TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2015 AND 2014

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

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JUNE 30, 2015 AND 2014

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KraftCPAs PLLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tennessee Performing Arts Center Management Corporation
Nashville, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Tennessee Performing Arts Center Management Corporation (the "Organization"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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 of 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 and, as to the 2015 financial statements, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. (The 2014 financial statements of the Organization were not required to be, and were not, audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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 Organization'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 Organization'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.

KraftCPAs PLLC - Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • Phone 615-242-7351 • Fax 615-782-4271 • www.kraftcpas.com

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Performing Arts Center Management Corporation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTER

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 20-21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

KraftCPAs PLLC

Nashville, Tennessee
November 10, 2015

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents	$ 6,649,237	$ 5,905,900
Receivables:		
Accounts	249,103	389,750
Contributions	208,257	151,347
Prepaid expenses, inventory and other assets	392,065	340,454
Investments	163,520	287,244
Property and equipment, less accumulated depreciation	4,520,636	4,813,753
TOTAL ASSETS	$ 12,182,818	$ 11,888,448
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 867,686	$ 1,183,703
Advance ticket sales	3,301,937	2,983,113
Deposits and other	260,164	92,736
Notes payable	730,140	793,507
TOTAL LIABILITIES	5,159,927	5,053,059
NET ASSETS		
Unrestricted:		
Invested in property and equipment, net of related debt	3,916,147	4,181,798
Undesignated	2,718,437	2,333,003
Total unrestricted	6,634,584	6,514,801
Temporarily restricted	388,307	320,588
TOTAL NET ASSETS	7,022,891	6,835,389
TOTAL LIABILITIES AND NET ASSETS	$ 12,182,818	$ 11,888,448

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015		
	Unrestricted	Temporarily Restricted	Totals
OPERATING REVENUE			
Ticket sales	$ 7,684,677	$ -	$ 7,684,677
Rental income	604,520	-	604,520
Salary and wage reimbursements	666,793	-	666,793
Other reimbursements	298,683	-	298,683
Concession sales	960,186	-	960,186
Ticketing service charges and fees	2,302,523	-	2,302,523
Sponsorships - earned	183,732	-	183,732
Sales tax rebate	598,068	-	598,068
Other income	146,008	-	146,008
TOTAL OPERATING REVENUE	13,445,190	-	13,445,190
OPERATING COSTS AND EXPENSES			
Programming and production	7,224,337	-	7,224,337
Food and beverage	617,570	-	617,570
Operations	2,278,139	-	2,278,139
Marketing	1,264,278	-	1,264,278
Box office	885,145	-	885,145
Event services	717,404	-	717,404
TOTAL OPERATING COSTS AND EXPENSES	12,986,873	-	12,986,873
INCOME FROM OPERATIONS	458,317	-	458,317
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions	1,648,130	323,307	1,971,437
Sponsorships - philanthropic	-	65,000	65,000
Grants	921,295	-	921,295
Income from Foundation	808,595	-	808,595
Gain (loss) on investments	(5,434)	-	(5,434)
Interest income	43	-	43
Net assets released from restrictions	320,588	(320,588)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	3,693,217	67,719	3,760,936
FUNCTIONAL EXPENSES			
Program services:			
Educational programs	888,425	-	888,425
Supporting services:			
Management and general	2,506,649	-	2,506,649
Fundraising	636,677	-	636,677
Total supporting services	3,143,326	-	3,143,326
TOTAL FUNCTIONAL EXPENSES	4,031,751	-	4,031,751
CHANGE IN NET ASSETS	119,783	67,719	187,502
NET ASSETS - BEGINNING OF YEAR	6,514,801	320,588	6,835,389
NET ASSETS - END OF YEAR	$ 6,634,584	$ 388,307	$ 7,022,891

See accompanying notes to financial statements.

2014		
	Temporarily	
Unrestricted	Restricted	Totals
$ 11,642,700	$ -	$ 11,642,700
726,650	-	726,650
788,174	-	788,174
337,658	-	337,658
1,066,843	-	1,066,843
2,751,996	-	2,751,996
188,500	-	188,500
947,638	-	947,638
79,834	-	79,834
18,529,993	-	18,529,993
10,651,571	-	10,651,571
627,538	-	627,538
1,858,780	-	1,858,780
852,646	-	852,646
716,449	-	716,449
681,653	-	681,653
15,388,637	-	15,388,637
3,141,356	-	3,141,356
1,128,506	280,588	1,409,094
-	40,000	40,000
401,717	-	401,717
771,470	-	771,470
14,232	-	14,232
43	-	43
312,480	(312,480)	-
2,628,448	8,108	2,636,556
966,897	-	966,897
2,486,517	-	2,486,517
651,477	-	651,477
3,137,994	-	3,137,994
4,104,891	-	4,104,891
1,664,913	8,108	1,673,021
4,849,888	312,480	5,162,368
$ 6,514,801	$ 320,588	$ 6,835,389

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING ACTIVITIES		
Change in net assets	$ 187,502	$ 1,673,021
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	485,016	471,605
Investments distributed under deferred compensation plan	163,290	-
Loss on disposal of equipment	3,716	12,625
Loss (gain) on investments	5,434	(14,232)
(Increase) decrease in:		
Accounts receivable	140,647	44,575
Contributions receivable	(56,910)	66,895
Prepaid expenses, inventory and other assets	(51,611)	(83,499)
Increase (decrease) in:		
Accounts payable and accrued expenses	(316,017)	45,873
Advance ticket sales	318,824	402,879
Deposits and other	167,428	(94,430)
TOTAL ADJUSTMENTS	859,817	852,291
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,047,319	2,525,312
INVESTING ACTIVITIES		
Purchases of equipment	(195,615)	(294,965)
Proceeds from sale of equipment	-	1,700
Purchase of investments	(45,000)	(57,076)
NET CASH USED IN INVESTING ACTIVITIES	(240,615)	(350,341)
FINANCING ACTIVITIES		
Proceeds from long term borrowing	128,806	-
Repayment of notes payable	(192,173)	(176,334)
Repayment of capital lease obligations	-	(239,230)
NET CASH USED IN FINANCING ACTIVITIES	(63,367)	(415,564)
INCREASE IN CASH AND CASH EQUIVALENTS	743,337	1,759,407
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,905,900	4,146,493
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,649,237	$ 5,905,900
OTHER CASH FLOW DISCLOSURES:		
Interest paid during the year	$ 9,727	$ 15,865

See accompanying notes to financial statements.

NOTE 1 - GENERAL

The Tennessee Performing Arts Center Management Corporation (the "Organization"), a not-for-profit organization, was formed in November 1977. In March 1978, the Organization entered into an agreement (the "Agreement") with the State of Tennessee (the "State") and the Tennessee Performing Arts Foundation (the "Foundation") (amended in February 1999). The initial Agreement established the Organization principally for the purpose of presenting quality arts entertainment and education to Tennessee residents through the operation of the Tennessee Performing Arts Center (the "Center" or "TPAC"). The Organization has administrative control over the operations and functions of the Center that is located in the James K. Polk State Office Building, Nashville, Tennessee. The State is responsible for utilities, security services, major repairs, structural elements, fixtures, and the major elements of the sound, lighting and stage rigging in each of the Center's theaters.

Effective January 1, 2009, the operations of Nashville Institute for the Arts (the "Institute") were merged with the Organization. The Institute continues to exist as a separate legal entity but does not have any net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Resources are classified as unrestricted, temporarily restricted or 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 that the principal be invested and the income or specific portions thereof be used for operations. The Organization had no permanently restricted net assets as of June 30, 2015 or 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions 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 restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the 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.

The Organization also receives 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.

The Organization reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with banks except for cash and cash equivalents held in brokerage accounts, which are included in investments.

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. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Continued)

An allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible. Contributions receivable are deemed to be fully collectible by management, and no allowance for uncollectible contributions is considered necessary at June 30, 2015 and 2014. All contributions receivable at June 30, 2015 and 2014 are due within one year.

Account Receivable

The Organization rents the use of the performance theaters and various other staff services to other organizations utilizing the theaters.

Accounts receivable are reported at gross sales price less any applicable payments or adjustments. The Organization does not charge interest on past due accounts. Accounts receivable are deemed to be fully collectible by management, and no allowance for bad debts is considered necessary at June 30, 2015 and 2014.

Prepaid Expenses, Inventory and Other Assets

Prepaid expenses, inventory, and other assets consist primarily of certain marketing and promotional costs and food and beverage supplies pertaining to the following theatre season that are paid for in advance and recognized in the following fiscal year, as well as other miscellaneous assets. Marketing and promotional costs for the years ended June 30, 2015 and 2014 totaled approximately $1,509,000 and $1,392,000, respectively.

Property and Equipment and Depreciation

Property and equipment are recorded at cost at the date of purchase or estimated fair value at the date of gift to the Organization. The Organization's policy is to capitalize acquisitions with a cost of $1,000 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 equipment, thirty years for lobby improvements and ten years for other improvements.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

The Organization classified its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Investments	Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid securities and certain other products, such as mutual funds. If quoted market prices are not available then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified within Level 2 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at June 30, 2015 and 2014.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Donated Materials, Facilities and Services

Significant materials, facilities and services are donated to the Organization by various individuals and organizations. Donated materials and facilities, which amounted to $796,838 in 2015 ($294,654 in 2014), are recorded as revenue and expenses at their estimated fair value at the date of donation.

The Organization has an agreement with the State, under which the State provides theaters and support spaces to the Organization, and the Organization provides enhanced cultural, theatrical and educational opportunities to Tennessee residents. The space provided by the State includes performance halls, all backstage areas, dressing rooms, rehearsal and shop spaces, box office and administrative areas. In addition, the State is responsible for the supply and purchase of utilities, security services and major repairs related to the space. The State also provides janitorial services for the common or public areas, with the Organization responsible for all janitorial services within the theaters and support spaces not designated as common or public areas. No amounts are recorded related to this agreement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advance Ticket Sales

Ticket sale revenues (including handling fees) received prior to the fiscal year to which they apply are reported as advance ticket sales (deferred revenue). Such revenue is recognized and reported in the statement of activities in the year the production is performed or the rental event occurs.

Sales Taxes Collected

Sales taxes collected and remitted to governmental authorities are excluded from sales and costs and presented on a net basis in the financial statements.

Sales Tax Rebate

In accordance with applicable State Statute, the Organization receives a rebate from the State of a portion of sales tax paid, to be used exclusively for facilities maintenance and improvements. Such rebates are recognized and reported in the statement of activities in the period applicable.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

The Organization files a U.S. federal Form 990 for organizations exempt from income tax, and U.S. federal Form 990-T for organizations exempt from income tax with unrelated business income. In addition, the Organization files an income tax return in the State of Tennessee.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provision income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services - Functional Allocation

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

Program Services

TPAC maintains high standards for programming and education activities that benefit the entire community. In addition to offering a diverse season of culturally engaging performances by local and national artists, TPAC provides five distinct programs that provide extended educational services to students and TPAC audiences:

During the 2015 fiscal year, Humanities Outreach in Tennessee (HOT) presented 56 (46 during 2014) professional performances of theater, dance and music for student audiences at TPAC. Subsidized tickets, travel grants and classroom materials were provided to ensure that each student could have access to diverse cultural and educational programs. HOT also provided in-school student workshops, audience discussions, and workshops for teachers which addressed the educational content of each performance. During the 2014-2015 academic year, 20,003 students and teachers from 206 schools attended HOT Season for Young People performances (25,466 students and teachers from 243 schools during the 2013-2014 academic year).

ArtSmart is a classroom-based instruction program that accompanies the HOT Season for Young People. Through ArtSmart, students arrive at the theatre with an expanded capacity to engage with the performance they are about to see. Specialized training enables educators and Teaching Artists to guide arts-based instruction that challenges young people to imagine, to practice, and to reflect. A total of 3,901 students and teachers participated in ArtSmart in 2014-2015 (3,051 students and teachers in 2013-2014). 36 schools received ArtSmart education services at no charge in 2015 (31 schools in 2014).

TPAC's Wolf Trap Early Learning through the Arts program brings arts-based classroom residencies to preschools and Head Start Centers. Teaching Artists and teachers use arts instruction to target early childhood developmental goals and help children learn. A total of 1,171 children and teachers participated in Wolf Trap in 2014-2015 at no charge (1,089 children and teachers in 2013-2014).

InsideOut is for adults who want to grow in their knowledge and enjoyment of the performing arts. The program offers a series of lunch seminars, performance excerpts, discussions, workshops and sneak previews behind the scenes. A total of 3,753 individuals participated in this program during the year at no charge (3,371 individuals during 2014).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

Disney Musicals in Schools (DMIS) develops a culture of musical theatre performance in Metro Nashville elementary schools. The program introduces the collaborative art of musical theatre; strengthens arts programming; develops partnerships among students, faculty, staff and the greater Nashville community. Participating schools receive (at no cost) a performance license to any Disney KIDS musical, ShowKit materials, including directors guides, student scripts, accompaniment and vocal CDs and a choreography DVD, cross-curricular activities; and in-school support from teams of two TPAC teaching artists for 15 weeks. In 2014-2015, 1188 students and 189 educators from 20 Metro Nashville Public Schools took part in the DMIS program (839 students and 114 educators from 15 MNPS schools took in 2013-14.)

Supporting Services

Management and General - relates to the overall direction of the Organization. These expenses 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 the creation and distribution of fundraising materials.

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 based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2015 and November 10, 2015, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - INVESTMENTS

Investments consisted of the following as of June 30:

	2015	2014
Cash and cash equivalents	$ 44,618	$ 47,152
Equity securities	105,054	204,354
Fixed income securities	13,848	35,738
	$ 163,520	$ 287,244

NOTE 4 - FAIR VALUE MEASUREMENTS

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30:

	2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities:				
Large growth	$ 13,211	$ -	$ -	$ 13,211
Mid blend	16,813	-	-	16,813
Large blend	75,030	-	-	75,030
Total equity securities	105,054	-	-	105,054
Fixed income securities:				
World bond	13,848	-	-	13,848
Total fixed income securities	13,848	-	-	13,848
	$ 118,902	$ -	$ -	$ 118,902

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

	2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities:				
Large growth	$ 34,059	$ -	$ -	$ 34,059
Mid blend	36,906	-	-	36,906
Large blend	133,389	-	-	133,389
Total equity securities	204,354	-	-	204,354
Fixed income securities:				
World bond	35,738	-	-	35,738
Total fixed income securities	35,738	-	-	35,738
	$ 240,092	$ -	$ -	$ 240,092

NOTE 5 - PROPERTY AND EQUIPMENT

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

	2015	2014
Lobby improvements	$ 4,925,138	$ 4,925,138
Other improvements	2,382,708	2,337,852
Computers	492,604	508,218
Furniture	345,864	330,902
Equipment	765,060	629,167
Construction in progress	16,222	113,489
	8,927,596	8,844,766
Less accumulated depreciation	(4,406,960)	(4,031,013)
	$ 4,520,636	$ 4,813,753

NOTE 6 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	2015	2014
Note payable to Bank of America for renovations to the theater lobby area, requiring monthly principal payments of $11,703 plus accrued interest. All unpaid principal and interest are due December 1, 2018. Interest is charged at a variable rate based on the 30-day LIBOR fixed rate plus 0.6% (0.78% at June 30, 2015).	$ 491,522	$ 631,955
Note payable to Bank of America, requiring monthly principal payments of $2,992 plus accrued interest. All unpaid principal and interest are due on December 1, 2018. Interest is charged at a variable rate based on the 30-day LIBOR fixed rate plus 1.3% (1.48% at June 30, 2015).	125,651	161,552
Note payable to Bank of America for phone system, requiring monthly principal and interest payments of $2,353. All unpaid principal and interest are due on October 5, 2019. Interest is charged at a per annum rate equal to 3.67%.	112,967	-
	$ 730,140	$ 793,507

The Organization also has a $500,000 operating line of credit with the bank, which bears interest, payable monthly, on the amount borrowed at a variable interest rate based on the BBA LIBOR Daily Floating Rate plus 2.0%. The line of credit matures November 1, 2017, at which time all unpaid principal and accrued interest will be due. There was no outstanding balance on the line of credit as of June 30, 2015 or 2014.

The loan agreement with Bank of America requires maintenance of a specified debt coverage ratio. The Organization was in compliance with this requirement as of June 30, 2015.

NOTE 6 - NOTES PAYABLE (CONTINUED)

A schedule of annual principal maturities of notes payable as of June 30, 2015, follows:

For the year ending June 30,	
2016	$ 200,835
2017	201,750
2018	202,698
2019	115,516
2020	9,341
	$ 730,140

Total interest expense recognized by the Organization for the year ended June 30, 2015, was $9,727 ($15,865 in 2014). Interest expense is reported in the statement of activities under operating costs and expenses and management and general functional expenses.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
Annual fund contributions receivable	$ 118,607	$ 85,495
Philanthropic sponsorship for future Broadway seasons	65,000	40,000
Contributions and contributions receivable restricted for future years programming and/or fundraising events	204,700	195,093
	$ 388,307	$ 320,588

NOTE 8 - LEASES

The Organization leases certain office equipment and a portion of its office space under non-cancelable operating leases. Total rental expense incurred under all such agreements for the year ended June 30, 2015, amounted to approximately $101,000 ($97,000 in 2014).

NOTE 8 - LEASES (CONTINUED)

Future minimum lease commitments under all non-cancelable operating leases in effect as of June 30, 2015, are as follows:

For the year ending June 30,	
2016	$ 88,725
2017	25,752
2018	25,752
2019	25,752
2020	2,874
	$ 168,855

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, accounts receivable and contributions and grants. Contributions receivable consist of individual and corporate contribution pledges. Account receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. At June 30, 2015, receivables from two sources totaled approximately $131,000, or 29% of total receivables. At June 30, 2014, receivables from one source amounted to approximately $265,000, or 49% of total receivables.

Grant revenue from one source totaled approximately $623,000, or 22% of contribution revenue for the year ended June 30, 2015. There were no concentrations of contribution or grant revenues for the year ended June 30, 2014.

The Organization maintains cash accounts at a reputable financial institution whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances generally exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

NOTE 10 - RELATED PARTY TRANSACTIONS

Insurance services for the Organization are provided by an entity where a Board member is employed. Also, legal services for the Organization are provided by one firm where a Board member is employed. Additionally, one Board member is employed with the Organization's primary bank, another Board member is employed by the entity that administers the Organization's 401(k) plan and the Organization occasionally pays artist fees to a firm where another Board member is employed.

NOTE 10 - RELATED PARTY TRANSACTIONS (CONTINUED)

The Foundation is responsible for the management of its Board-designated endowment fund that was established to support the operations of the Organization. The Foundation is governed by a separate Board and annually distributes 5% of the trailing five-year average investment value of the fund to the Organization. For the year ended June 30, 2015, the Foundation distributed $808,595 to the Organization ($771,470 distributed in 2014), which the Organization recognized as income in the year received.

A condensed summary of financial information of the Foundation as of and for the years ended June 30, follows:

	2015	2014
Total Assets	$ 16,836,893	$17,514,400
Total Liabilities	12,427	12,197
Net Assets - Unrestricted	$ 16,824,466	$17,502,203
Total Revenues (Expenses):		
Interest, dividends and capital gain distributions	$ 477,109	$ 361,737
Realized and unrealized gains (losses)	(258,272)	1,577,646
Other income	1,110	1,705
Investment management fees	(77,794)	(75,199)
Endowment distributions to the Organization	(808,595)	(771,470)
Management and general expenses	(11,295)	(17,103)
Change in Net Assets	$ (677,737)	$ 1,077,316

NOTE 11 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

During 1996, Dr. and Mrs. Thomas Frist established two donor-designated endowment funds with the Community Foundation of Middle Tennessee for the benefit of the Organization and the Institute, respectively. Another donor-designated endowment fund was established with the Community Foundation of Middle Tennessee by Mrs. Martha Ingram for the benefit of the Children's Educational Program at Tennessee Performing Arts Center. The Community Foundation of Middle Tennessee has the ultimate authority and control over these Funds and, therefore, these investments are not included in the financial statements of the Organization. Income distributed to the Organization from these funds, which is recognized by the Organization in the year received, amounted to $13,900 during fiscal year 2015 ($13,580 during fiscal year 2014). Total assets held in these funds amounted to $297,019 at June 30, 2015, and $308,345 at June 30, 2014.

NOTE 12 - EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Organization sponsors the Tennessee Performing Arts Center 401(k) Plan (the "Plan") under Section 401(k) of the Internal Revenue Code. All employees of the Organization are eligible to participate upon reaching age 21 and completing one year (1,000 hours) of qualified service, as defined in the Plan. Eligible employees may elect to defer a portion of their compensation through the Plan, not to exceed the allowable amount under Section 401(k). The Organization's contributions to the Plan are at the discretion of the Board of Directors with no minimum contributions guaranteed. The Organization did not make a contribution to the Plan for the year ended June 30, 2015 ($107,334 for the year ended June 30, 2014).

Deferred Compensation Plan

The Corporation has a deferred compensation plan for a member of management and has established a "rabbi trust" for the purpose of accumulating funds applicable thereto. The plan allows for an eligible account, in which the participant is fully vested, and a noneligible account, in which the participant will be eligible to receive the funds upon attaining retirement age, except in the case of death, disability or involuntary termination without cause, in which the balance will be paid to the participant or the participant's estate. During the year ended June 30, 2015, a required distribution from the noneligible account was made in the amount of $163,290. Contributions to the trust by the Corporation were $45,000 and $45,000 for the years ended June 30, 2015 and 2014, respectively. Trust assets are shown as investments in the accompanying statements of financial position, and totaled $163,520 at June 30, 2015 ($287,244, at June 30, 2014). The related liability, equal to the eligible account balance, is included in accounts payable and accrued expenses, and totaled $136,520 at June 30, 2015 ($124,734 at June 30, 2014).

SUPPLEMENTARY INFORMATION

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

SCHEDULE OF COSTS AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015, WITH COMPARATIVE TOTALS FOR 2014

	OPERATING EXPENSES				
	PROGRAMMING AND PRODUCTION	FOOD AND BEVERAGE	OPERATIONS	MARKETING	BOX OFFICE
Artist fees	$ 4,772,422	$ -	$ -	$ -	$ -
Contract labor	772,053	1,306	-	1,200	-
Marketing - programming	888,617	-	-	-	-
Salaries	114,515	147,724	316,411	444,626	247,454
Wages - full-time	-	-	593,774	-	167,426
Wages - part-time	179,139	82,916	25,485	1,201	23,568
Employee related expenses	32,461	42,613	171,880	76,384	77,008
Bad debt expense	-	-	-	-	2,067
Cash (over) and short	-	(236)	(17)	-	209
Concessions supplies	-	279,749	-	-	-
Credit card fees	-	29,042	-	-	270,353
Custodial	54,473	-	23,862	-	-
Depreciation	-	28,616	227,466	6,557	3,626
Dues and subscriptions	5,254	-	599	6,891	30,338
Equipment rentals	18,830	-	-	163	-
Fees-ticketing/bank/other	-	-	-	3,902	-
Insurance	10,781	-	-	-	-
Interest expense	-	-	4,390	-	-
Loss on disposal of equipment	-	-	3,716	-	-
Marketing - institution	26,946	-	-	588,847	1,425
Meals and entertainment	9,852	162	3,873	19,151	676
Miscellaneous expense	5,020	1,471	1,984	24,783	582
Office and computer supplies	-	-	-	-	-
Postage	7	-	-	2,324	11,043
Printing and reproduction	288	-	-	32,419	-
Production costs	228,863	(33)	-	-	-
Promoter profit sharing	60,712	-	-	-	-
Professional consulting	-	343	305	33,809	39,200
Repairs and maintenance	-	1,441	252,566	8,892	4,570
Security	24,040	-	-	-	-
State maintenance expenses	-	-	623,195	-	-
Tech and house supplies	161	708	20,669	-	-
Telephone	3,359	1,748	5,567	5,378	2,826
Transportation grants expense	-	-	-	-	-
Travel - air/hotel/auto	16,544	-	1,664	7,751	2,774
Uniforms and alterations	-	-	750	-	-
Total costs and expenses for the year ended June 30, 2015	$ 7,224,337	$ 617,570	$ 2,278,139	$ 1,264,278	$ 885,145
Total costs and expenses for the year ended June 30, 2014	$ 10,651,571	$ 627,538	$ 1,858,780	$ 852,646	$ 716,449

		PROGRAM SERVICES	SUPPORTING SERVICES			TOTALS	
EVENT SERVICES	TOTAL	EDUCATIONAL PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	2015	2014
$ -	$ 4,772,422	$ 131,936	$ -	$ 5,100	$ 5,100	$ 4,909,458	$ 7,363,793
2,454	777,013	147,995	-	-	-	925,008	1,212,593
(1,650)	886,967	-	-	-	-	886,967	1,213,831
213,784	1,484,514	390,312	1,209,242	332,539	1,541,781	3,416,607	3,394,449
28,039	789,239	-	35,119	-	35,119	824,358	866,101
257,313	569,622	22,869	2,844	3,374	6,218	598,709	666,445
65,248	465,594	68,688	403,031	67,077	470,108	1,004,390	958,358
685	2,752	-	-	1,232	1,232	3,984	7,810
-	(44)	-	1	27	28	(16)	3,812
-	279,749	-	-	-	-	279,749	299,710
2,461	301,856	-	-	7,001	7,001	308,857	395,157
-	78,335	10,360	-	-	-	88,695	151,684
11,606	277,871	1,757	201,912	3,476	205,388	485,016	471,605
2,971	46,053	4,442	29,963	3,421	33,384	83,879	84,658
-	18,993	765	37,480	7,127	44,607	64,365	46,828
-	3,902	-	12,808	-	12,808	16,710	23,738
-	10,781	35	113,786	-	113,786	124,602	120,518
-	4,390	-	5,337	-	5,337	9,727	15,865
-	3,716	-	-	-	-	3,716	12,625
2,232	619,450	-	2,142	301	2,443	621,893	173,284
725	34,439	12,949	14,496	57,331	71,827	119,215	98,674
15	33,855	47,527	96,972	112,197	209,169	290,551	271,481
-	-	-	23,842	-	23,842	23,842	49,325
-	13,374	559	6,607	2,866	9,473	23,406	39,447
-	32,707	6,400	2,760	11,404	14,164	53,271	75,912
70,341	299,171	17,568	-	6,143	6,143	322,882	325,653
9,809	70,521	-	-	-	-	70,521	77,686
25	73,682	5,347	195,315	5,456	200,771	279,800	307,878
3,921	271,390	-	51,916	-	51,916	323,306	281,074
38,351	62,391	3,774	-	1,305	1,305	67,470	97,577
-	623,195	-	-	-	-	623,195	112,947
-	21,538	-	1,511	-	1,511	23,049	56,575
8,481	27,359	5,728	35,466	7,603	43,069	76,156	99,579
-	-	3,432	-	-	-	3,432	8,046
593	29,326	5,982	23,587	1,697	25,284	60,592	97,665
-	750	-	512	-	512	1,262	11,145
$ 717,404	$ 12,986,873	$ 888,425	$ 2,506,649	$ 636,677	$ 3,143,326	$ 17,018,624	
$ 681,653	$ 15,388,637	$ 966,897	$ 2,486,517	$ 651,477	$ 3,137,994		$ 19,493,528

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

GRANT DESCRIPTION	GRANTOR'S NUMBER	ACCRUED (DEFERRED) REVENUE 6/30/14	7/1/14- 6/30/15 RECEIPTS	7/1/14- 6/30/15 EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/15
Tennessee Department of Finance and Administration					
State Maintenance Grant	SBC-529/075-01-2012	$ 19,889	$ 498,285	$ 492,316	$ 13,920
State Maintenance Grant	SBC-529/075-03-2014	-	84,321	130,879	46,558
Total Tennessee Department of Finance and Administration		19,889	582,606	623,195	60,478
Tennessee Arts Commission					
Arts Program Categorical Grants	N/A	-	100,000	100,000	-
Arts Program Categorical Grants	31625-24636	-	-	31,000	31,000
Arts Program Categorical Grants	31625-23397	-	-	5,000	5,000
Arts Program Categorical Grants	31625-35832	-	300	300	-
Total Tennessee Arts Commission		-	100,300	136,300	36,000
TOTAL EXPENDITURES OF STATE AWARDS		$ 19,889	$ 682,906	$ 759,495	$ 96,478

BASIS OF PRESENTATION

The Schedule of Expenditures of State Awards includes the grant activity of the Tennessee Performing Arts Center Management Corporation and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the financial statements.

OTHER REPORT

KraftCPAs PLLC

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Tennessee Performing Arts Center Management Corporation
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tennessee Performing Arts Center Management Corporation (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related noted to the financial statements, and have issued our report thereon dated November 10, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

KraftCPAs PLLC - Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • Phone 615-242-7351 • Fax 615-782-4271 • www.kraftcpas.com

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kraft CPAs PLLC

Nashville, Tennessee
November 10, 2015