

STUDIO TENN THEATRE COMPANY

Financial Statements

July 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

LBMC

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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, which comprise the statements of financial position as of July 31, 2016 and 2015, 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 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 audits 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, 2016 and 2015, and the changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Brentwood, Tennessee
March 9, 2017

STUDIO TENN THEATRE COMPANY

Statements of Financial Position

July 31, 2016 and 2015

Assets

	<u>2016</u>	<u>2015</u>
Cash	\$ 121,797	\$ 100,277
Accounts receivable	5,000	-
Prepaid expenses	97,350	22,333
Costumes and equipment, net of accumulated depreciation of \$8,975 in 2016	<u>39,851</u>	<u>-</u>
	<u>\$ 263,998</u>	<u>\$ 122,610</u>

Liabilities and Net Deficit

Line of credit	\$ 99,398	\$ 67,000
Accounts payable and accrued expenses	77,478	16,220
Deferred revenue	301,313	166,893
Note payable	<u>-</u>	<u>10,000</u>
Total liabilities	478,189	260,113
Unrestricted net deficit	<u>(214,191)</u>	<u>(137,503)</u>
	<u>\$ 263,998</u>	<u>\$ 122,610</u>

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY

Statements of Activities

Years ended July 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Unrestricted		
Support and revenues:		
Ticket sale revenue	\$ 711,839	\$ 722,559
Contributions	513,121	315,675
Other revenue	<u>5,409</u>	<u>3,624</u>
Total support and revenues	<u>1,230,369</u>	<u>1,041,858</u>
Program services:		
Salaries	442,125	330,014
Contract labor	277,349	222,744
Production supplies	<u>167,410</u>	<u>244,844</u>
Total program services	<u>886,884</u>	<u>797,602</u>
Supporting services:		
Payroll and benefits	104,178	84,087
Marketing	89,747	54,469
Fees, taxes and licenses	43,373	57,844
Rent	89,827	87,477
Travel	10,217	8,400
Supplies and office expenses	73,856	49,788
Depreciation	<u>8,975</u>	<u>-</u>
Total supporting services	<u>420,173</u>	<u>342,065</u>
Total expenses	<u>1,307,057</u>	<u>1,139,667</u>
Change in net deficit	(76,688)	(97,809)
Net deficit at beginning of year	<u>(137,503)</u>	<u>(39,694)</u>
Net deficit at end of year	<u>\$ (214,191)</u>	<u>\$ (137,503)</u>

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY

Statements of Cash Flows

Years ended July 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net deficit	\$ <u>(76,688)</u>	\$ <u>(97,809)</u>
Adjustments to reconcile change in net deficit to net cash provided (used) by operating activities:		
Depreciation	8,975	-
Noncash contribution received	(9,500)	-
(Increase) decrease in operating assets:		
Accounts receivable	(5,000)	16,347
Prepaid expenses	(75,017)	3,590
Increase in operating liabilities -		
Accounts payable and accrued expenses	61,258	10,756
Deferred revenue	<u>134,420</u>	<u>23,851</u>
Total adjustments	<u>115,136</u>	<u>54,544</u>
Net cash provided (used) by operating activities	<u>38,448</u>	<u>(43,265)</u>
Cash flows used by investing activities - purchases of costumes and equipment	<u>(39,326)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from line of credit, net	32,398	67,000
Payment on note payable	<u>(10,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>22,398</u>	<u>67,000</u>
Increase in cash	21,520	23,735
Cash at beginning of year	<u>100,277</u>	<u>76,542</u>
Cash at end of year	\$ <u>121,797</u>	\$ <u>100,277</u>
Supplemental schedule of noncash investing activities:		
Equipment acquired through noncash contribution	\$ <u>9,500</u>	\$ <u>-</u>

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY

Notes to the Financial Statements

July 31, 2016 and 2015

(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, 2016 and 2015.

(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, 2016 and 2015, management determined that no allowance for doubtful accounts was necessary.

STUDIO TENN THEATRE COMPANY

Notes to the Financial Statements

July 31, 2016 and 2015

(c) Costumes and equipment

Costumes and equipment are stated at cost, or if donated, at the estimated fair market value as of the date of donation. Depreciation is provided over the assets' estimated useful lives, generally three to five years, using the straight-line method. Expenditures for maintenance and repairs are expensed when incurred. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations.

(d) 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, 2016 and 2015, 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.

(e) 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.

(f) Deferred revenue

Proceeds received from ticket sales relating 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 expensed when the show occurs.

Deferred revenue at July 31, 2016 and 2015 consists primarily of tickets sales for shows that will occur in fiscal year 2017 and 2016, respectively.

(g) 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 \$72,000 and \$74,050 in 2016 and 2015, 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.

STUDIO TENN THEATRE COMPANY

Notes to the Financial Statements

July 31, 2016 and 2015

(h) 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.

(i) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between July 31, 2016 and March 9, 2017, 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 bore 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 was due on demand. The note was repaid in 2016.

The Organization has a line of credit available with a bank for \$100,000 at July 31, 2016 and 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, 2016) and is secured by substantially all assets of the Organization. Borrowings outstanding under this line at July 31, 2016 and 2015 were \$99,398 and \$67,000, respectively. The line of credit matures in November 2017.

(4) Lease commitments

The Organization utilizes in-kind contributed office space on a month-to-month basis. The Organization also leases certain storage space and truck rentals on month to month arrangements. Rent expense under all leases for 2016 and 2015 totaled \$89,827 and \$87,477, respectively.