

THE NASHVILLE SHAKESPEARE FESTIVAL

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

(With Independent Auditor's Report Thereon)

THE NASHVILLE SHAKESPEARE FESTIVAL
FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Nashville Shakespeare Festival

We have audited the accompanying statement of financial position of The Nashville Shakespeare Festival (a nonprofit organization) as of September 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Patterson Hardee & Ballentine

January 18, 2012

THE NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011

ASSETS

Current Assets:

Cash	\$ 21,207	
Grants and pledges receivable	<u>58,513</u>	
Total current assets		\$ 79,720

Assets Whose Use is Limited:

Cash	1,500	
Certificate of deposit	<u>8,017</u>	
Total assets whose use is limited		9,517

Equipment:

Equipment	10,384	
Less: accumulated depreciation	<u>(7,645)</u>	
Total equipment		<u>2,739</u>
		<u>\$ 91,976</u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 8,697	
Line of credit	<u>24,200</u>	
Total current liabilities		\$ 32,897

Net Assets:

Unrestricted	49,562	
Temporarily restricted	<u>9,517</u>	
Total net assets		<u>59,079</u>
		<u>\$ 91,976</u>

THE NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Public support:				
Contributions	\$ 174,604	\$ 1,500	\$ -	\$ 176,104
Total public support	174,604	1,500	-	176,104
Revenue:				
Grants	84,237	-	-	84,237
Program fees and tickets	58,981	-	-	58,981
In-kind donations	481,881	-	-	481,881
Investment and interest income	83	-	-	83
Net assets released from restrictions	3,189	(3,189)	-	-
Total revenue	628,371	(3,189)	-	625,182
Total public support and revenue	802,975	(1,689)	-	801,286
Expenses:				
Program services				
Education	20,336	-	-	20,336
Winter	128,186	-	-	128,186
Shakespeare in the Park	549,576	-	-	549,576
Total program services	698,098	-	-	698,098
Supporting services				
Management and general	52,111	-	-	52,111
Fundraising	53,912	-	-	53,912
Total supporting services	106,023	-	-	106,023
Total expenses	804,121	-	-	804,121
Increase (decrease) in net assets	(1,146)	(1,689)	-	(2,835)
Net assets - beginning of year, as previously reported	71,405	3,189	-	74,594
Prior period adjustment	(12,680)	-	-	(12,680)
Net assets - beginning of year, as restated	58,725	3,189	-	61,914
Transfer of net assets	(8,017)	8,017	-	-
Net assets - end of year	\$ 49,562	\$ 9,517	\$ -	\$ 59,079

See accompanying notes to financial statements.

THE NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER, 30, 2011

	Program Services				Supporting Services		
	<u>Education</u>	<u>Winter</u>	<u>Shakespeare in the Park</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 17,882	\$ 45,184	\$ 97,646	\$ 160,712	\$ 16,036	\$ 25,549	\$ 202,297
Employee benefits and payroll taxes	713	3,705	6,840	11,258	1,140	1,853	14,251
Bank charges	51	1,227	456	1,734	735	903	3,372
Dues, subscriptions and fees	-	-	-	-	1,621	-	1,621
Education and training	-	-	-	-	-	443	443
In-kind expenses	-	55,785	409,308	465,093	11,629	5,159	481,881
General liability and workers' compensation	623	1,557	4,049	6,229	2,076	-	8,305
Health insurance	630	2,431	2,431	5,492	2,431	3,788	11,711
Marketing and publications	50	3,294	1,550	4,894	-	3,655	8,549
Merchandising and promotional items	-	-	4,747	4,747	-	-	4,747
Miscellaneous	-	-	237	237	188	-	425
Production costs	-	11,788	16,986	28,774	-	10,358	39,132
Postage	-	267	30	297	348	387	1,032
Professional services	-	-	-	-	8,650	-	8,650
Rent	-	1,361	5,296	6,657	2,655	1,770	11,082
Office supplies and equipment	-	18	-	18	1,730	47	1,795
Travel	387	1,569	-	1,956	65	-	2,021
Telephone	-	-	-	-	1,890	-	1,890
Total expenses before depreciation	20,336	128,186	549,576	698,098	51,194	53,912	803,204
Depreciation	-	-	-	-	917	-	917
Total program and supporting services	<u>\$ 20,336</u>	<u>\$ 128,186</u>	<u>\$ 549,576</u>	<u>\$ 698,098</u>	<u>\$ 52,111</u>	<u>\$ 53,912</u>	<u>\$ 804,121</u>

See accompanying notes to financial statements.

THE NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Cash Flows From Operating Activities:		
Decrease in net assets		\$ (2,835)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	\$ 917	
Interest on certificate of deposit	(83)	
Changes in:		
Accounts receivable	(1,318)	
Cash whose use is limited	1,689	
Accounts payable	7,247	
Total adjustments		<u>8,452</u>
Net cash provided by operating activities		<u>5,617</u>
Cash Flow From Investing Activities:		
Proceeds from maturity of certificate of deposit	4,045	
Purchase of equipment	<u>(1,866)</u>	
Net cash used in investing activities		2,179
Cash Flows From Financing Activities:		
Net change in line of credit	<u>(253)</u>	
Net cash used in financing activities		<u>(253)</u>
Net increase in cash		7,543
Cash - beginning of year		<u>13,664</u>
Cash - end of year		<u><u>\$ 21,207</u></u>

SUPPLEMENTAL INFORMATION

Total interest paid for the year ending September 30, 2011 was \$229.

THE NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - Summary of Significant Accounting Policies

a. **Nature of Activities**

The terms "we", "us", or "our" are used throughout these notes to the financial statements to identify The Nashville Shakespeare Festival, a nonprofit organization, organized on September 12, 1988, which produces a variety of theatrical productions and workshops for the benefit of the general public, students of Middle Tennessee schools, and businesses. 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.

c. **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, we consider 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, 2011, there were no cash equivalents.

At September 30, 2011, we have one certificate of deposit, which expired on December 4, 2011, which earns interest at .65% per year. The certificate of deposit was automatically renewed for another six month period.

d. **Grants Receivable and Revenues**

We receive several grants from the State of Tennessee and from the Metropolitan Government of Nashville and Davidson County, Tennessee. Most of these grants require the submission of reimbursement requests before funds are disbursed. Grant revenue is recognized as these expenses are incurred. At September 30, 2011, we were due a total of \$55,238 from the Metro Nashville Arts Commission and the Tennessee Arts Commission, which is included in grants and pledges receivable.

e. **Pledges Receivable**

Receivables for corporate donations and reimbursement of expenses are recognized when the services are provided. Uncollectible accounts are written off in the period in which they are determined to be uncollectible and are charged to bad debts. For the year ended September 30, 2011, we believe all pledges receivable are fully collectible; therefore, no allowance has been recorded. At September 30, 2011, we have pledges receivable of \$3,275, which is included in grants and pledges receivable.

THE NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - Summary of Significant Accounting Policies (continued)

f. Inventory

We do not maintain inventory. On occasion, there are items which are used in more than one production, but are not considered significant to the overall financial statements taken as a whole and are expensed as production cost as the items are purchased.

g. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. 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 our policy to capitalize purchases of fixed assets with a value of \$500 or more.

h. Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and we are 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.

i. 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.

j. 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.

k. 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 - Assets Whose Use is Limited

Donations totaling \$1,500 were received by us for our winter play, and those assets have been classified as "assets whose use is limited" until we incur expenses directly relating to that production. The certificate of deposit, which totals \$8,017, is required to be restricted for the actors' pay while a play is running. After the play is concluded and we have requested the certificate of deposit to be released, it is released from restriction.

NOTE 3 - Line of Credit

We have the use of a line of credit, which is accessed through a credit card from First Tennessee Bank. The credit card is mainly used to pay expenses incurred and reimbursed later under various grant agreements. The interest rate on the line of credit varies throughout the year (4.5% at September 30, 2011), and at September 30, 2011, we have used \$24,200 of the available \$50,000.

THE NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 4 - Leases

We lease office space from Nashville Public Television under a lease agreement, which expires on December 31, 2012. We may also lease additional space for 3 weeks each year for rehearsal space at \$500 per week. Future minimum lease payments for the years ending September 30, 2012 and 2013, will be \$4,458 and \$1,115. We also rent equipment as needed on a month-to-month basis. Total rent expense for the year ending September 30, 2011, was \$11,082.

NOTE 5 - Insurance

We finance insurance premiums through Bank Direct Capital Finance at an annual rate of 9.8%. We made a down payment of \$1,570, and the outstanding premium of \$4,817 is payable in eight consecutive payments during the next fiscal year.

NOTE 6 - Concentrations

At September 30, 2011, 94% of our total receivables were due from two grantors.

NOTE 7 - In-kind Contributions

We are the recipient of various in-kind gifts and donations. All gifts in-kind are recorded as revenue at fair market value and fully expensed when received. The total amount of the revenue and expense recognized for the fiscal year was \$481,881.

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 donated goods included rental space, marketing items, door prizes, and concessions for the performances. Donated services included public relations, legal, media production, performance direction, and website design.

NOTE 8 - Subsequent Events

We have evaluated events subsequent to the year ending September 30, 2011. As of December 7, 2011, 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, 2011.

NOTE 9 - Prior Period Adjustment

A prior period adjustment has been recorded in the amount of \$12,680 due to accounts receivable being overstated in the organization's audited financial reports for the period ending September 30, 2010. This adjustment decreased accounts receivable at the beginning of the fiscal year ending September 30, 2011.

