

NASHVILLE SHAKESPEARE FESTIVAL

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

(With Independent Auditor's Report Thereon)

NASHVILLE SHAKESPEARE FESTIVAL
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SEPTEMBER 30, 2020

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Nashville Shakespeare Festival

We have audited the accompanying financial statements of Nashville Shakespeare Festival (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, 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 Nashville Shakespeare Festival as of September 30, 2020, 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.

Patterson Hardee & Ballentine

December 9, 2020

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020

ASSETS

Current Assets:			
Cash	\$	41,904	
Accounts receivable		89,533	
Prepaid expenses		3,188	
Total current assets			\$ 134,625
Equipment:			
Equipment		57,429	
Less: accumulated depreciation		(45,138)	
Total equipment, net			12,291
Total assets			<u>\$ 146,916</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Current installment of note payable	\$	29,120	
Accounts payable and accrued liabilities		1,954	
Deferred revenue		2,800	
Total current liabilities			\$ 33,874
Note payable, net of current installment		18,828	
			18,828
Total liabilities			52,702
Net Assets:			
Without donor restrictions		94,214	
With donor restrictions		-	
Total net assets			94,214
Total liabilities and net assets			<u>\$ 146,916</u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Public support:			
Contributions	\$ 315,797	\$ -	\$ 315,797
Total public support	<u>315,797</u>	<u>-</u>	<u>315,797</u>
Revenue:			
Grants	132,533	-	132,533
Program fees and tickets	149,864	-	149,864
In-kind donations	57,320	-	57,320
Investment and interest income	4	-	4
Merchandise & concession	7,747	-	7,747
Other income	7,250	-	7,250
Net assets released from restrictions	<u>35,000</u>	<u>(35,000)</u>	<u>-</u>
Total revenue	<u>389,718</u>	<u>(35,000)</u>	<u>354,718</u>
Total public support and revenue	<u>705,515</u>	<u>(35,000)</u>	<u>670,515</u>
Expenses:			
Program services:			
Workshops and Education	54,760	-	54,760
Winter Shakespeare	236,628	-	236,628
Shakespeare in the Park	5,419	-	5,419
Other	<u>163,260</u>	<u>-</u>	<u>163,260</u>
Total program services	<u>460,067</u>	<u>-</u>	<u>460,067</u>
Supporting services:			
Management and general	103,347	-	103,347
Fundraising	<u>73,340</u>	<u>-</u>	<u>73,340</u>
Total supporting services	<u>176,687</u>	<u>-</u>	<u>176,687</u>
Total expenses	<u>636,754</u>	<u>-</u>	<u>636,754</u>
Increase (decrease) in net assets	68,761	(35,000)	33,761
Net assets - beginning of year	<u>25,453</u>	<u>35,000</u>	<u>60,453</u>
Net assets - end of year	<u><u>\$ 94,214</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 94,214</u></u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Services					Supporting Services		
	<u>Workshops and Education</u>	<u>Winter Shakespeare</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	\$ 45,138	\$ 104,559	\$ 834	\$ 138,050	\$ 288,581	\$ 46,563	\$ 23,196	\$ 358,340
Employee benefits and payroll taxes	3,619	20,124	70	10,787	34,600	3,611	1,823	40,034
Bank charges and ticket fees	228	2,763	35	429	3,455	171	1,125	4,751
Bad debt	-	100	-	200	300	39	-	339
Dues, subscriptions and fees	44	-	-	150	194	1,322	600	2,115
In-kind expenses	50	38,884	-	44	38,978	16,353	1,989	57,320
General liability and workers' compensation	334	802	-	1,027	2,163	6,951	175	9,289
Interest	-	-	-	-	-	2,742	-	2,742
Marketing and publications	1,004	7,895	1,684	3,372	13,955	1,068	3,652	18,676
Meals and entertainment	-	-	-	-	-	16	-	16
Merchandising and promotional items	-	1,049	7	128	1,184	-	-	1,184
Miscellaneous	188	27	-	-	215	3,609	-	3,822
Productions contractors	900	31,200	-	3,000	35,100	-	35,000	70,100
Production costs	1,763	28,335	2,671	2,212	34,981	-	-	34,982
Postage	-	520	118	-	638	-	720	1,358
Professional services	-	-	-	-	-	12,943	1,141	14,084
Rent	1,249	-	-	3,747	4,996	3,232	1,561	9,790
Office supplies and expenses	-	-	-	-	-	549	-	549
Travel	200	370	-	-	570	360	1,574	2,504
Telephone	43	-	-	114	157	275	784	1,216
Total expenses before depreciation	54,760	236,628	5,419	163,260	460,067	99,804	73,340	633,211
Depreciation	-	-	-	-	-	3,543	-	3,543
Total program and supporting services	<u>\$ 54,760</u>	<u>\$ 236,628</u>	<u>\$ 5,419</u>	<u>\$ 163,260</u>	<u>\$ 460,067</u>	<u>\$ 103,347</u>	<u>\$ 73,340</u>	<u>\$ 636,754</u>

See accompanying notes to financial statements.

NASHVILLE SHAKESPEARE FESTIVAL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Cash Flows From Operating Activities:

Increase in net assets	\$	33,761
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Adjustments to reconcile decrease in net assets

to net cash used in operating activities:

Depreciation	\$	3,543
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Changes in:

Accounts receivable	42,272	
Prepaid expenses	1,444	
Accounts payable	(40,955)	
Deferred revenue	(43,000)	

Total adjustments		(36,696)
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Net cash used in operating activities		(2,935)
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Cash Flow From Investing Activities:

Purchase of equipment		(4,491)
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Net cash used in investing activities		(4,491)
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Cash Flows From Financing Activities:

Proceeds from issuance of debt	47,948	
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Net change in line of credit	(47,759)	
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Net cash provided by financing activities		189
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Net decrease in cash		(7,237)
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Cash and restricted cash- beginning of year		49,141
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Cash - end of year	\$	41,904
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SUPPLEMENTAL INFORMATION

Total interest paid for the year ending September 30, 2020, was \$2,742.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities and Program Descriptions

The terms "we", "us", "our", "the Organization", and "the Festival" are used throughout these notes to the financial statements to identify Nashville Shakespeare Festival, 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.

The summer program was not performed in the current year due to the global COVID-19 pandemic and therefore there was a corresponding decrease in revenue and functional expenses.

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 Statement of Activities as net assets without donor restrictions.

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 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, 2020, there were no cash equivalents.

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, 2020.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. The Festival does 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 props, costumes, and 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 and have a useful life greater than one year.

The Festival retains the title to all of our long-lived assets. None of the long-lived assets were purchased with restricted assets, have been pledged as collateral or are subject to legal limitations on use or disposal.

Revenue Recognition

Revenue is earned primarily from donor contributions, service fees, ticket sales and from grants from the state and local government organizations and other private organizations. Cash contributions from donors are recognized when received. Revenue from service fees and ticket sales are recognized when the related programing 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.

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. The Festival does not believe there are any uncertain tax positions or any unrelated business income, which would be subject to federal taxes.

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. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

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.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Advertising

Advertising is expensed as incurred. Total advertising expense for the year ended September 30, 2020, was \$18,676.

Contributions, Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

We receive grant revenue from various state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grants received in advance of the expenditure are recorded initially as deferred revenue.

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.

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued an Accounting Standard Update that will affect the Company's revenue recognition. Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue. We have adopted this standard retrospectively during 2019. The adoption of this standard had no effect on beginning Net Assets on our statement operations and Net Assets for the year ended September 30, 2020.

The second, Accounting Standards Update No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. We have adopted these standards retrospectively during 2020. The adoption of this standard had no effect on beginning net assets on our statement of activities for the year ended September 30, 2020.

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified on the statements of financial position and cash flows. The statements of financial position and cash flows have been presented to reflect this Accounting Standards Update at September 30, 2019, and certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 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:

Financial assets for the year ended

Cash	\$ 41,904
Accounts receivable	<u>89,533</u>
	<u>\$ 131,437</u>

In the next fiscal year, we plan to receive the same level of income from our donors and our program services, and consider this income for programs which are ongoing, major, and central to our annual operations to be available to meet cash needs for general expenditures.

The Festival has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. We also have an open line of credit to draw on for any immediate cash needs and is described in (NOTE 4).

Except as noted as limited, cash is considered readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures

NOTE 3 - Accounts Receivable

At September 30, 2020, accounts receivable consisted of the following:

Grants receivable	\$ 85,313
Other receivable	<u>4,220</u>
	<u>\$ 89,533</u>

NOTE 4 - Line of Credit

The Festival has a \$60,000 revolving line of credit with First Horizon is not required to be renewed. The revolving line of credit bears interest at a variable interest rate (7.25% at September 30, 2020), and is unsecured. The Festival had a balance of \$0 due under the line at September 30, 2020.

NOTE 5 - Deferred Revenue

At September 30, 2020, the Festival had deferred revenue in the amount of \$2,800 related to grants for future productions.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6 – Note Payable

During the year ended September 30, 2020, we received the U.S. Small Business Administration Paycheck Protections Plan under the Coronavirus Aid, Relief, and Economic Security Act Loan during 2020. The amount of this loan was \$47,948, with monthly payments of \$2,698, including an interest rate of 1.00%, beginning November 2020, until maturity in April 2022. 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>September 30,</u>	
2021	\$ 29,120
2022	18,828
	<u>\$ 47,948</u>

NOTE 7 - Leases

The Festival leases office space from Nashville Public Television which expires on June 30, 2021. The Festival may also enter into other short term leases for rehearsal or storage space. Total rent expense for the year ending September 30, 2020, was \$9,449 for the office space and storage unit.

The following is a schedule of future minimum lease payments:

<u>Year Ending</u> <u>September 30,</u>	
2020	\$ 11,698
2021	<u>7,342</u>
	<u>\$ 19,040</u>

NOTE 8 – Net Assets

Board designated net assets without donor restrictions consisted of the following at September 30, 2020:

Actor's Equity Association Bonding Account	<u>\$ 11,894</u>
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NOTE 9 - Insurance

The Festival finances insurance premiums through a third party at an annual rate of 8.5%. The Festival made a down payment of \$1,581, and the outstanding premium of \$6,589 is payable in ten consecutive payments during the next fiscal year.

The policy period is August 20, 2020, to August 19, 2021. 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 the Festival has netted these two amounts in the prepaid asset. Insurance expense and interest expense will be recorded as the premium payments are made.

NASHVILLE SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10 - Concentrations and Contingencies

At September 30, 2020, 100% of our total payables were due to two vendors and 98% of our total receivables were due from two grantors.

As of December 9, 2020, 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 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 in-kind revenue for the year ended September 30, 2020, was \$57,320. The total amount of in-kind expense for the year ended September 30, 2020, was \$57,320.

NOTE 12 - New Pronouncements

In February 2017, FASB issued Accounting Standards Update 2017-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2020, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 13 - Subsequent Events

We have evaluated events subsequent to the year ending September 30, 2020. As of December 9, 2020, 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 September 30, 2020.