

NASHVILLE SHAKESPEARE FESTIVAL

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

(With Independent Auditor's Report Thereon)

NASHVILLE SHAKESPEARE FESTIVAL
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Nashville Shakespeare Festival

We have audited the accompanying financial statements of Nashville Shakespeare Festival (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 Shakespeare Festival as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Patterson Hardee & Ballentine

December 7, 2017

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS

Current Assets:

Cash	\$ 21,918	
Accounts receivable	32,445	
Prepaid insurance	<u>1,644</u>	
Total current assets		\$ 56,007

Assets Whose Use is Limited:

Cash	5,607	
Certificate of deposit	<u>8,279</u>	
Total assets whose use is limited		13,886

Equipment:

Equipment	41,563	
Less: accumulated depreciation	<u>(32,736)</u>	
Total equipment, net		<u>8,827</u>

Total assets		<u><u>\$ 78,720</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 23,569	
Credit card payable	223	
Deferred revenue	<u>2,738</u>	
Total current liabilities		\$ 26,530

Net Assets:

Unrestricted	50,190	
Temporarily restricted	<u>2,000</u>	
Total net assets		<u>52,190</u>

Total liabilities and net assets		<u><u>\$ 78,720</u></u>
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See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Public support:			
Contributions	\$ 304,773	\$ 2,000	\$ 306,773
Total public support	<u>304,773</u>	<u>2,000</u>	<u>306,773</u>
Revenue:			
Grants	103,200	-	103,200
Program fees and tickets	102,840	-	102,840
In-kind donations	126,846	-	126,846
Investment and interest income	28	-	28
Merchandise & concession	21,286	-	21,286
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>354,200</u>	<u>-</u>	<u>354,200</u>
Total public support and revenue	<u>658,973</u>	<u>2,000</u>	<u>660,973</u>
Expenses:			
Program services:			
Workshops and Education	32,175	-	32,175
Winter Shakespeare	150,143	-	150,143
Shakespeare in the Park	253,593	-	253,593
Other	<u>71,535</u>	<u>-</u>	<u>71,535</u>
Total program services	<u>507,446</u>	<u>-</u>	<u>507,446</u>
Supporting services:			
Management and general	104,771	-	104,771
Fundraising	<u>125,207</u>	<u>-</u>	<u>125,207</u>
Total supporting services	<u>229,978</u>	<u>-</u>	<u>229,978</u>
Total expenses	<u>737,424</u>	<u>-</u>	<u>737,424</u>
Increase (decrease) in net assets	(78,451)	2,000	(76,451)
Net assets - beginning of year	<u>128,641</u>	<u>-</u>	<u>128,641</u>
Net assets - end of year	<u>\$ 50,190</u>	<u>\$ 2,000</u>	<u>\$ 52,190</u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER, 30, 2017

	Program Services					Supporting Services		
	<u>Workshops and Education</u>	<u>Winter Shakespeare</u>	<u>Shakespeare in the Park</u>	<u>Other</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 27,417	\$ 63,608	\$ 80,429	\$ 52,301	\$ 223,755	\$ 53,050	\$ 51,965	\$ 328,770
Employee benefits and payroll taxes	2,202	15,728	19,826	5,169	42,925	5,425	5,054	53,404
Bank charges and ticket fees	221	3,540	5	-	3,766	413	3,602	7,781
Bad debt	-	-	-	-	-	1,182	-	1,182
Dues, subscriptions and fees	-	-	-	150	150	610	500	1,260
In-kind expenses	187	24,220	71,323	-	95,730	4,503	26,613	126,846
General liability and workers' compensation	-	-	-	6,641	6,641	2,656	-	9,297
Interest	-	-	-	-	-	1,268	-	1,268
Marketing and publications	711	5,386	9,155	2,633	17,885	17,014	11,297	46,196
Meals and entertainment	69	-	155	-	224	43	9,406	9,673
Merchandising and promotional items	-	-	-	-	-	-	8,672	8,672
Miscellaneous	-	-	-	-	-	549	197	746
Productions contractors	100	31,059	43,389	400	74,948	-	200	75,148
Production costs	193	6,602	26,604	264	33,663	(1,670)	2,838	34,831
Postage	-	-	-	-	-	23	1,548	1,571
Professional services	-	-	-	-	-	7,400	-	7,400
Rent	1,000	-	2,522	3,705	7,227	2,780	2,780	12,787
Office supplies and expenses	75	-	-	-	75	1,193	38	1,306
Telephone	-	-	185	272	457	1,685	497	2,639
Total expenses before depreciation	32,175	150,143	253,593	71,535	507,446	98,124	125,207	730,777
Depreciation	-	-	-	-	-	6,647	-	6,647
Total program and supporting services	<u>\$ 32,175</u>	<u>\$ 150,143</u>	<u>\$ 253,593</u>	<u>\$ 71,535</u>	<u>\$ 507,446</u>	<u>\$ 104,771</u>	<u>\$ 125,207</u>	<u>\$ 737,424</u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Cash Flows From Operating Activities:

Decrease in net assets	\$	(76,451)
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Adjustments to reconcile decrease in net assets
to net cash used in operating activities:

Depreciation	\$	6,647
Changes in:		
Accounts receivable		540
Prepaid insurance		(236)
Assets whose use is limited		(2,033)
Accounts payable		(1,029)
Prepaid Expenses		223
Deferred revenue		2,418
Total adjustments		6,530
Net cash used in operating activities		(69,921)

Cash Flows From Financing Activities:

Net change in line of credit	(25,000)	
Net cash used in financing activities		(25,000)

Net decrease in cash		(94,921)
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Cash - beginning of year		116,839
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Cash - end of year	\$	21,918
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SUPPLEMENTAL INFORMATION

Total interest paid for the year ending September 30, 2017, was \$1,268.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - Summary of Significant Accounting Policies

a. **Nature of Activities and Program Descriptions**

The Nashville Shakespeare Festival (the "Festival") is a nonprofit organization, incorporated on September 12, 1988. The Festival's mission is to educate and entertain the Mid-South community through professional Shakespearean experiences. The Festival accomplishes its mission through unifying and enriching the community with bold, innovative and relevant productions along with empowering, participatory educational programs, setting the community standard of excellence in educational outreach and performances of Shakespeare's plays. The Festival's signature programs are Shakespeare in the Park and Winter Shakespeare. Shakespeare in the Park is an annual free, outdoor, family-friendly event attended by 12,000-15,000 people per year. Winter Shakespeare is an annual production in residence at Belmont University attended by 6,000 people per year, half of them school groups, many of which also receive in-school outreach services. The Festival produces a variety of outreach opportunities for schools, institutions, and the general public including workshops, artists in residence, and travelling performances. The major sources of our funding 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, our net assets and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations which may or will be met, either by our actions and/or the passage of time. Restrictions which 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 which are maintained permanently by us. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. There are no permanently restricted net assets at September 30, 2017.

c. **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, The Festival 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, 2017, there were no cash equivalents.

d. **Accounts Receivable**

The Festival reports accounts receivable, net of an allowance for doubtful accounts, at the amount which represents management's estimate of the amount that ultimately will be realized. The Festival reviews the adequacy of its allowance for uncollectible accounts on an ongoing basis, using historical payment trends, as well as review of specific accounts, and makes adjustments in the allowance as necessary. Management determined that no allowance for doubtful accounts was necessary at September 30, 2017.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

e. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. The Festival does not imply time restrictions on contributions of long-lived assets. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for props, costumes, and repairs and maintenance are charged to expense as incurred. It is The Festival's policy to capitalize purchases of fixed assets with a value of \$500 or more and have a useful life greater than one year.

The Festival retains the title to all of our long-lived assets. None of the long-lived assets were purchased with restricted assets, has been pledged as collateral or is subject to legal limitations on use or disposal.

f. Revenue Recognition

Revenue is earned primarily from donor contributions, service fees, ticket sales and from grants from the state and local government organizations and other private organizations. Cash contributions from donors are recognized when received. Revenue from service fees and ticket sales are recognized when the related programing is completed. Revenue from grants generally require the submission of reimbursement requests before funds are disbursed. Grant revenue is recognized as these expenses are incurred.

In-kind donations are recorded based on their estimated fair value at the date of donation.

g. Income Tax Status

The Festival is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and classified as an organization which 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. The Festival does not believe there are any uncertain tax positions or any unrelated business income, which would be subject to federal taxes.

h. 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.

i. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

j. 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.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

k. Advertising

Advertising is expensed as incurred. Total advertising expense for the year ended September 30, 2017, was \$46,196.

NOTE 2 - Certificate of Deposit

The Festival has a Certificate of Deposit in the amount of \$8,279 at the Actors Federal Credit Union. It bears an annual interest rate of .10% and matures November 26, 2017. See NOTE 4.

NOTE 3 - Accounts Receivable

At September 30, 2017, accounts receivable consisted of the following:

Grants receivable	\$ 20,140
Other receivable	<u>12,305</u>
	<u>\$ 32,445</u>

NOTE 4 - Assets Whose Use is Limited

The certificate of deposit and a portion of our cash, which total \$13,886, are required to be restricted for the actors' pay while a play is running by the Actor's Equity Association. After the play is concluded, the certificate of deposit and cash are released by the Actor's Equity Association.

NOTE 5 - Line of Credit

The Festival has a \$50,000 revolving line of credit with First Tennessee Bank that renews automatically every year. The revolving line of credit bears interest at a variable interest rate (8.25% at September 30, 2017), and is unsecured. The Festival owed \$0 under the line at September 30, 2017.

NOTE 6 - Deferred Revenue

At September 30, 2017, The Festival had deferred revenue in the amount of \$2,738 for presale tickets relating to events.

NOTE 7 - Leases

The Festival leases office space from Nashville Public Television which expires on June 30, 2019. The Festival may also enter into other short term leases for rehearsal or storage space. Total rent expense for the year ending September 30, 2017, was \$12,787 for the office space and storage unit and \$7,875 in production equipment rental.

The following is a schedule of future minimum lease payments:

<u>Year Ending</u> <u>September 30,</u>	
2018	\$ 10,518
2019	<u>7,001</u>
Total	<u>\$ 17,519</u>

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 8 - Insurance

The Festival finances insurance premiums through a third party at an annual rate of 7.92%. The Festival made a down payment of \$1,977, and the outstanding premium of \$7,047 is payable in ten consecutive payments during the next fiscal year.

The policy period is August 20, 2017 to August 20, 2018. The Festival has not booked a prepaid insurance asset for the entire amount of the premiums and a corresponding liability for the amount of premiums financed. The right to off-set exists and The Festival has netted these two amounts in the prepaid asset. Insurance expense and interest expense will be recorded as the premium payments are made.

NOTE 9 - Concentrations

At September 30, 2017, 53% of our total payables were due to four vendors and 62% of our total receivables were due from two grantors.

NOTE 10 - In-kind Contributions

The Festival receives various in-kind gifts and donations which are recorded as revenue at fair market value and fully expensed when received. The donated goods included rental equipment, marketing items, software, building materials, and venue rentals for the performances. Donated services included advertising, public relations, legal, media production, and graphic design. The donated goods and services were used for both the winter and summer theater productions, along with professional services donated for general and administrative uses. The total amount of the revenue and expense recognized for the fiscal year was \$126,846.

NOTE 11 - Temporarily Restricted Net Assets

At September 30, 2017, the Festival had assets whose use was restricted as follows:

Education Sponsorships	\$ <u>2,000</u>
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NOTE 12 - Subsequent Events

We have evaluated events subsequent to the year ending September 30, 2017 and December 7, 2017, the date that the financial statements were available to be issued, we are not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

December 7, 2017

To the Board of Directors
of Nashville Shakespeare Festival

We have audited the financial statements of Nashville Shakespeare Festival ("the Organization") for the year ended September 30, 2017, and have issued our report thereon dated December 7, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 14, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Nashville Shakespeare Festival are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the in-kind revenue and expense is based on estimate values of the goods or services donated. We evaluated the key factors and assumptions used to develop the in-kind revenue and expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure in Note 1 to the financial statements explaining the basis of allocation of functional expenses into their appropriate functional categories.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures, was corrected by management: payroll accrual and in-kind revenue and expense. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 7, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors of Nashville Shakespeare Festival and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Patterson Hande & Bellentine

September 30, 2017

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate, ☐ do ☒ do not cause the financial statements taken as a whole to be materially misstated.