

TENNESSEE PERFORMING ARTS CENTER
MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2010

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Tennessee Performing Arts Center Management Corporation (the "Organization") as of June 30, 2010 and 2009, the related statement of activities for the year ended June 30, 2010, and the statements of cash flows for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information in the statement of activities has been derived from the Organization's June 30, 2009 financial statements and, in our report dated November 6, 2009, we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Performing Arts Center Management Corporation as of June 30, 2010 and 2009, the changes in its net assets for the year ended June 30, 2010, and its cash flows for the years ended June 30, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional information on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nashville, Tennessee
October 15, 2010

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,500,529	\$ 7,030,489
Receivables:		
Accounts	260,245	318,166
Contributions, net of allowance - Note 2	169,644	91,387
Prepaid expenses, inventory and other assets	568,797	378,553
Property and equipment, less accumulated depreciation - Note 4	<u>5,648,881</u>	<u>5,349,052</u>
 TOTAL ASSETS	 <u>\$ 11,148,096</u>	 <u>\$ 13,167,647</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 853,353	\$ 830,568
Advance ticket sales	2,148,269	5,555,945
Deposits and other	206,681	157,592
Interest rate swap liability - Note 6	-	1,809
Capital lease obligations - Note 10	1,085,033	784,502
Notes payable - Note 6	<u>1,498,845</u>	<u>1,675,180</u>
 TOTAL LIABILITIES	 <u>5,792,181</u>	 <u>9,005,596</u>
 COMMITMENTS AND CONTINGENCIES - Note 10		
 <u>NET ASSETS</u>		
Unrestricted:		
Invested in property and equipment, net of related debt	3,370,156	3,230,424
Undesignated	<u>1,678,681</u>	<u>790,590</u>
Total unrestricted	5,048,837	4,021,014
Temporarily restricted - Note 3	<u>307,078</u>	<u>141,037</u>
 TOTAL NET ASSETS	 <u>5,355,915</u>	 <u>4,162,051</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 11,148,096</u>	 <u>\$ 13,167,647</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010 (WITH COMPARATIVE TOTALS FOR 2009)

	Unrestricted	Temporarily Restricted	Totals	
			2010	2009
OPERATING REVENUE				
Ticket sales	\$ 8,802,475	\$ -	\$ 8,802,475	\$ 6,706,932
Rental income	560,048	-	560,048	478,761
Salary and wage reimbursements	625,830	-	625,830	583,530
Other reimbursements	235,418	-	235,418	131,845
Concession sales	561,276	-	561,276	468,395
Ticketing service charges and fees	1,588,558	-	1,588,558	1,165,302
Consulting income	-	-	-	50,000
Sponsorships - earned	155,300	-	155,300	153,750
Sales tax rebate	539,182	-	539,182	-
Other income	61,471	-	61,471	121,725
TOTAL OPERATING REVENUE	13,129,558	-	13,129,558	9,860,240
OPERATING COSTS AND EXPENSES				
Programming and production	7,227,537	-	7,227,537	5,948,300
Concessions	373,708	-	373,708	347,027
Operations	2,034,984	-	2,034,984	1,962,594
Marketing	814,885	-	814,885	822,214
Box office	632,899	-	632,899	528,905
Event services	637,623	-	637,623	676,797
TOTAL OPERATING COSTS AND EXPENSES	11,721,636	-	11,721,636	10,285,837
INCOME (LOSS) FROM OPERATIONS	1,407,922	-	1,407,922	(425,597)
PUBLIC SUPPORT AND OTHER REVENUES				
Contributions	1,122,916	267,078	1,389,994	1,304,110
Sponsorships - philanthropic	-	40,000	40,000	42,500
Grants	645,996	-	645,996	719,394
Income from Foundation - Note 9	894,230	-	894,230	943,385
Interest income	951	-	951	7,498
Net assets released from restrictions	141,037	(141,037)	-	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	2,805,130	166,041	2,971,171	3,016,887
FUNCTIONAL EXPENSES				
Program services:				
Educational programs	803,292	-	803,292	850,339
Supporting services:				
Management and general	1,921,838	-	1,921,838	1,506,997
Fundraising	460,099	-	460,099	594,327
Total Supporting services	2,381,937	-	2,381,937	2,101,324
TOTAL FUNCTIONAL EXPENSES	3,185,229	-	3,185,229	2,951,663
CHANGE IN NET ASSETS	1,027,823	166,041	1,193,864	(360,373)
NET ASSETS - BEGINNING OF YEAR	4,021,014	141,037	4,162,051	4,522,424
NET ASSETS - END OF YEAR	\$ 5,048,837	\$ 307,078	\$ 5,355,915	\$ 4,162,051

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,193,864	\$ (360,373)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	364,528	347,549
Loss on disposal of equipment	781	-
(Gain) loss on derivative financial instrument	(1,809)	169
(Increase) decrease in:		
Accounts receivable	123,015	(36,373)
Contributions receivable	(78,257)	58,390
Prepaid expenses, inventory and other assets	(190,244)	(66,513)
Increase (decrease) in:		
Accounts payable and accrued expenses	53,021	146,061
Advance ticket sales	(3,407,676)	3,842,177
Deposits and other	49,089	(68,232)
TOTAL ADJUSTMENTS	(3,087,552)	4,223,228
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,893,688)	3,862,855
INVESTING ACTIVITIES		
Proceeds from sale of equipment	3,480	-
Purchases of equipment	(668,618)	(794,177)
NET CASH USED IN INVESTING ACTIVITIES	(665,138)	(794,177)
FINANCING ACTIVITIES		
Payment of prior year accounts payable for ticketing software and equipment acquisition	(30,236)	-
Repayment of notes payable	(176,335)	(176,335)
Proceeds from draws under capital lease arrangement	398,840	535,209
Repayment of capital lease obligations	(163,403)	(91,806)
NET CASH PROVIDED BY FINANCING ACTIVITIES	28,866	267,068
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,529,960)	3,335,746
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	7,030,489	3,694,743
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,500,529	\$ 7,030,489
OTHER CASH FLOW DISCLOSURES:		
Interest paid during the year	\$ 103,853	\$ 62,986
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired under capital lease	\$ -	\$ 194,165
Accounts payable for ticketing software and equipment installation in progress	\$ -	\$ 30,236
Undrawn capital lease proceeds held by lender	\$ 121,786	\$ -
Undrawn capital lease proceeds applied to obligation	\$ 56,692	\$ -

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 theatres.

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.

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, 2010 or 2009.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 1 - 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 consists of demand deposits with banks.

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.

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.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account Receivable

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

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, 2010 and 2009.

Prepaid Expenses, Inventory and Other Assets

Prepaid expenses, inventory, and other assets consist primarily of certain marketing and promotional costs and concessions supplies pertaining to the following theater 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, 2010 and 2009 totaled approximately \$959,000 and \$1,091,000, 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 purchases with a cost of \$500 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.

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 \$416,662 in 2010 (\$384,121 in 2009), 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 theatres 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 theatres and support spaces not designated as common or public areas.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 1 - 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.

On July 1, 2009, the Organization adopted new guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. The adoption of this guidance did not have a material effect on the Organization's financial position and change in net assets.

As of June 30, 2010 and 2009, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

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. Tax returns for years prior to fiscal year 2007 are closed.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Derivatives

Prior to June 30, 2010, the Organization utilized a derivative financial instrument to manage its interest rate exposure by reducing the impact of fluctuating interest rates on its debt service requirements. Derivatives are recognized as either assets or liabilities in the statement of financial position at estimated fair value. Changes in the fair value of derivatives are recognized currently in the statement of activities as a gain or loss and reported in operating costs and expenses. This financial instrument terminated during the 2010 fiscal year.

Program and Supporting Services

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 four distinct programs that provide extended educational services to students and TPAC audiences:

During the 2010 fiscal year, Humanities Outreach in Tennessee (HOT) presented 39 (42 during 2009) professional performances of theater, dance and music for student audiences at TPAC in addition to one in-school tour and one off-site show. 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 2009 - 2010 academic year, 31,652 students and teachers from 204 schools attended HOT Season for Young People performances (28,622 students and teachers from 220 schools during the 2008-2009 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 5,157 students and teachers participated in ArtSmart in 2009-2010 (5,949 students and teachers in 2008-2009). Fifteen schools from Davidson County received ArtSmart education services at no charge in 2010 (27 schools in 2009).

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

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 1,089 children and teachers participated in Wolf Trap in 2009-2010 at no charge (1,026 children and teachers in 2008-2009).

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 3,124 individuals participated in this program during the year at no charge (2,959 individuals during 2009).

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 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 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.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a Replacement of FASB Statement No. 162*. This statement modifies the Generally Accepted Accounting Principles ("GAAP") hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (the "Codification") is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission. Nonauthoritative guidance and literature include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issues Papers and Technical Practice Aids, and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2010 and October 15, 2010, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Unrestricted	\$ 2,567	\$ 350
Temporarily restricted	<u>167,077</u>	<u>91,037</u>
Total	<u>\$ 169,644</u>	<u>\$ 91,387</u>

All contributions receivable were due within one year as of June 30, 2010 and 2009.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Annual fund contributions receivable	\$ 76,378	\$ 91,037
Philanthropic sponsorship for future Broadway seasons	40,000	42,500
Contributions and contributions receivable restricted for future years programming and/or fundraising events	<u>190,700</u>	<u>7,500</u>
	<u>\$ 307,078</u>	<u>\$ 141,037</u>

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Lobby improvements	\$ 4,925,138	\$ 4,857,272
Other improvements	2,048,783	971,127
Ticketing software and equipment installation in progress	-	796,550
Computers	455,170	379,014
Furniture	332,551	299,764
Equipment	<u>633,048</u>	<u>575,308</u>
	8,394,690	7,879,035
Less accumulated depreciation	<u>(2,745,809)</u>	<u>(2,529,983)</u>
	<u>\$ 5,648,881</u>	<u>\$ 5,349,052</u>

Total depreciation expense for 2010 amounted to \$364,528 (2009 - \$347,549). Property and equipment include fully depreciated items with original costs totaling approximately \$1,094,000 as of June 30, 2010 (\$1,080,000 as of June 30, 2009).

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, and various contributions, grants and accounts receivable. Contributions receivable consist of individual and corporate contribution pledges. Grant and account receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. At June 30, 2010, receivables from two sources totaled approximately \$127,000, or 29% of total receivables. At June 30, 2009, receivables from one source amounted to approximately \$170,000, or 42% of total receivables.

Combined grants from one source amounted to \$351,437, or 18% of total contribution and grant revenues for the year ended June 30, 2010 (\$398,447, or 20% of total contribution and grant revenues for the year ended June 30, 2009).

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. As of June 30, 2010, the Organization had approximately \$4,200,000 of uninsured cash.

NOTE 6 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Note payable to Bank of America for renovations to the theatre 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 .6% (0.95% at June 30, 2010; 0.92% at June 30, 2009).	(1) \$ 1,193,692	\$ 1,334,126
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% (1.65% at June 30, 2010; 1.62% at June 30, 2009).	<u>305,153</u>	<u>341,054</u>
	<u>\$ 1,498,845</u>	<u>\$ 1,675,180</u>

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 6 - NOTES PAYABLE (CONTINUED)

- (1) In connection with this note, the Organization had an interest rate swap agreement to lessen interest rate exposure. The agreement created a minimum LIBOR rate of 2.9% and a maximum of 7.9%. Therefore, the effective rate floated, to the extent LIBOR reset itself, between 3.5% and 8.5%. The interest rate swap was applicable to an original notional amount of \$2,500,000 at February 1, 2003, which reduced by a monthly amount of \$30,120 through February 1, 2010, at which time the swap agreement terminated. Since the swap agreement ended, no value was recorded in the statement of financial position as of June 30, 2010 (a liability of \$1,809, equal to the fair value of the swap agreement, was recognized at June 30, 2009); a related gain on hedging activity, which amounted to \$1,809 for the year ended June 30, 2010 (\$169 loss for the year ended June 30, 2009), was recognized in the cost of operations.

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 February 28, 2011, 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, 2010 or 2009.

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, 2010.

A schedule of annual principal maturities of notes payable as of June 30, 2010, follows:

For the year ending June 30,

2011	\$ 176,335
2012	176,335
2013	176,335
2014	176,335
2015	176,335
Thereafter	<u>617,170</u>
	<u>\$ 1,498,845</u>

Total interest expense recognized by the Organization for the year ended June 30, 2010, was \$103,853 (\$62,986 in 2009). Interest expense is reported in the statement of activities under operating costs and expenses.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 7 - EMPLOYEE BENEFIT PLAN

The Organization sponsors the Tennessee Performing Arts Center Defined Contribution Retirement Plan (the "Plan") under Section 403(b) of the Internal Revenue Code. All full-time employees of the Organization are eligible to participate upon reaching age 19 and completing 90 days 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 403(b). The Organization's contributions to the Plan are at the discretion of the Board of Directors with no minimum contributions guaranteed. The Organization made contributions to the Plan of approximately \$15,000 and \$183,000 for the years ended June 30, 2010 and 2009, respectively. Subsequent to year end, the Organization terminated the 403(b) plan and replaced it with a 401(k) plan with the same basic terms.

NOTE 8 - 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 \$4,800 during fiscal year 2010 (\$5,900 during fiscal year 2009). Total assets held in these funds amounted to \$92,374 at June 30, 2010, and \$82,624 at June 30, 2009.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Organization contracts with a company that employed one of the Organization's Board members (until retiring from the company in 2010), for parking and related services, for which the Organization's employees and patrons pay directly. Telephone service for the Organization is provided by a company that employs another Board member. During the year ended June 30, 2010, approximately \$110,000 was paid to this company (approximately \$64,000 for the year ended June 30, 2009). Legal services for the Organization are provided from time to time by a company that employs another Board member. During the year ended June 30, 2010, approximately \$7,000 was paid to this company (\$-0- for the year ended June 30, 2009). Additionally, one Board member is employed with the Organization's primary bank, and a Board member is employed by a company to which the Organization pays music license fees.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 9 - 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, 2010, the Foundation distributed \$894,230 to the Organization (\$943,385 distributed in 2009), 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:

	<u>2010</u>	<u>2009</u>
Total Assets	\$ 14,599,967	\$13,811,366
Total Liabilities	<u>22,669</u>	<u>22,340</u>
Net Assets - Unrestricted	<u>\$ 14,577,298</u>	<u>\$13,789,026</u>
Total Revenues (Expenses):		
Interest, dividends, and capital gain distributions	\$ 317,700	\$ 481,216
Realized and unrealized gains (losses)	1,482,818	(3,913,027)
Other income	4,204	446
Investment management fees	(96,536)	(92,746)
Grants to the Organization	(894,230)	(943,385)
Management and general expenses	<u>(25,684)</u>	<u>(24,403)</u>
Change in Net Assets	<u>\$ 788,272</u>	<u>\$ (4,491,899)</u>

NOTE 10 - 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, 2010, amounted to approximately \$75,000 (\$90,000 in 2009).

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

NOTE 10 - LEASES (CONTINUED)

On April 1, 2009, the Organization purchased certain new ticketing software and equipment and financed the acquisition through a lender under an arrangement structured as a capital lease. The lease allowed the Organization to draw up to \$1,250,000 for the project and requires monthly payments of \$24,684 beginning May 1, 2009, until the outstanding balance is repaid. At June 30, 2010, the balance of draws, net of repayments, amounted to \$995,485 (\$666,035 in 2009). The project was completed and placed in service during the 2010 fiscal year. Upon completion of the project, an undrawn balance under the agreement of \$121,786 was held by the lender to be applied against subsequent monthly lease payments. At June 30, 2010, the remaining balance of \$65,094 is included in accounts receivable.

During 2008, the Organization entered into a capital lease for a phone system. Monthly payments of \$2,548 are required through June 2013. The aggregate cost of assets recorded under both capital leases is included in property and equipment and totaled \$1,400,474 at June 30, 2010 (\$943,484 at June 30, 2009). Depreciation on assets placed in service is included in depreciation expense.

Future minimum lease commitments under all non-cancelable leases in effect as of June 30, 2010, are as follows:

<u>For the year ending June 30,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
2011	\$ 20,400	\$ 326,795
2012	20,400	326,795
2013	20,400	326,795
2014	20,400	246,846
2015	6,950	-
Thereafter	<u>1,065</u>	<u>-</u>
	<u>\$ 89,615</u>	1,227,231
Less: imputed interest at 1.58% and 6.89%		<u>142,198</u>
Net minimum lease payments		<u>\$ 1,085,033</u>

ADDITIONAL INFORMATION

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

SCHEDULE OF COSTS AND EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010, WITH COMPARATIVE TOTALS FOR 2009

	<u>OPERATING EXPENSES</u>				
	<u>PROGRAMMING AND PRODUCTION</u>	<u>CONCESSIONS</u>	<u>OPERATIONS</u>	<u>MARKETING</u>	<u>BOX OFFICE</u>
Artist fees	\$ 5,196,083	\$ -	\$ -	\$ -	\$ -
Contract labor	755,271	-	1,100	1,400	-
Marketing - programming	732,118	-	-	214	-
Salaries	67,153	38,608	329,008	330,961	197,662
Wages - full time	-	55,604	555,184	24,446	201,706
Wages - part time	76,052	54,929	53,138	10,020	40,047
Employee related expenses	17,518	23,059	161,868	72,429	80,980
HRA expense	-	-	-	-	-
Bad debt expense	-	-	-	1,100	-
Cash (over) and short	-	519	-	143	4,572
Concessions supplies	-	179,989	-	-	-
Credit card fees	240,826	9,622	-	-	-
Custodial	44,250	-	57,791	-	-
Depreciation	-	7,976	204,915	21,456	1,115
Dues and subscriptions	3,453	-	4,736	10,149	24,747
Equipment rentals	7,988	-	80	-	-
Fees-ticketing/bank/other	-	-	-	679	311
Freight and shipping	-	-	-	-	-
Insurance	587	-	-	-	-
Interest expense	-	-	103,853	-	-
(Gain) loss on derivative financial instrument	-	-	(1,809)	-	-
Loss on disposal of equipment	-	-	-	-	-
Loss on other assets	-	-	1,695	-	-
Marketing - institution	-	235	-	199,144	2,445
Meals and entertainment	3,820	260	1,463	18,518	469
Miscellaneous expense	620	34	1,245	29,106	28,717
Office and computer supplies	-	-	-	74	827
Postage	171	-	-	10,607	-
Presenter share	2,871	-	-	-	-
Printing and reproduction	1,802	442	541	34,635	6,472
Production costs	45,056	-	-	122	-
Professional consulting	502	-	2,966	24,500	34,713
Repairs and maintenance	-	1,004	156,267	3,799	654
Security	16,791	-	-	139	-
State maintenance expenses	-	-	351,186	-	-
Tech and house supplies	304	1,089	34,107	-	-
Telephone	1,244	160	4,171	1,324	3,647
Transportation grants expense	-	-	-	-	-
Travel - air/hotel/auto	13,057	5	3,356	19,920	3,815
Uniforms and alterations	-	173	8,123	-	-
Total costs and expenses for the year ended June 30, 2010	<u>\$ 7,227,537</u>	<u>\$ 373,708</u>	<u>\$ 2,034,984</u>	<u>\$ 814,885</u>	<u>\$ 632,899</u>
Total costs and expenses for the year ended June 30, 2009	<u>\$ 5,948,300</u>	<u>\$ 347,027</u>	<u>\$ 1,962,594</u>	<u>\$ 822,214</u>	<u>\$ 528,905</u>

		PROGRAM SERVICES		SUPPORTING SERVICES					
EVENT SERVICES	TOTAL	EDUCATIONAL PROGRAMS	MANAGEMENT AND		FUNDRAISING	TOTAL	TOTALS		
			GENERAL				2010	2009	
\$ -	\$ 5,196,083	\$ 149,975	\$ -	\$ 1,344	\$ 1,344	\$ 5,347,402	\$ 4,292,887		
930	758,701	114,261	-	-	-	872,962	643,965		
-	732,332	14,414	107	2,035	2,142	748,888	905,059		
169,633	1,133,025	296,687	908,362	213,765	1,122,127	2,551,839	2,427,271		
26,197	863,137	-	33,866	14,249	48,115	911,252	814,723		
242,852	477,038	24,532	1,827	3,365	5,192	506,762	523,040		
65,685	421,539	54,231	213,890	36,742	250,632	726,402	861,183		
-	-	-	46,917	-	46,917	46,917	-		
-	1,100	-	-	500	500	1,600	23,486		
-	5,234	-	2	-	2	5,236	(422)		
-	179,989	-	-	100	100	180,089	155,636		
33,560	284,008	122	221	6,224	6,445	290,575	218,826		
-	102,041	12,515	-	-	-	114,556	87,927		
3,903	239,365	6,625	110,758	7,780	118,538	364,528	347,549		
2,685	45,770	4,639	17,921	4,740	22,661	73,070	52,173		
-	8,068	655	37,486	5,498	42,984	51,707	65,170		
-	990	815	8,769	-	8,769	10,574	15,577		
-	-	-	-	-	-	-	16		
-	587	-	87,681	-	87,681	88,268	88,645		
-	103,853	-	-	-	-	103,853	62,986		
-	(1,809)	-	-	-	-	(1,809)	169		
-	-	-	781	-	781	781	-		
-	1,695	-	-	-	-	1,695	-		
7,983	209,807	-	176	162	338	210,145	186,403		
1,689	26,219	4,981	10,418	41,462	51,880	83,080	114,295		
338	60,060	38,892	62,849	91,820	154,669	253,621	176,467		
-	901	-	35,345	-	35,345	36,246	13,387		
-	10,778	8,653	26,992	1,719	28,711	48,142	29,650		
-	2,871	-	-	-	-	2,871	2,352		
2,009	45,901	5,710	4,032	6,007	10,039	61,650	62,433		
8,725	53,903	10,770	-	4,004	4,004	68,677	101,778		
1,564	64,245	3,600	154,860	-	154,860	222,705	144,039		
3,410	165,134	-	39,772	8,068	47,840	212,974	134,704		
57,668	74,598	2,367	-	1,253	1,253	78,218	74,787		
-	351,186	-	-	-	-	351,186	398,447		
780	36,280	-	14,600	-	14,600	50,880	13,795		
4,480	15,026	5,176	82,072	5,012	87,084	107,286	82,987		
-	-	5,604	-	-	-	5,604	6,372		
3,532	43,685	38,068	22,134	4,250	26,384	108,137	109,383		
-	8,296	-	-	-	-	8,296	355		
<u>\$ 637,623</u>	<u>\$ 11,721,636</u>	<u>\$ 803,292</u>	<u>\$ 1,921,838</u>	<u>\$ 460,099</u>	<u>\$ 2,381,937</u>	<u>\$ 14,906,865</u>			
<u>\$ 676,797</u>	<u>\$ 10,285,837</u>	<u>\$ 850,339</u>	<u>\$ 1,506,997</u>	<u>\$ 594,327</u>	<u>\$ 2,101,324</u>		<u>\$ 13,237,500</u>		