STUDIO TENN THEATRE COMPANY

Financial Statements

July 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

LBMC MAKE A GOOD BUSINESS BETTER

STUDIO TENN THEATRE COMPANY

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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 comprise the statements of financial position as of July 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 polices 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LBMC, PC

Brentwood, Tennessee
January 7, 2016

STUDIO TENN THEATRE COMPANY

Statements of Financial Position

July 31, 2015 and 2014

Assets

	2015	2014
Cash	$ 100,277	$ 76,542
Accounts receivable	-	16,347
Prepaid expenses	22,333	25,923
	$ 122,610	$ 118,812

Liabilities and Net Deficit

	2015	2014
Line of credit	$ 67,000	$ -
Accounts payable and accrued expenses	16,220	5,464
Deferred revenue	166,893	143,042
Note payable	10,000	10,000
Total liabilities	260,113	158,506
Unrestricted net deficit	(137,503)	(39,694)
	$ 122,610	$ 118,812

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY

Statements of Activities

Years ended July 31, 2015 and 2014

Unrestricted

	2015	2014
Support and revenues:		
Ticket sale revenue	$ 722,559	$ 673,169
Contributions	315,675	248,981
Other revenue	3,624	250
Total support and revenues	1,041,858	922,400
Program services:		
Salaries	330,014	270,008
Contract labor	222,744	162,439
Production supplies	244,844	302,833
Total program services	797,602	735,280
Supporting services:		
Payroll and benefits	84,087	92,210
Marketing	54,469	56,344
Fees, taxes and licenses	57,844	32,998
Rent	87,477	60,572
Travel	8,400	9,339
Supplies and office expenses	49,788	21,029
Interest	-	2,248
Total supporting services	342,065	274,740
Total expenses	1,139,667	1,010,020
Change in net deficit	(97,809)	(87,620)
Net deficit at beginning of year	(39,694)	47,926
Net deficit at end of year	$ (137,503)	$ (39,694)

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY

Statements of Cash Flows

Years ended July 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net deficit	$ (97,809)	$ (87,620)
Adjustments to reconcile change in net deficit to net cash provided (used) by operating activities:		
(Increase) decrease in operating assets:		
Accounts receivable	16,347	(7,447)
Prepaid expenses	3,590	(10,836)
Increase (decrease) in operating liabilities -		
Accounts payable and accrued expenses	10,756	(1,601)
Deferred revenue	23,851	143,042
Total adjustments	54,544	123,158
Net cash provided (used) by operating activities	(43,265)	35,538
Cash flows from financing activities:		
Proceeds from line of credit, net	67,000	-
Proceeds from notes payable	-	10,000
Net cash provided by financing activities	67,000	10,000
Increase in cash	23,735	45,538
Cash at beginning of year	76,542	31,004
Cash at end of year	$ 100,277	$ 76,542

See accompanying notes to the financial statements.

(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, 2015 and 2014.

(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, 2015 and 2014, management determined that no allowance for doubtful accounts was necessary.

(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, 2015 and 2014, 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, 2012.

(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, 2015 and 2014 consists primarily of tickets sales for shows that will occur in fiscal year 2016 and 2015, respectively.

(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 $74,050 and $30,000 in 2015 and 2014, respectively.

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.

(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) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between July 31, 2015 and January 7, 2016, 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 was due on March 1, 2015, but the individual extended the maturity and the note is now due on demand.

The Organization has a line of credit available with a bank for $100,000 at July 31, 2015. The line of credit bears interest at a variable rate of 1.10% plus the prime rate, with a floor of 4.75% (4.75% at July 31, 2015) and is secured by all business assets of the Organization. Borrowings outstanding under this line at July 31, 2015 were $67,000. The line of credit matures in November 2017.

(4) Lease commitments

The Organization entered into a lease agreement prior to 2014 for office space with a monthly payment of $1,500. The lease expired in September 2014. During fiscal year 2014, the Organization began utilizing in-kind contributed office space on a month-to-month basis. The Organization also leases certain storage space on month to month arrangements. Rent expense under all leases for 2015 and 2014 totaled $87,477 and $60,572, 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.