

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2016 AND 2015**

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
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BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the 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 the Nashville Academy Theatre and Nashville Children's Theatre Association (the "Academy"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, (collectively, 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.

Auditors' 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 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 the auditors' 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 Academy'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 Academy'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, 2016 and 2015, 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

January 24, 2017

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	2016	2015
ASSETS		
Cash	\$ 228,166	\$ 136,279
Restricted certificate of deposit	20,309	20,068
Accounts receivable, net	3,778	2,466
Contributions receivable, net - capital, legacy and annual	101,721	132,600
Contributions receivable - facilities use	74,333	74,333
Prepaid expenses and other	33,963	25,555
Property and equipment, net	3,243,782	3,458,358
Beneficial interest in agency endowment funds held by Community Foundation of Middle Tennessee	<u>245,192</u>	<u>258,693</u>
TOTAL ASSETS	<u><u>\$ 3,951,244</u></u>	<u><u>\$ 4,108,352</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 24,344	\$ 26,243
Accrued expenses	24,117	31,459
Deferred revenues	<u>120,548</u>	<u>125,809</u>
TOTAL LIABILITIES	<u>169,009</u>	<u>183,511</u>
NET ASSETS		
Unrestricted	3,378,106	3,538,317
Temporarily restricted	117,149	94,486
Permanently restricted	<u>286,980</u>	<u>292,038</u>
TOTAL NET ASSETS	<u>3,782,235</u>	<u>3,924,841</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,951,244</u></u>	<u><u>\$ 4,108,352</u></u>

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

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES AND SUPPORT		
Revenues		
Admissions (net of discounts and scholarships of (2016 - \$126,237; 2015 - \$155,952))	\$ 650,385	\$ 632,632
Theatre academy (net of discounts and scholarships of (2016 - \$65,674; 2015 - \$67,180))	339,722	302,867
Concessions and merchandise (net of direct costs of: (2016 - \$16,849; 2015 - \$16,025))	4,543	7,023
Contracted services	11,233	27,953
Total Revenues	<u>1,005,883</u>	<u>970,475</u>
Support		
Contributions	297,676	350,332
Government grants and support	267,705	272,451
Benefit events (net of direct expenses of 2016 - \$12,165; 2015 - \$17,523)	17,339	31,433
Net assets released from restrictions	81,833	151,803
Total Support	<u>664,553</u>	<u>806,019</u>
Interest income	<u>148</u>	<u>30</u>
TOTAL REVENUES, SUPPORT AND RECLASSIFICATIONS	<u>1,670,584</u>	<u>1,776,524</u>
UNRESTRICTED FUNCTIONAL EXPENSES		
Program services		
Production costs	1,090,796	1,200,186
Educational expenses	437,588	439,320
Supporting services		
General and administrative expenses	244,360	235,021
Fundraising expenses	<u>58,051</u>	<u>64,064</u>
TOTAL UNRESTRICTED FUNCTIONAL EXPENSES	<u>1,830,795</u>	<u>1,938,591</u>
Decrease in unrestricted net assets	<u>(160,211)</u>	<u>(162,067)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Donated facilities usage	74,333	74,333
Contributions	30,163	36,800
Net assets released from restrictions	<u>(81,833)</u>	<u>(151,803)</u>
Increase (decrease) in temporarily restricted net assets	<u>22,663</u>	<u>(40,670)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	8,443	-
Change in value of beneficial interest in agency endowment funds held by Community Foundation of Middle Tennessee	<u>(13,501)</u>	<u>(7,010)</u>
Decrease in permanently restricted net assets	<u>(5,058)</u>	<u>(7,010)</u>
DECREASE IN NET ASSETS	(142,606)	(209,747)
NET ASSETS - BEGINNING OF YEAR	<u>3,924,841</u>	<u>4,134,588</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,782,235</u></u>	<u><u>\$ 3,924,841</u></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, 2016**

	Program services		Supporting services		Total
	Production	Educational	General and Administrative	Fundraising	
Salaries	\$ 474,896	\$ 213,884	\$ 113,962	\$ 43,096	\$ 845,838
Fringe benefits	138,260	33,786	19,026	3,770	194,842
	<u>613,156</u>	<u>247,670</u>	<u>132,988</u>	<u>46,866</u>	<u>1,040,680</u>
Depreciation	146,298	67,523	11,254	-	225,075
Rent	49,100	24,550	8,183	-	81,833
Professional services	15,081	7,733	44,741	3,425	70,980
Utilities	40,047	20,023	6,674	-	66,744
Advertising and public relations	43,826	13,839	-	-	57,665
Royalties	44,333	706	-	-	45,039
Production materials	33,895	5,848	-	-	39,743
Printing	18,619	7,144	2,572	2,993	31,328
Ticketing fees	21,185	9,079	-	-	30,264
Insurance	17,758	8,879	2,960	-	29,597
Supplies	13,322	4,127	10,110	382	27,941
Custodial services	16,440	8,220	2,740	-	27,400
Software and licensing	9,669	5,601	2,204	-	17,474
Equipment rental and maintenance	4,987	2,493	831	-	8,311
Postage	306	705	5,796	1,110	7,917
Travel and registrations	1,239	2,100	2,586	1,981	7,906
Bad debts	-	-	6,124	-	6,124
Hospitality	764	408	1,444	1,205	3,821
Subscriptions and dues	404	-	2,407	89	2,900
Employment screening	367	940	746	-	2,053
Interest	-	-	-	-	-
	<u>\$ 1,090,796</u>	<u>\$ 437,588</u>	<u>\$ 244,360</u>	<u>\$ 58,051</u>	<u>\$ 1,830,795</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, 2015**

	Program services		Supporting services		Total
	Production	Educational	General and Administrative	Fundraising	
Salaries	\$ 482,959	\$ 199,254	\$ 120,719	\$ 41,372	\$ 844,304
Fringe benefits	140,312	37,730	24,728	9,705	212,475
	<u>623,271</u>	<u>236,984</u>	<u>145,447</u>	<u>51,077</u>	<u>1,056,779</u>
Depreciation	159,658	73,688	12,281	-	245,627
Rent	44,600	22,300	7,433	-	74,333
Professional services	59,637	7,233	17,142	2,084	86,096
Utilities	39,136	19,567	6,523	-	65,226
Advertising and public relations	70,321	22,206	-	-	92,527
Royalties	57,062	-	-	-	57,062
Production materials	24,330	2,044	-	-	26,374
Printing	19,265	8,822	2,523	4,362	34,972
Ticketing fees	19,286	8,201	-	-	27,487
Insurance	18,726	9,363	3,121	-	31,210
Supplies	11,229	9,373	9,753	3,589	33,944
Custodial services	16,440	8,220	2,740	-	27,400
Software and licensing	16,782	4,807	3,506	296	25,391
Equipment rental and maintenance	4,387	2,194	731	-	7,312
Postage	385	907	8,809	1,438	11,539
Travel and registrations	10,974	1,786	3,034	118	15,912
Bad debts	-	-	3,500	-	3,500
Hospitality	4,002	625	1,267	1,027	6,921
Subscriptions and dues	544	-	2,514	73	3,131
Employment screening	151	1,000	660	-	1,811
Interest	-	-	4,037	-	4,037
	<u>\$ 1,200,186</u>	<u>\$ 439,320</u>	<u>\$ 235,021</u>	<u>\$ 64,064</u>	<u>\$ 1,938,591</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, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (142,606)	\$ (209,747)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	225,075	245,627
Donation of property and equipment	-	(20,601)
Change in value of beneficial interest in agency endowment funds	13,501	7,010
Decrease (increase) in		
Restricted certificate of deposit	(241)	(20)
Accounts receivable	(1,312)	3,573
Contributions receivable	30,879	90,691
Prepaid expenses and other	(8,408)	(5,080)
Increase (decrease) in		
Accounts payable	(1,899)	(748)
Accrued expenses	(7,342)	1,127
Deferred revenues	(5,261)	18,882
	<u>102,386</u>	<u>130,714</u>
Net Cash Provided By Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	<u>(10,499)</u>	<u>(5,193)</u>
Net Cash Used By Investing Activities	<u>(10,499)</u>	<u>(5,193)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments on line of credit	-	(42,000)
Capital campaign contributions collected	<u>-</u>	<u>10,000</u>
Net Cash Used By Financing Activities	<u>-</u>	<u>(32,000)</u>
Net Increase in Cash	91,887	93,521
CASH - BEGINNING OF YEAR	<u>136,279</u>	<u>42,758</u>
CASH - END OF YEAR	<u>\$ 228,166</u>	<u>\$ 136,279</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	<u>\$ -</u>	<u>\$ 4,037</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, 2016 AND 2015**

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 accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Contributions

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 statements of activities and changes in net assets as net assets released from restrictions.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (continued)

Contributions 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. Revenue received in advance is recorded as deferred revenues on the statements of financial position and recognized as revenue in the year in which it is earned.

Cash

Cash consists of checking and money market deposits held in financial institutions.

Investments

Investments are reported at fair value. Realized and unrealized gains and losses on investments are recognized in current period operations.

Property and Equipment and Depreciation

It is the Academy's policy to capitalize all property and equipment over \$1,000. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities and changes in net assets for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets ranging from five to twenty-five years and computed on the straight-line method.

Agency Endowment Funds

The Academy's beneficial interest in agency endowment funds held by the Community Foundation of Middle Tennessee is recognized as an asset. Investment income and changes in the value of the funds are recognized in the statements of activities and changes in net assets, 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, 2016 AND 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation Leave

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

Accounting principles generally accepted in the United States of America require the management to evaluate tax positions taken by the Academy and recognize a tax liability (or asset) if the Academy has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Academy and has concluded that as of June 30, 2016, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Academy is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2012.

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 hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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, NAADAQ or Chicago Board of Trade).

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

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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.

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 agency endowment funds - The agency endowment funds held by the Community Foundation of Middle Tennessee ("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 agency endowment funds is classified within Level 3 of the valuation hierarchy (see Note 7).

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

NOTE 3 - RESTRICTED CERTIFICATE OF DEPOSIT

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 4 - RECEIVABLES

Accounts receivable are reported net of an allowance for doubtful accounts of \$1,200 for 2016. There was no allowance for doubtful accounts deemed necessary at June 30, 2015.

Contributions receivable are summarized as follows:

	2016	2015
Government grants	\$ 64,905	\$ 38,665
Legacy of Laughter campaign	40,616	68,995
Annual giving and other	1,000	100
Foundation/corporate grants	<u>-</u>	<u>24,840</u>
	106,521	132,600
Less allowance for doubtful accounts	<u>(4,800)</u>	<u>-</u>
	<u><u>\$ 101,721</u></u>	<u><u>\$ 132,600</u></u>

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 4 - RECEIVABLES (CONTINUED)

Scheduled expected collections of contributions receivable are as follows:

Year Ending June 30,

2017	\$ 86,993
2018	11,437
2019	<u>3,291</u>
	<u>\$ 101,721</u>

Contributions receivable for facility use consists of the fair value of one year's ensuing rent totaling \$74,333. As more fully described in Note 11, the Academy has in-kind leasing arrangements with the Metropolitan Government of Nashville and Davidson County for its operational and performance space.

NOTE 5 - INVESTMENTS

The Academy's policy is to liquidate investments as soon as practical after the donation of investment securities is received. Occasionally, the Academy will have investment securities on the statements of financial position that have not been liquidated at year end. There were no significant investments as of June 30, 2016 and 2015.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2016	2015
Building improvements	\$ 5,074,765	\$ 5,074,765
Theatre equipment	207,519	204,919
Furniture and fixtures	<u>223,303</u>	<u>215,404</u>
	5,505,587	5,495,088
Less accumulated depreciation	<u>(2,261,805)</u>	<u>(2,036,730)</u>
	<u>\$ 3,243,782</u>	<u>\$ 3,458,358</u>

Depreciation expense was \$225,075 and \$245,627 for 2016 and 2015, respectively.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 7 - AGENCY ENDOWMENT FUNDS

The Academy has a beneficial interest in two agency endowment funds held by the Community Foundation of Middle Tennessee (the "CFMT"). 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 the CFMT, and the CFMT has the ultimate authority and control over the Fund and the income derived there from. The fund is charged a .4% administrative fee annually. Upon request by the Academy, income from the fund 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 contributor.

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

	2016	2015
Balance – beginning of year	<u>\$ 258,693</u>	<u>\$ 265,703</u>
Change in value of beneficial interest:		
Contributions	-	375
Investment (loss) gain	(4,528)	2,167
Grants paid out	(7,900)	(8,300)
Administrative expenses	<u>(1,073)</u>	<u>(1,252)</u>
	<u>(13,501)</u>	<u>(7,010)</u>
Balance – end of year	<u>\$ 245,192</u>	<u>\$ 258,693</u>

NOTE 8 - LEASING ARRANGEMENTS

The land and building occupied by the Academy is leased through the year 2018 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. The Lessor also provides an in-kind donation for utilities and custodial services (see Note 11).

A contribution receivable and corresponding temporarily 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, 2016 AND 2015**

NOTE 8 - LEASING ARRANGEMENTS (CONTINUED)

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

2017	\$ 6,336
2018	<u>2,978</u>
Total	<u>\$ 9,314</u>

Rental expense for this office equipment was \$6,336 for the years ended June 30, 2016 and 2015.

NOTE 9 - LINE OF CREDIT

The Academy has a maximum \$250,000 unsecured line of credit arrangement with a financial institution. Interest on outstanding borrowings is payable monthly at the three-month London Interbank Offered Rate ("LIBOR") plus 3.0% per annum, with a minimum rate of 4.5%. The arrangement expires August 28, 2017. There was no outstanding balance at June 30, 2016 and 2015.

NOTE 10 - RESTRICTED NET ASSETS

The temporary restrictions on net assets at June 30, are as follows:

	2016	2015
Facilities use	\$ 74,333	\$ 74,333
Time restricted pledges and grants	<u>42,816</u>	<u>20,153</u>
	<u>\$ 117,149</u>	<u>\$ 94,486</u>

Permanently restricted net assets consisted of the following at June 30:

	2016	2015
Beneficial interests in agency endowment funds	\$ 245,192	\$ 258,693
Legacy of Laughter Endowment	<u>41,788</u>	<u>33,345</u>
	<u>\$ 286,980</u>	<u>\$ 292,038</u>

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 11 - IN-KIND CONTRIBUTIONS

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

	2016	2015
Included in unrestricted contributions/ property and equipment		
Theatre equipment	\$ -	\$ 20,601
Included in unrestricted contributions/ expenses		
Utilities	56,500	56,500
Advertising	29,999	45,850
Custodial	27,400	27,400
Printing	841	1,836
Other	472	-
Software	-	2,198
Website consulting	-	1,500
Included in restricted contributions/expenses		
Rent	74,333	74,333
Included in benefit events income/expenses		
Prizes, fees and materials	<u>3,700</u>	<u>5,930</u>
	<u>\$ 193,245</u>	<u>\$ 236,148</u>

Additionally, in-kind contributions for auction items were received and recorded as assets that totaled \$3,135 and \$3,147 for 2016 and 2015, respectively. These assets were subsequently sold during fundraising events with the proceeds recorded in special events income.

NOTE 12 - 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 \$15,337 and \$19,068 for the years ended June 30, 2016 and 2015, respectively.

**NASHVILLE ACADEMY THEATRE AND
NASHVILLE CHILDREN'S THEATRE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015**

NOTE 13 - 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 14 - EVALUATION OF SUBSEQUENT EVENTS

The Academy has evaluated subsequent events through January 24, 2017, which is the date the financial statements were available to be issued.