

2015
Financial Statements
With
Auditor's Letters

NASHVILLE SHAKESPEARE FESTIVAL

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

(With Independent Auditor's Report Thereon)

NASHVILLE SHAKESPEARE FESTIVAL
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Audited Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10
Schedule of Expenditures of Federal Awards	11



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Nashville Shakespeare Festival

We have audited the accompanying financial statements of the Nashville Shakespeare Festival (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nashville Shakespeare Festival as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Patterson Hande & Bellantine

December 10, 2015

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2015

ASSETS

Current Assets:

Cash	\$ 55,820	
Accounts receivable	23,638	
Prepaid insurance	<u>2,163</u>	
Total current assets		\$ 81,621

Assets Whose Use is Limited:

Cash	7,532	
Certificate of deposit	<u>8,203</u>	
Total assets whose use is limited		15,735

Equipment:

Equipment	40,776	
Less: accumulated depreciation	<u>(23,474)</u>	
Total equipment, net		<u>17,302</u>

Total assets		<u><u>\$ 114,658</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 1,907	
Deferred revenue	<u>3,043</u>	
Total current liabilities		\$ 4,950

Net Assets:

Unrestricted	93,973	
Temporarily restricted	<u>15,735</u>	
Total net assets		<u>109,708</u>

Total liabilities and net assets		<u><u>\$ 114,658</u></u>
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NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue:			
Public support:			
Contributions	\$ 267,568	\$ 5,514	\$ 273,082
Total public support	<u>267,568</u>	<u>5,514</u>	<u>273,082</u>
Revenue:			
Grants	124,780	-	124,780
Program fees and tickets	95,710	-	95,710
In-kind donations	573,259	-	573,259
Investment and interest income	51	-	51
Net assets released from restrictions	<u>7,000</u>	<u>(7,000)</u>	<u>-</u>
Total revenue	<u>800,800</u>	<u>(7,000)</u>	<u>793,800</u>
Total public support and revenue	<u>1,068,368</u>	<u>(1,486)</u>	<u>1,066,882</u>
Expenses:			
Program services:			
Workshops and Education	39,945	-	39,945
Winter	439,518	-	439,518
Shakespeare in the Park	334,080	-	334,080
Other	<u>65,148</u>	<u>-</u>	<u>65,148</u>
Total program services	<u>878,691</u>	<u>-</u>	<u>878,691</u>
Supporting services:			
Management and general	70,212	-	70,212
Fundraising	<u>81,983</u>	<u>-</u>	<u>81,983</u>
Total supporting services	<u>152,195</u>	<u>-</u>	<u>152,195</u>
Total expenses	<u>1,030,886</u>	<u>-</u>	<u>1,030,886</u>
Increase (decrease) in net assets	37,482	(1,486)	35,996
Net assets - beginning of year	56,763	16,949	73,712
Transfer of net assets	<u>(272)</u>	<u>272</u>	<u>-</u>
Net assets - end of year	<u>\$ 93,973</u>	<u>\$ 15,735</u>	<u>\$ 109,708</u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER, 30, 2015

	Program Services					Supporting Services		
	<u>Workshops and Education</u>	<u>Winter</u>	<u>Shakespeare in the Park</u>	<u>Other</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 34,139	\$ 50,912	\$ 54,874	\$ 48,322	\$ 188,247	\$ 37,036	\$ 30,627	\$ 255,910
Employee benefits and payroll taxes	2,758	14,727	16,016	8,127	41,628	7,458	6,909	55,995
Bank charges and ticket fees	256	3,013	-	7	3,276	125	1,575	4,976
Dues, subscriptions and fees	-	-	-	-	-	522	500	1,022
In-kind expenses	-	336,037	213,377	-	549,414	6,139	17,706	573,259
General liability and workers' compensation	-	-	-	3,962	3,962	3,690	-	7,652
Interest	-	-	-	-	-	704	-	704
Marketing and publications	81	4,548	7,286	783	12,698	184	5,775	18,657
Merchandising and promotional items	179	54	98	-	331	-	12,220	12,551
Miscellaneous	353	-	-	13	366	132	140	638
Productions contractors	-	21,148	27,450	108	48,706	-	-	48,706
Production costs	369	9,079	12,591	-	22,039	-	1,910	23,949
Postage	20	-	-	-	20	101	1,490	1,611
Professional services	-	-	-	-	-	3,450	-	3,450
Rent	1,700	-	1,901	3,605	7,206	1,948	2,704	11,858
Office supplies and expenses	90	-	143	39	272	681	64	1,017
Telephone	-	-	344	182	526	1,411	363	2,300
Total expenses before depreciation	39,945	439,518	334,080	65,148	878,691	63,581	81,983	1,024,255
Depreciation	-	-	-	-	-	6,631	-	6,631
Total program and supporting services	<u>\$ 39,945</u>	<u>\$ 439,518</u>	<u>\$ 334,080</u>	<u>\$ 65,148</u>	<u>\$ 878,691</u>	<u>\$ 70,212</u>	<u>\$ 81,983</u>	<u>\$ 1,030,886</u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Cash Flows From Operating Activities:

Increase in net assets	\$	35,996
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Adjustments to reconcile increase in net assets

to net cash provided by operating activities:

Depreciation	\$	6,631
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Changes in:

Accounts receivable	25,533
Prepaid insurance	(755)
Assets whose use is limited	1,214
Accounts payable	(1,769)
Deferred revenue	3,043

Total adjustments		33,897
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Net cash provided by operating activities		69,893
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Cash Flow From Investing Activities:

Purchase of equipment	(2,516)	
Net cash used in investing activities		(2,516)

Cash Flows From Financing Activities:

Net change in line of credit	(24,000)	
Net cash used in financing activities		(24,000)

Net increase in cash		43,377
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Cash - beginning of year		12,443
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Cash - end of year		\$ 55,820
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SUPPLEMENTAL INFORMATION

Total interest paid for the year ending September 30, 2015, was \$704.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - Summary of Significant Accounting Policies

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

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

b. **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations which may or will be met, either by our actions and/or the passage of time. Restrictions which are fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which are maintained permanently by us. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. There are no permanently restricted net assets at September 30, 2015.

c. **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Festival considers all unrestricted cash, certificates of deposit and investment instruments purchased with original maturities of three months or less to be cash equivalents. At September 30, 2015, there were no cash equivalents.

At September 30, 2015, the Festival has one certificate of deposit, which expires on November 29, 2015, which earns interest at .65% per year. The certificate of deposit will automatically renew for another six month period.

d. **Accounts Receivable**

The Festival reports accounts receivable, net of an allowance for doubtful accounts, at the amount which represents management's estimate of the amount that ultimately will be realized. The Festival reviews the adequacy of its allowance for uncollectible accounts on an ongoing basis, using historical payment trends, as well as review of specific accounts, and makes adjustments in the allowance as necessary. Management determined that no allowance for doubtful accounts was necessary at September 30, 2015.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

h. Property and Equipment

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

The Festival retains the title to all of our long-lived assets. No long-lived assets were purchased with restricted assets, have been pledged as collateral or are subject to legal limitations on use or disposal.

The Festival rents most of its props and costumes. Props and costumes that are purchased are not capitalized as fixed assets in accordance with generally accepted accounting principles. All costume and props are deemed to have a useful life of less than one year and are expensed when incurred. Management believes the understatement of our fixed assets are immaterial and incidental to the financial statements as a whole.

h. Revenue Recognition

Revenue is earned primarily from donor contributions, services fee and ticket sales and from grants from the State of Tennessee, the Metropolitan Government of Nashville and Davidson County, Tennessee and other private organizations. Cash contributions from donors are recognized when received. Revenue from services fees and ticket sales are recognized when the related programming is completed. Revenue from grants generally require the submission of reimbursement requests before funds are disbursed. Grant revenue is recognized as these expenses are incurred.

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

i. Income Tax Status

The Festival is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and classified as an organization which is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. Management does not believe there are any uncertain tax positions. Further, management does not believe that the festival has any unrelated business income, which would be subject to federal taxes. The Festival is not subject to examination by U.S. federal or state taxing authorities for years before 2011.

j. Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

k. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions, which affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

I. Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

NOTE 2 - Certificate of Deposit

The Festival has a Certificate of Deposit in the amount of \$8,203 at the Actors Federal Credit Union. It bears an annual interest rate of .65% and matures November 29, 2015. See NOTE 4.

NOTE 3 - Accounts Receivable

At September 30, 2015, accounts receivable consisted of the following:

Grants receivable	\$ 16,336
Other receivable	<u>7,302</u>
	<u>\$ 23,638</u>

NOTE 4 - Assets Whose Use is Limited

The certificate of deposit and a portion of the Festival's cash, which total \$10,221, are required to be restricted for the actors' pay while a play is running by the Actor's Equity Association. After the play is concluded, the certificate of deposit and cash are released by the Actor's Equity Association. For the year ended September 30, 2015, the Festival transferred \$272 from unrestricted net assets to temporarily restricted net assets for the play to be performed in the year ending September 30, 2016.

The Festival also received \$5,514 restricted for a future period. That amount will be released in the next fiscal year.

NOTE 5 - Line of Credit

The Festival has a \$50,000 revolving line of credit with a bank. The revolving line of credit bears interest at variable interest rate (7.25% at September 30, 2015), matures September 15, 2016 and is unsecured. The Festival did not owe any amounts under the line at September 30, 2015.

NOTE 6 - Deferred Revenue

At September 30, 2015, we had deferred revenue in the amount of \$3,043 for presale tickets relating to events.

NOTE 7 - Leases

The Festival leases office space from Nashville Public Television under two lease agreements, which expire on December 31, 2015. The Festival may also enter into other short term leases for rehearsal or storage space. Total rent expense for the year ending September 30, 2015, was \$15,733. The following is a schedule of future minimum lease payments:

<u>Year Ending</u> <u>September 30,</u>	
2016	\$ 9,056
2017	<u>2,264</u>
Total	<u>\$ 11,320</u>

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 8 - Insurance

The Festival finances insurance premiums through Premium Assignment Corporation at an annual rate of 6.92%. A down payment of \$1,482.20 was made during 2015, and the outstanding premium of \$5,928.80 is payable in nine consecutive payments during the next fiscal year.

The policy period is August 20, 2015 to August 20, 2016. The Festival has not booked a prepaid insurance asset for the entire amount of the premiums and a corresponding liability for the amount of premiums financed. The right to off-set exists and these two amounts have been netted in the prepaid asset. Insurance expense and interest expense will be recorded as the premium payments are made.

NOTE 9 - Net Assets

At September 30, 2015, the Festival had assets whose use was restricted as follows:

Actors' Equity Association Equity Security	\$ 10,221
Grants for future year productions	<u>5,514</u>
	<u>\$ 15,735</u>

NOTE 10 - Concentrations

At September 30, 2015, 83% of total receivables were due from two grantors and one customer.

NOTE 11 - In-kind Contributions

The Festival receives various in-kind gifts and donations, which are recorded as revenue at fair market value and fully expensed when received. The donated goods included rental equipment, marketing items, software, building materials, and venue rentals for the performances. Donated services included advertising, public relations, legal, media production, and graphic design. The donated goods and services were used for both the winter and summer theater productions, along with professional services donated for general and administrative uses. The total amount of the revenue and expense recognized for the fiscal year was \$573,259. Of this amount, \$461,916, represents advertising slots provided by Comcast.

NOTE 12 - Employee Benefits

We provide a Health Reimbursement Plan (HRP) to our permanent full time employees. The plan is allowable under the Affordable Care Act and is designed to offer reimbursement for health insurance premiums only.

NOTE 13 - Subsequent Events

We have evaluated events subsequent to the year ending September 30, 2015. As of December 10, 2015, the date the financial statements were available to be issued, no events subsequent to the Statement of Financial Position date are considered necessary to be included in the financial statements for the year ended September 30, 2015.

NASHVILLE SHAKESPEARE FESTIVAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor Pass-Through Grantor Grant Program Title	CFDA Number	Contract Number	Expenditures
<u>Federal Awards</u>			
National Endowment for the Arts			
Direct			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	15-3200-7227	\$ 15,000
Midwest Arts	45.024	14-5200-7161	25,000
TOTAL FEDERAL AWARDS			\$ 40,000

Basis of Presentation:

Note 1: This schedule was prepared on an accrual basis



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

December 10, 2015

To the Board of Directors
of the Nashville Shakespeare Festival

We have audited the financial statements of The Nashville Shakespeare Festival for the year ended September 30, 2015, and have issued our report thereon dated December 10, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 26, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Nashville Shakespeare Festival are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements, detected as a result of audit procedures, were corrected by management: temporarily restricted net assets, in-kind revenue and expenses, deferred revenues, cash, prepaid rent, and depreciation.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Very truly yours,

Patterson Harder & Bellentine