deferred revenues	(96,175)	(1,912)
	<u>(35,522)</u>	<u>(265,296)</u>
Net Cash Used In Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions to beneficial interest in assets held by Community Foundation of Middle Tennessee	-	(500)
Distribution received from Community Foundation of Middle Tennessee	9,400	9,300
Payments for property and equipment	(89,568)	(84,811)
	<u>(80,168)</u>	<u>(76,011)</u>
Net Cash Used In Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings on line of credit	(9,883)	349,241
Borrowings on notes payable	165,000	-
	<u>155,117</u>	<u>349,241</u>
Net Cash Provided By Financing Activities		
Change in Cash	39,427	7,934
CASH - BEGINNING OF YEAR	17,022	9,088
CASH - END OF YEAR	<u>\$ 56,449</u>	<u>\$ 17,022</u>
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	<u>\$ 16,787</u>	<u>\$ 17,771</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, 2020 AND 2019**

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 financial statements of the Academy have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Academy to report information regarding its financial position and activities according to the following net asset classifications:

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 Academy. These net assets may be used at the discretion of the Academy's management and the board of directors.

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 Academy or by the passage of time. Other donor restrictions are perpetual in nature, where-by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

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

Property and Equipment

Purchased property and equipment are stated at cost, or if donated, at the estimated fair market value as of the date of donation and consists of leasehold improvements, equipment, costumes, and props. It is the Academy's policy to capitalize all property and equipment over \$1,000. Cost of costumes and props capitalized includes both material and labor costs. Depreciation is provided over the assets' estimated useful lives, generally five to twenty-five years using the straight-line method. Expenditures for maintenance and repairs are expensed when incurred. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

Beneficial Interest in Funds Held By Community Foundation of Middle Tennessee

The Academy's beneficial interest in assets held by Community Foundation of Middle Tennessee (CFMT) is recognized as an asset. Investment income and changes in the value of the funds are recognized in the statements of activities and distributions received from the fund are recorded as decreases in the beneficial interest.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution or grant is recognized. All other donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions, depending on the nature of 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 statements of activities as net assets released from restrictions.

Contributions and grants 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.

Revenue Recognition

Revenues are recognized in the period that performances occur or services are provided. Revenues received in advance are recorded as deferred revenues on the statements of financial position and recognized as revenues in the year in which they are earned.

Compensated Absences

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 is classified by the Internal Revenue Service (IRS) as other than a private foundation.

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 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, NASDAQ, or Chicago Board of Trade).

Level 2 Inputs – Fair values are based on inputs other than quoted prices 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.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements - (Continued)

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 assets held by Community Foundation of Middle Tennessee - The endowment funds held by 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 endowment funds are classified within Level 3 of the valuation hierarchy (see note 7).

No changes in the valuation methodologies have been made since the prior year.

Functional Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and fringe benefits	Time and effort
Depreciation	Facility square footage
Outside services	Estimated usage
Rent	Facility square footage
Utilities	Facility square footage
Travel and registrations	Estimated usage
Printing	Estimated usage
Supplies	Estimated usage
Custodial services	Facility square footage
Insurance	Estimated usage
Interest	Estimated usage
Equipment rental and maintenance	Estimated usage
Employment screening	Estimated usage

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format. The total assets, liabilities, net assets, and change in net assets are unchanged due to these reclassifications.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update results in treatment of most government grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. The new standard also clarifies the criteria for evaluating whether contributions are unconditional or conditional. The Center has adopted this new standard; however, it did not have a material impact on the timing of grant or gift revenue recognition.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Academy's financial assets at June 30:

	2020	2019
Financial assets at year-end:		
Cash	\$ 56,449	\$ 17,022
Restricted certificate of deposit	30,465	30,362
Contributions receivable, net	22,193	83,745
Beneficial interest in funds held by others	<u>310,377</u>	<u>312,286</u>
Total financial assets	419,484	443,415
Less amounts not available to be used within one year:		
Restricted certificate of deposit	30,464	30,362
Non-current contributions receivable	10,004	14,754
Beneficial interest in funds held by others	<u>310,377</u>	<u>312,286</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 68,639</u>	<u>\$ 86,013</u>

As part of its liquidity plan, the Academy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Academy receives year-round donations from individuals and makes specific appeals at strategic times of the year for specific projects. Cash flow is tracked through regular budget to actual comparisons which are monitored by management and the board of directors.

The Academy's activities are primarily funded by performance ticket sales, camp revenues, grants, and contributions. Covid-19 led to a decrease in performance opportunities which resulted in decreased revenues. Management is focusing on positioning the Academy for increased excellence and long-term viability. To the extent long-term relationships with significant grantors and donors are not successfully maintained and cultivated, the Academy's sources of working capital may be insufficient. However, the Academy believes the following actions are likely to occur and will be sufficient to satisfy its liquidity needs for the next twelve months from the issuance of the financial statements:

- Maintain reduced operational and production costs as well as a limited personnel staff until live performances resume.
- Increase the usage of virtual performances and classes.
- Increase emphasis on donor development, including expanding the donor base, re-engaging previous donors, and seeking available Covid-19 relief funds.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 4 - RESTRICTED CERTIFICATE OF DEPOSIT

The 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.

NOTE 5 - RECEIVABLES

Contributions receivable consist of amounts from individuals, organizations, and government units. The contributions receivable are summarized as follows:

	2020	2019
Government grants	\$ -	\$ 34,800
Pledges and grants	<u>22,193</u>	<u>60,945</u>
	22,193	95,745
Less allowance for doubtful accounts	<u>-</u>	<u>(12,000)</u>
	<u><u>\$ 22,193</u></u>	<u><u>\$ 83,745</u></u>

Scheduled expected collections of contributions receivable are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 12,189
2022	<u>10,004</u>
	<u><u>\$ 22,193</u></u>

Contributions receivable for facility use consist of the fair value of one year's ensuing rent totaling \$74,333. As more fully described in Note 10, the Academy has in-kind leasing arrangements with the Metropolitan Government of Nashville and Davidson County, Tennessee for its operational and performance space.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2020	2019
Leasehold improvements	\$ 5,074,765	\$ 5,074,765
Furniture and fixtures	255,259	255,259
Costumes and props	435,771	368,438
Theatre equipment	<u>261,973</u>	<u>239,739</u>
	6,027,768	5,938,201
Less accumulated depreciation	<u>(3,364,901)</u>	<u>(3,111,677)</u>
	<u><u>\$ 2,662,867</u></u>	<u><u>\$ 2,826,524</u></u>

Depreciation expense was \$253,225 and \$246,915 for 2020 and 2019, respectively.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 7 - ENDOWMENT FUNDS

The Academy has a beneficial interest in two endowment funds held by CFMT. The balance of the funds consists of a combination of funds classified as without donor restrictions and with donor restrictions. 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 CFMT, and CFMT has the ultimate authority and control over the funds. The funds are charged a 0.4% administrative fee annually. Upon request by the Academy, income from the funds 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 2024 as requested by the donor.

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

	Unrestricted Designated	Time/use Restricted	Permanently Restricted	Total
June 30, 2018	\$ 158,021	\$ 335	\$ 148,829	\$ 307,185
Change in value				
Contributions	-	-	500	500
Investment gain	8,831	1,479	6,287	16,597
Fees	(1,010)	(169)	(1,517)	(2,696)
Appropriations	<u>(7,966)</u>	<u>(1,334)</u>	<u>-</u>	<u>(9,300)</u>
June 30, 2019	157,876	311	154,099	312,286
Change in value				
Investment gain	5,229	892	4,184	10,305
Fees	(1,047)	(179)	(1,588)	(2,814)
Transfers	(346)	346	-	-
Appropriations	<u>(8,030)</u>	<u>(1,370)</u>	<u>-</u>	<u>(9,400)</u>
June 30, 2020	<u>\$ 153,682</u>	<u>\$ -</u>	<u>\$ 156,695</u>	<u>\$ 310,377</u>

NOTE 8 - LINE OF CREDIT

The Academy had a maximum \$350,000, unsecured line of credit arrangement with a bank. On June 30, 2020, the arrangement was converted to an amortizing note as more fully described in Note 9.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9 - NOTES PAYABLE

Notes payable consist of the following as of June 30:

	2020	2019
Note payable to Pinnacle Bank that was converted from an unsecured line of credit. The note calls for 11 monthly principal payments of \$1,500 from July 30, 2020 to June 30, 2021, at which time the remaining outstanding balance is due. Interest on outstanding borrowings is payable at the bank's variable base rate (3.25% at June 30, 2020). The note is secured by the Academy's contributions receivable.	\$ 339,581	\$ 349,464
U.S. Small Business Administration Economic Injury Disaster Loan. The loan calls for monthly payments of principal and interest of \$641, beginning on May 21, 2021, calculated at a 2.75% interest rate. All outstanding principal and interest is due on May 21, 2050.	150,000	-
Interest-free note payable to an officer of the Academy. Maturity date is December 31, 2021, at which time the principal balance is due.	15,000	-
	<u>\$ 504,581</u>	<u>\$ 349,464</u>

Annual principal maturities of notes payable are as follows:

Year ending June 30,	
2021	\$ 340,176
2022	18,629
2023	3,730
2024	3,834
2025	3,940
Thereafter	<u>134,272</u>
	<u>\$ 504,581</u>

NOTE 10 - LEASING ARRANGEMENTS

The land and building occupied by the Academy are leased through the year 2023 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. As described in Note 12, the Lessor also provides an in-kind donation for utilities and custodial services (ended in 2019). A contribution receivable and corresponding donor-restricted revenue for the fair rental value of the facilities use have been recognized each year for the ensuing one-year period.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 10 - LEASING ARRANGEMENTS (CONTINUED)

The Academy has entered into leases for office equipment and ticket management software. A schedule of future minimum lease payments under these operating leases are as follows for the years ending June 30:

2021	\$ 15,167
2022	15,167
2023	<u>6,620</u>
	<u>\$ 36,954</u>

Rental expense for this office equipment was \$15,167 for the years ended June 30, 2020 and 2019.

NOTE 11 - NET ASSETS

Net assets without donor restrictions are available for the Academy's various programs and administration. Within net assets without donor restrictions, the Academy has designated funds for an endowment (see Note 7). Net assets with donor restrictions are restricted for certain programs or projects.

Net assets consist of the following at June 30:

	2020	2019
Net assets without donor restrictions		
Undesignated net assets without donor restrictions	\$ 2,076,587	\$ 2,269,515
Designated net assets in beneficial interest held by others	<u>153,682</u>	<u>157,876</u>
	<u>2,230,269</u>	<u>2,427,391</u>
Net assets with donor restrictions		
Time restricted pledges and grants	22,193	130,945
Facilities use	74,333	74,333
Permanently restricted assets in beneficial interest held by others	<u>156,695</u>	<u>154,410</u>
	<u>253,221</u>	<u>359,688</u>
	<u>\$ 2,483,490</u>	<u>\$ 2,787,079</u>

NOTE 12 - IN-KIND CONTRIBUTIONS

The following in-kind contributions have been included in revenues and expenses in the financial statements for the years ended June 30:

	2020	2019
Included in unrestricted contributions		
Utilities	\$ 60,000	\$ 72,000
Advertising	7,200	-
Custodial	-	17,000
Production materials	-	200
Included in restricted contributions		
Rent	<u>74,333</u>	<u>74,333</u>
	<u>\$ 141,533</u>	<u>\$ 163,533</u>

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 13 - 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 \$16,909 and \$16,179 for the years ended June 30, 2020 and 2019, respectively.

NOTE 14 - 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 15 - SUBSEQUENT EVENTS

The Academy has evaluated subsequent events through February 8, 2021, the date on which the financial statements were available to be issued.

On July 23, 2020, the Academy received a loan in the amount of \$231,100 in accordance with the PPP section of the CARES Act. Under this loan program, the Academy may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting.