

2020
Financial Statements
With
Auditor's Letters

STUDIO TENN THEATRE COMPANY

FINANCIAL STATEMENTS

JULY 31, 2020

WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

(With Independent Auditor's Report Thereon)

STUDIO TENN THEATRE COMPANY
FINANCIAL STATEMENTS
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WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

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, 2020 and 2019, 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, 2020 and 2019, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson Hardee & Ballentine

December 18, 2020

STUDIO TENN THEATRE COMPANY
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 178,609	\$ 12,932
Prepaid expenses and other assets	16,114	73,030
Inventory	13,717	13,717
Total current assets	<u>208,440</u>	<u>99,679</u>
Property and equipment, net	<u>79,962</u>	<u>102,840</u>
Total assets	<u><u>\$ 288,402</u></u>	<u><u>\$ 202,519</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 71,253	\$ 123,338
Current maturities of notes payable	121,288	-
Deferred revenue	156,340	282,546
Due to board members	25,800	86,000
Line of credit	95,000	100,000
Total current liabilities	<u>469,681</u>	<u>591,884</u>
Long Term Debt		
Notes payable, less current maturities	<u>312,936</u>	<u>-</u>
	<u>312,936</u>	<u>-</u>
Net Assets:		
Without donor restrictions	(494,215)	(389,365)
With donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>(494,215)</u>	<u>(389,365)</u>
Total liabilities and net assets	<u><u>\$ 288,402</u></u>	<u><u>\$ 202,519</u></u>

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:						
Gross special event revenue	\$ 122,755	\$ -	\$ 122,755	\$ 70,624	\$ -	\$ 70,624
Less direct cost of special events	(58,525)	-	(58,525)	(106,500)	-	(106,500)
Net special events revenue	64,230	-	64,230	(35,876)	-	(35,876)
Public support						
Contributions	570,330	-	570,330	377,033	-	377,033
In-kind donations	3,500	-	3,500	1,500	-	1,500
Other income	28,060	-	28,060	5,058	-	5,058
Net assets released from restrictions	-	-	-	75,000	(75,000)	-
Total public support	601,890	-	601,890	458,591	(75,000)	383,591
Production income	662,638	-	662,638	950,854	-	950,854
Total support and revenues	1,328,758	-	1,328,758	1,373,569	(75,000)	1,298,569
Expenses:						
Program services:						
Program services	1,135,316	-	1,135,316	1,371,253	-	1,371,253
Supporting services:						
Management and general	250,211	-	250,211	232,768	-	232,768
Fundraising	48,081	-	48,081	51,095	-	51,095
Total supporting services	298,292	-	298,292	283,863	-	283,863
Total functional expenses	1,433,608	-	1,433,608	1,655,116	-	1,655,116
Increase (decrease) in net assets	(104,850)	-	(104,850)	(281,547)	(75,000)	(356,547)
Net assets (deficit) - beginning of year	(389,365)	-	(389,365)	(107,818)	75,000	(32,818)
Net assets (deficit) - end of year	\$ (494,215)	\$ -	\$ (494,215)	\$ (389,365)	\$ -	\$ (389,365)

See accompanying notes to the financial statements.

STUDIO TENN THEATRE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

	<u>Supporting Services</u>				
	Total Program Services	Management and General	Fundraising	Total 2020	Total 2019
Advertising	\$ 54,489	\$ -	\$ 265	\$ 54,754	\$ 89,871
Bank fees	22,692	14,379	6	37,077	39,978
Communications	2,928	997	150	4,075	5,696
Conferences	5,012	13	53	5,078	9,377
Contracted Services	212,624	-	26,691	239,315	206,737
Depreciation	-	71,413	-	71,413	85,727
Dues & Subscriptions	244	742	-	986	1,451
Fringe Benefits	72,224	8,359	1,696	82,279	64,579
Insurance	7,925	3,039	306	11,270	15,776
Interest Expense	-	15,920	-	15,920	9,417
Meals & Entertainment	289	45	665	999	1,875
Miscellaneous	1,177	235	1,914	3,326	7,693
Occupancy	44,482	10,913	-	55,395	96,165
Supplies	2,440	820	-	3,260	4,520
Printing	814	2,546	1,087	4,447	7,792
Production Expense	223,986	-	-	223,986	232,348
Professional Services	-	25,515	-	25,515	48,966
Special Events	-	-	58,525	58,525	106,500
Storage and Equipment Rentals	22,621	936	-	23,557	24,274
Technology	365	281	1,984	2,630	906
Wages	461,004	94,058	13,264	568,326	701,968
Total expenses by function	1,135,316	250,211	106,606	1,492,133	1,761,616
Less expenses included with revenues on the Statements of Activities:					
Direct costs of special events	-	-	(58,525)	(58,525)	(106,500)
Total expenses included in the expense section on the Statements of Activities	<u>\$ 1,135,316</u>	<u>\$ 250,211</u>	<u>\$ 48,081</u>	<u>\$ 1,433,608</u>	<u>\$ 1,655,116</u>

See accompanying notes to financial statements.

STUDIO TENN THEATRE COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JULY 31, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (104,850)	\$ (356,547)
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	71,413	85,727
Changes in:		
Promises to give	-	75,000
Prepaid expenses and other assets	56,916	(33,944)
Accounts payable and accrued expenses	(52,085)	77,396
Deferred revenue	(126,206)	37,590
Total adjustments	(49,962)	241,769
Net cash used in operating activities	(154,812)	(114,778)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(48,535)	(52,684)
Net cash used in investing activities	(48,535)	(52,684)
Cash Flows from Financing Activities:		
Net change in line of credit	(5,000)	75,000
Net change in due to board member	(60,200)	86,000
Net change in notes payable	434,224	-
Net cash provided by financing activities	369,024	161,000
Net increase (decrease) in cash	165,677	(6,462)
Cash - beginning of year	12,932	19,394
Cash - end of year	\$ 178,609	\$ 12,932

SUPPLEMENTAL CASH FLOW INFORMATION:

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

Interest paid during the year ended June 31, 2019, was \$9,417.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

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 not-for-profit 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 therefore was a corresponding decrease in revenue and functional expenses – 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.

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 temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 Statements of Activities as net assets released from restrictions.

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.

Individual ticket revenue is recorded after each performance. Additionally, we lease certain items in our production assets inventory and recognize income as items are leased.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2020 and 2019, we had no cash equivalents.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. We had no contribution receivables as of July 31, 2020 and 2019.

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.

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.

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.

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.

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.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2020 and 2019.

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, 2020 and 2019, advertising expenses was \$54,754 and \$ 89,871, 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 2019 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, 2019, from which it was derived.

Reclassifications

Certain accounts in the July 31, 2019, financial statements have been reclassified for comparative purposes to conform to the presentation of the July 31, 2020, financial statements.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 June 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 December 31, 2019, and certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the Statement of Financial Position consist of the following:

Cash	\$ 178,609
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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.

The Organization's activities are primarily funded by performance ticket sales, sponsorships, an annual event, contributions, and its line of credit. To the extent long-term relationships with significant sponsors and donors are not successfully maintained and cultivated, the Organization's sources of working capital may be insufficient. However, the Organization believes the following actions are probable of occurring and will be sufficient to satisfy its liquidity needs for the next 12 months from the issuance of the financial statements:

- Obtained financing from different sources to increase cash balance. Received governmental aid as response to COVID-19 pandemic including the PPP and EIDL loans. Additionally received financing guaranteed and paid to Board Members via a loan from a commercial lender.
- Furloughed staff to facilitate the reduction of full time, part time, seasonal, and independent contractor personnel as well as to restructure the organization.
- Strategic planning to provide clarity around the organization's mission, vision and values.
- Increased emphasis on donor development, including diversifying and expanding the donor base, engaging networks to establish strong corporate relationships, increasing grant applications, and evaluating and acting on the need for more dynamic fundraising personnel and programming such as Studio Tenn Talks (talk show) and our first Virtual Gala in August 2020.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

NOTE 2 - Availability and Liquidity (continued)

- Improve marketing efforts, including leveraging a better understanding of effective approaches in marketing to patrons and the broader community, marketing the organization in addition to the individual production, and building brand awareness, all while adjusting for smaller, less expensive production selections and smaller, cost effective venues that attract large audiences while utilizing costume rentals and crafting representational, smaller scale scenic elements.
- Engaging and expanding key leadership across the board and artistic function.
- Hired new Artistic Director who is a dynamic celebrity persona to invigorate existing as well as new donor base.

NOTE 3 - Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Costumes and sets	\$ 326,919	\$ 280,384
Furniture and equipment	23,000	21,000
Sound equipment	<u>4,379</u>	<u>4,379</u>
	354,298	305,763
Less: accumulated depreciation	<u>(274,336)</u>	<u>(202,923)</u>
	<u>\$ 79,962</u>	<u>\$ 102,840</u>

NOTE 4 - Accounts Payable

Expenses were accrued for the following at July 31,

	<u>2020</u>	<u>2019</u>
Accounts payable	\$ 60,823	\$ 116,533
Gift certificates	<u>10,430</u>	<u>6,805</u>
	<u>\$ 71,253</u>	<u>\$ 123,338</u>

NOTE 5 - Line of Credit

We have a \$100,000 operating line of credit with a bank at July 31, 2020 and 2019. 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, 2020 and 2019, was 7.25% and 5%, respectively, at July 31, 2019, the interest rate was based on the bank's base commercial rate plus .75%. The line of credit matures in November 2023 and is secured by substantially all assets of the Organization. As of July 31, 2020 and 2019, there was an outstanding balance of \$95,000 and \$100,000, respectively, on the line of credit.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

NOTE 6 – Notes Payable

As of July 31, 2020, 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%.	\$ 208,224
U.S. Small Business Administration Economic Injury Disaster Loan due to the COVID-19 pandemic. Monthly payments of \$641 are required based on 348 months amortization with interest at 2.75%, beginning 12 months from the date of the Note, June 23, 2020.	150,000
U.S. Small Business Administration Paycheck Protection Plan under the Coronavirus Aid, Relief, and Economic Security Act Loan	76,000
	434,224
Less: current maturities	(121,288)
	<u>\$ 312,936</u>

During the year ended July 31, 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 \$76,000, with monthly payments of \$4,277, 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>July 31,</u>	
2021	\$ 121,288
2022	125,189
2023	45,178
2024	3,721
2025	3,824
Thereafter	135,024
	<u>\$ 434,224</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, 2020 and 2019, under all agreements, totaled \$47,928 and \$45,940 respectively.

NOTE 8 - Concentrations and Contingencies

As of the year ended July 31, 2020 and 2019, 75% and 83%, respectively, of our total payables were due to two and three vendors, respectively.

As of December 18, 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.

STUDIO TENN THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2020
WITH SUMMARIZED COMPARATIVE TOTALS AS OF JULY 31, 2019

NOTE 9 - Related Party Transactions

We have loans from our Board of Directors as of July 31, 2020 and 2019, as shown below:

<u>Name</u>		<u>2020</u>		<u>2019</u>
Due to board members	\$	25,800	\$	86,000

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, 2020. 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, 2020. As of December 18, 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 July 31, 2020.