

STUDIO TENN THEATRE COMPANY

FINANCIAL STATEMENTS

JULY 31, 2021

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2020

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Studio Tenn Theatre Company

We have audited the accompanying financial statements of Studio Tenn Theatre Company (a nonprofit organization), which comprise the statements of financial position as of July 31, 2021 and 2020, and the related statements of activities, functional expenses, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Studio Tenn Theatre Company as of July 31, 2021 and 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Studio Tenn Theatre Company's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

February 7, 2022

STUDIO TENN THEATRE COMPANY
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash	\$ 834,686	\$ 178,609
Prepaid expenses and other assets	40,660	16,114
Inventory	13,717	13,717
Total current assets	<u>889,063</u>	<u>208,440</u>
Property and equipment, net	<u>27,927</u>	<u>79,962</u>
Total assets	<u><u>\$ 916,990</u></u>	<u><u>\$ 288,402</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 59,400	\$ 71,253
Current maturities of notes payable	90,148	121,288
Deferred revenue	188,161	156,340
Due to board members	14,992	25,800
Line of credit	95,000	95,000
Total current liabilities	<u>447,701</u>	<u>469,681</u>
Long Term Debt		
Notes payable, less current maturities	<u>608,903</u>	<u>312,936</u>
Total liabilities	1,056,604	782,617
Net Assets:		
Without donor restrictions	(139,614)	(494,215)
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>(139,614)</u>	<u>(494,215)</u>
Total liabilities and net assets	<u><u>\$ 916,990</u></u>	<u><u>\$ 288,402</u></u>

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:						
Gross special event revenue	\$ 48,787	\$ -	\$ 48,787	\$ 122,755	\$ -	\$ 122,755
Less direct cost of special events	(12,671)	-	(12,671)	(58,525)	-	(58,525)
Net special events revenue	36,116	-	36,116	64,230	-	64,230
Public support						
Contributions	387,036	-	387,036	570,330	-	570,330
Shuttered venue operators grant	365,195	-	365,195	-	-	-
In-kind donations	-	-	-	3,500	-	3,500
Other income	10,925	-	10,925	28,060	-	28,060
Net assets released from restrictions	-	-	-	-	-	-
Total public support	763,156	-	763,156	601,890	-	601,890
Production income	24,740	-	24,740	662,638	-	662,638
Forgiveness of debt	76,743	-	76,743	-	-	-
Total support and revenues	900,755	-	900,755	1,328,758	-	1,328,758
Expenses:						
Program services:						
Program services	279,035	-	279,035	1,135,316	-	1,135,316
Supporting services:						
Management and general	212,549	-	212,549	250,211	-	250,211
Fundraising	54,570	-	54,570	48,081	-	48,081
Total supporting services	267,119	-	267,119	298,292	-	298,292
Total functional expenses	546,154	-	546,154	1,433,608	-	1,433,608
Increase (decrease) in net assets	354,601	-	354,601	(104,850)	-	(104,850)
Net assets (deficit) - beginning of year	(494,215)	-	(494,215)	(389,365)	-	(389,365)
Net assets (deficit) - end of year	\$ (139,614)	\$ -	\$ (139,614)	\$ (494,215)	\$ -	\$ (494,215)

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2020

	<u>Supporting Services</u>				
	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2021</u>	<u>Total 2020</u>
Advertising	\$ 1,581	\$ 50	\$ 1,467	\$ 3,098	\$ 54,754
Bank fees	5,709	1,096	3,352	10,157	37,077
Communications	1,012	2,202	-	3,214	4,075
Conferences	-	10	-	10	5,078
Contracted Services	20,748	-	1,000	21,748	239,315
Depreciation	-	52,035	-	52,035	71,413
Dues & Subscriptions	250	1,741	-	1,991	986
Fringe Benefits	53,964	6,351	10,408	70,723	46,088
Insurance	-	12,673	-	12,673	11,270
Interest Expense	-	16,471	-	16,471	15,920
Meals & Entertainment	21	17	3,153	3,191	999
Miscellaneous	13	584	191	788	3,326
Occupancy	32,013	11,194	1	43,208	55,395
Supplies	-	82	630	712	3,260
Printing	7	200	302	509	4,447
Production Expense	22,945	-	1,921	24,866	260,177
Professional Services	-	27,281	-	27,281	25,515
Special Events	-	-	12,671	12,671	58,525
Storage and Equipment Rentals	7,679	648	-	8,327	23,557
Technology	323	811	1,111	2,245	2,630
Wages	132,770	79,103	31,034	242,907	568,326
Total expenses by function	279,035	212,549	67,241	558,825	1,492,133
Less expenses included with revenues on the Statements of Activities:					
Direct costs of special events	-	-	(12,671)	(12,671)	(58,525)
Total expenses included in the expense section on the Statements of Activities	<u>\$ 279,035</u>	<u>\$ 212,549</u>	<u>\$ 54,570</u>	<u>\$ 546,154</u>	<u>\$ 1,433,608</u>

See accompanying notes to financial statements.

STUDIO TENN THEATRE COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 354,601	\$ (104,850)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	52,035	71,413
Forgiveness of debt	(76,000)	-
Changes in:		
Prepaid expenses and other assets	(24,546)	56,916
Accounts payable and accrued expenses	(11,853)	(52,085)
Deferred revenue	31,821	(126,206)
Total adjustments	(28,543)	(49,962)
Net cash provided by (used in) operating activities	326,058	(154,812)
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(48,535)
Net cash used in investing activities	-	(48,535)
Cash Flows from Financing Activities:		
Net change in line of credit	-	(5,000)
Net change in due to board member	(10,808)	(60,200)
Payments on debt	(83,333)	(41,776)
Proceeds from issuing debt	424,160	476,000
Net cash provided by financing activities	330,019	369,024
Net increase in cash	656,077	165,677
Cash - beginning of year	178,609	12,932
Cash - end of year	\$ 834,686	\$ 178,609

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended July 31, 2021, was \$16,471.

Interest paid during the year ended July 31, 2020, was \$15,920.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2020

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms “we”, “us”, “our”, or “Organization” are used throughout these notes to the financial statements to identify the Studio Tenn Theatre Company, a Tennessee nonprofit organization. We were 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.

The summer program was not performed in the current year due to the global COVID-19 pandemic and as a result, a corresponding decrease in revenue and functional expenses occurred – see Note 8.

Programs

The Organization’s programs consist primarily of ticket performances. Proceeds from ticket sales relating to performance to be held in future years are shown as deferred revenue until the event has occurred. The costs related to these performances are expenses when the event occurs.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Accordingly, our net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statements of Activities as unrestricted.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At July 31, 2021 and 2020, we had no cash equivalents.

Prepaid Expenses

Prepaid expenses consist of insurance and royalties and rented or bought set pieces pertaining to the following theatre season that are paid for in advance and charged to operating expense in the following fiscal year.

Supplies Inventory

Supplies inventory are raw materials to make props and costumes, in addition to other small supplies used in productions and rehearsals. Supplies inventory value is based on an estimate by management which is included in the Statements of Financial Position as of July 31, 2021 and 2020.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost at the date of purchase or estimated fair value at the date of gift to us. Our 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 five years for costumes, sets, and other equipment.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donor-restricted support is reported as an increase in net assets with donor restrictions; however, contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities and changes in net assets. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the Statement of Financial Position. All cost-reimbursable grants have been received at July 31, 2021.

The Organization recognizes revenue from program services when the performance obligations, detailed in the contracts with the customers, are fulfilled. Our service contracts consist of ticket, merchandise, and concession sales. Revenue from ticket sales is recognized at the time of admission. Revenue from concessions and merchandise sales is recognized at the time of the sale.

We report any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Deferred Revenue

Ticket sales made prior to the fiscal year to which they apply are reported as deferred revenue on the Statements of Financial Position. Such revenue is recognized and reported on the Statements of Activities in the year the productions are performed.

Donated Goods, Facilities, and Services

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Members of the Board of Directors have provided substantial assistance to us by donation of time and services. The value of this contribution is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Production Expenses

Production assets, including props and costumes, are included on the Statement of Financial Position if we believe they can be repurposed for future productions. The net book value of these assets is included in property, plant, and equipment, net on the Statement of Financial Position. We may lease our old costumes and props to other organizations as well as use them for future performances. Revenue from rental activities is recognized in the period it is earned on the Statements of Activities. When we no longer have space to store them, the props or costumes are disposed of or sold in a yard sale and revenue from such sales is recognized at that time on the Statements of Activities.

Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that 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. We do not believe there are any uncertain tax positions.

Fair Value of Financial Instruments

The fair values of current assets and current liabilities approximate the carrying amounts due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy. The fair value of the line of credit and notes payable approximate the carrying amounts and are estimated based on the current rates offered to us.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statements of Activities. Operating costs other than personnel and occupancy costs are allocated based on an invoice by invoice basis. Personnel costs are allocated based on the time spent in each area the employee works. Occupancy costs, such as leases and utilities are allocated based on square footage used for each functional classification.

Advertising

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. For the years ended July 31, 2021 and 2020, advertising expenses was \$3,098 and \$ 54,921, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Prior Year Summarized Financial Information

While comparative information is not required under United States generally accepted accounting principles ("US GAAP"), we believe this information is useful and have included certain summarized financial information from our 2020 financial statements. Such summarized information is not intended to be a complete presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our financial statements as of and for the year ended July 31, 2020, from which it was derived.

Reclassifications

Certain accounts in the July 31, 2020, financial statements have been reclassified for comparative purposes to conform to the presentation of the July 31, 2021, financial statements.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2020

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the Statement of Financial Position consist of the following for the year ended July 31, 2021:

Cash	\$ 834,686
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The Organization's activities are primarily funded by performance ticket sales and a concentration of contributions received throughout the fiscal year. To manage liquidity the Organization also maintains a line of credit of \$100,000 with a bank this is drawn upon as needed during the year to manage cash flow with the intent that it is repaid in full by the end of the fiscal year.

NOTE 3 - Property and Equipment

Property and equipment consisted of the following as of July 31,

	<u>2021</u>	<u>2020</u>
Costumes and sets	\$ 326,119	\$ 326,919
Furniture and equipment	23,800	23,000
Sound equipment	<u>4,379</u>	<u>4,379</u>
	354,298	354,298
Less: accumulated depreciation	<u>(326,371)</u>	<u>(274,336)</u>
	<u>\$ 27,927</u>	<u>\$ 79,962</u>

NOTE 4 - Accounts Payable

Expenses were accrued for the following at July 31,

	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 7,441	\$ 60,823
Gift certificates	10,520	10,430
Accrual payroll	25,712	-
Payroll liabilities	<u>15,727</u>	<u>-</u>
	<u>\$ 59,400</u>	<u>\$ 71,253</u>

NOTE 5 - Line of Credit

We have a \$100,000 operating line of credit with a bank at July 31, 2021 and 2020. The line is evidenced by a promissory note which bears interest, payable monthly, on the amount borrowed at a variable interest rate based on the bank's prime rate plus 4%. The interest rate at July 30, 2021 and 2020, was 7.25%. The line of credit matures in November 2023 and is secured by substantially all assets of the Organization. As of July 31, 2021 and 2020, there was an outstanding balance of \$95,000 and \$95,000, respectively, on the line of credit.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2021

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2020

NOTE 6 - Notes Payable

As of July 31, 2021, installment notes payable are as follows:

Note payable to Renasant Bank with a maturity of December 20, 2022. Quarterly payments of \$20,833 are required based on 11 quarters amortization with interest at 4.25%.	\$ 124,891
U.S. Small Business Administration Economic Injury Disaster Loan due to the COVID-19 pandemic. Monthly payments of \$2,211 are required based on 348 months amortization with interest at 2.75%, beginning 24 months from the date of the Note, June 23, 2020.	500,000
U.S. Small Business Administration Paycheck Protection Plan under the Coronavirus Aid, Relief, and Economic Security Act Loan	74,160
	699,051
Less: current maturities	(90,148)
	<u>\$ 608,903</u>

On April 22, 2021, our First Draw PPP loan was fully forgiven, and the balance of the loan was recognized as forgiveness of debt on the Statement of Activities at year end. During the year ended July 31, 2021, we received the Second Draw of U.S. Small Business Administration Paycheck Protections Plan under the Coronavirus Aid, Relief, and Economic Security Act Loan during 2021. The amount of this loan was \$74,160, with monthly payments of \$1,559, including an interest rate of 1.00%, beginning March 2022, until maturity in March 2025. We intend to apply for forgiveness of this loan, as allowable by the U.S. Small Business Administration.

The following is a schedule of future maturities:

<u>Year Ending</u> <u>July 31,</u>	
2022	\$ 90,148
2023	71,928
2024	30,893
2025	32,081
2026	25,729
Thereafter	448,272
	<u>\$ 699,051</u>

NOTE 7 - Lease Agreements

We lease our office under an operating lease requiring monthly rental payments under a month to month lease agreement. We also lease certain office equipment. Total rental expense on July 31, 2021 and 2020, under all agreements, totaled \$38,628 and \$47,928 respectively.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2020

NOTE 8 - Concentrations and Contingencies

As of the year ended July 31, 2021 and 2020, 87% and 75%, respectively, of our total payables were due to three vendors.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of our operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results due to families not wanting services due to the uncertainty of the virus; however, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 9 - Related Party Transactions

We have loans from our Board of Directors as of July 31, 2021 and 2020, in the amount of \$14,992 and \$25,800 respectively.

NOTE 10 - New Pronouncements

In February 2016, the FASB amended the Leases topic of Accounting Standards Codification to require all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the statement of operations and retained earnings. The amendments will be effective for us for the year beginning after December 15, 2021. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 11 - Subsequent Events

We have evaluated events subsequent to the year ending July 31, 2021. As of February 7, 2022, the date that the financial statements were available to be issued, we are not aware of any material subsequent events, which would require recognition or disclosure in the accompanying financial statements for the year ended July 31, 2021.