

STUDIO TENN THEATRE COMPANY

Financial Statements

July 31, 2014 and 2013

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

STUDIO TENN THEATRE COMPANY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to the Financial Statements	5 - 7

INDEPENDENT AUDITORS' REPORT

Board of Directors of
Studio Tenn Theatre Company:

We have audited the accompanying financial statements of Studio Tenn Theatre Company (the "Organization") which are comprised of the statements of financial position as of July 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 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 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 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 Studio Tenn Theatre Company as of July 31, 2014 and 2013, 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.

Lattimore Black Morgan & Cain, P.C.

Brentwood, Tennessee
December 20, 2014

STUDIO TENN THEATRE COMPANY

Statements of Financial Position

July 31, 2014 and 2013

Assets

	<u>2014</u>	<u>2013</u>
Cash	\$ 76,542	\$ 31,004
Accounts receivable	16,347	8,900
Prepaid expenses	<u>25,923</u>	<u>15,087</u>
	<u>\$ 118,812</u>	<u>\$ 54,991</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 5,464	\$ 7,065
Deferred revenue	143,042	-
Note payable	<u>10,000</u>	<u>-</u>
Total liabilities	158,506	7,065
Unrestricted net assets (deficit)	<u>(39,694)</u>	<u>47,926</u>
	<u>\$ 118,812</u>	<u>\$ 54,991</u>

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY

Statements of Activities

Years ended July 31, 2014 and 2013

	<u>Unrestricted</u>	
	<u>2014</u>	<u>2013</u>
Support and revenues:		
Ticket sale revenue	\$ 673,169	\$ 621,455
Contributions	248,981	166,873
Other revenue	<u>250</u>	<u>2,107</u>
Total support and revenues	<u>922,400</u>	<u>790,435</u>
Program services:		
Salaries	270,008	189,409
Contract labor	162,439	197,594
Production supplies	<u>302,833</u>	<u>262,061</u>
Total program services	<u>735,280</u>	<u>649,064</u>
Supporting services:		
Payroll and benefits	92,210	65,442
Marketing	56,344	32,570
Fees, taxes and licenses	32,998	18,908
Rent	60,572	17,731
Travel	9,339	7,312
Supplies and office expenses	21,029	29,895
Interest	<u>2,248</u>	<u>-</u>
Total supporting services	<u>274,740</u>	<u>171,858</u>
Total expenses	<u>1,010,020</u>	<u>820,922</u>
Change in net assets	(87,620)	(30,487)
Net assets at beginning of year	<u>47,926</u>	<u>78,413</u>
Net assets (deficit) at end of year	\$ <u>(39,694)</u>	\$ <u>47,926</u>

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY

Statements of Cash Flows

Years ended July 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ (87,620)	\$ (30,487)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in operating assets:		
Accounts receivable	(7,447)	(5,700)
Prepaid expenses	(10,836)	(15,087)
Increase in operating liabilities -		
Accounts payable and accrued expenses	(1,601)	4,431
Deferred revenue	<u>143,042</u>	<u>-</u>
Total adjustments	<u>123,158</u>	<u>(16,356)</u>
Net cash provided (used) by operating activities	<u>35,538</u>	<u>(46,843)</u>
Cash flows from financing activities -		
Proceeds from notes payable	<u>10,000</u>	<u>-</u>
Net cash provided by financing activities	<u>10,000</u>	<u>-</u>
Increase (decrease) in cash	45,538	(46,843)
Cash at beginning of year	<u>31,004</u>	<u>77,847</u>
Cash at end of year	<u>\$ 76,542</u>	<u>\$ 31,004</u>

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY

Notes to the Financial Statements

July 31, 2014 and 2013

(1) Nature of activities

Studio Tenn Theatre Company (the "Organization"), was incorporated in 2009 to use a rich combination of talent from Nashville and Broadway to bring classic works of drama and musical theatre to life in Middle Tennessee; and, to provide innovative educational programs designed to entertain, educate and inspire the rising artists of our unique community.

(2) Summary of significant accounting policies

The financial statements of the Organization are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

There were no temporarily or permanently restricted net assets based on donor-imposed restrictions as of July 31, 2014 and 2013.

(b) Accounts receivable

The Organization 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 Organization 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. At July 31, 2014 and 2013, the allowance for doubtful accounts was zero.

STUDIO TENN THEATRE COMPANY

Notes to the Financial Statements

July 31, 2014 and 2013

(c) Income taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the financial statements. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions which are material to the financial statements.

As of July 31, 2014 and 2013, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Organization files a U.S. Federal information tax return. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service for years subsequent to July 31, 2010.

(d) Revenue recognition

Individual ticket revenue is recorded after each performance. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

(e) Deferred revenue

Proceeds received from ticket sales related to shows to be held in future years are shown as deferred revenue until the event has occurred. The costs related to these shows are not expensed until the show occurs.

Deferred revenue at July 31, 2014 consists primarily of tickets sales for shows that will occur in fiscal year 2015.

(f) Donated goods and services

Donated goods and services are recognized at the fair value of items received at the time of donation. The Organization received in-kind contributed office space of \$30,000 during 2014.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

STUDIO TENN THEATRE COMPANY

Notes to the Financial Statements

July 31, 2014 and 2013

(g) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which 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.

(h) Reclassifications

Certain reclassifications have been made to the 2013 financial statements in order for them to conform to the 2014 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(i) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between July 31, 2014 and December 20, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No such events or transactions were noted requiring recognition or disclosure in the financial statements.

(3) Note payable and line of credit

During 2014, the Organization entered into a note agreement of \$10,000 with an individual. The note bears interest at a fixed rate of 2.14% per year. Principal and unpaid interest are due on March 1, 2015.

The Organization has a line of credit available with a bank for \$50,000 at July 31, 2014. The line of credit bears interest at a variable rate (6.00% at July 31, 2014) and is secured by all business assets of the Organization. No borrowings were outstanding under this line at July 31, 2014. In November 2014, the line of credit was renewed and the available amount on the line was increased to \$100,000 and the variable interest rate was changed to 1.10% plus the prime rate, with a floor of 4.75%.

(4) Lease commitments

The Organization entered into a lease agreement for office space with a monthly payment of \$1,500. The lease expired in September 2014. During 2014, the Organization began utilizing office space on a month-to-month basis. Rent expense under all leases for 2014 and 2013 totaled \$53,675 and \$9,470, respectively.

(5) Related party transactions

During fiscal year 2014, an employee loaned the Organization \$22,500. The loan did not require interest payments and was fully repaid prior to July 31, 2014.