

TENNESSEE PERFORMING ARTS CENTER
MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS,
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021 AND 2020

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tennessee Performing Arts Center Management Corporation
Nashville, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Tennessee Performing Arts Center Management Corporation (the "Organization"), which comprise the statements of financial position as of June 30, 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 of 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 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 Organization'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 Organization'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 the Tennessee Performing Arts Center Management Corporation as of June 30, 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.

Kraft CPAs PLLC

Nashville, Tennessee
December 16, 2021

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 9,965,549	\$ 12,051,485
Receivables:		
Accounts and other	66,249	105,584
Grants and contributions	6,899,964	353,486
Prepaid expenses and inventory	280,452	256,219
Other assets	565,966	650,275
Investments	15,876	11,908
Property and equipment, less accumulated depreciation	<u>4,335,074</u>	<u>4,812,091</u>
 TOTAL ASSETS	 <u>\$ 22,129,130</u>	 <u>\$ 18,241,048</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 826,424	\$ 701,496
Advance ticket sales	6,427,588	5,123,469
Deposits and other	155,302	104,132
Capital lease obligation	61,561	145,416
Notes payable	<u>4,227</u>	<u>1,641,201</u>
 TOTAL LIABILITIES	 <u>7,475,102</u>	 <u>7,715,714</u>
 <u>NET ASSETS</u>		
Without donor restrictions:		
Invested in property and equipment, net of related debt	4,269,286	4,637,951
Undesignated	<u>10,192,992</u>	<u>5,762,283</u>
Total without donor restrictions	14,462,278	10,400,234
With donor restrictions	<u>191,750</u>	<u>125,100</u>
 TOTAL NET ASSETS	 <u>14,654,028</u>	 <u>10,525,334</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 22,129,130</u>	 <u>\$ 18,241,048</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor</u>	<u>With Donor</u>	<u>Totals</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
OPERATING REVENUE			
Ticket sales	\$ 17,302	\$ -	\$ 17,302
Rental income	14,590	-	14,590
Salary and wage reimbursements	37,399	-	37,399
Other reimbursements	40,311	-	40,311
Concession sales	1,399	-	1,399
Ticketing service charges and fees	7,265	-	7,265
Sales tax rebate	708	-	708
Other income	<u>81,199</u>	<u>-</u>	<u>81,199</u>
TOTAL OPERATING REVENUE	<u>200,173</u>	<u>-</u>	<u>200,173</u>
OPERATING COSTS AND EXPENSES			
Programming and production	160,073	-	160,073
Food and beverage	58,677	-	58,677
Operations	1,886,190	-	1,886,190
Marketing	679,375	-	679,375
Box office	551,446	-	551,446
Event services	<u>33,364</u>	<u>-</u>	<u>33,364</u>
TOTAL OPERATING COSTS AND EXPENSES	<u>3,369,125</u>	<u>-</u>	<u>3,369,125</u>
LOSS FROM OPERATIONS	<u>(3,168,952)</u>	<u>-</u>	<u>(3,168,952)</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions	1,774,115	191,750	1,965,865
Sponsorships	66,065	-	66,065
Grants	8,828,563	-	8,828,563
Income from Foundation	826,677	-	826,677
Gain on investments	4,129	-	4,129
Interest income	13	-	13
Net assets released from restrictions	<u>125,100</u>	<u>(125,100)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>11,624,662</u>	<u>66,650</u>	<u>11,691,312</u>
FUNCTIONAL EXPENSES			
Program services:			
Educational programs	<u>650,940</u>	<u>-</u>	<u>650,940</u>
Supporting services:			
Management and general	3,228,912	-	3,228,912
Fundraising	<u>513,814</u>	<u>-</u>	<u>513,814</u>
Total supporting services	<u>3,742,726</u>	<u>-</u>	<u>3,742,726</u>
TOTAL FUNCTIONAL EXPENSES	<u>4,393,666</u>	<u>-</u>	<u>4,393,666</u>
CHANGE IN NET ASSETS	4,062,044	66,650	4,128,694
NET ASSETS - BEGINNING OF YEAR	<u>10,400,234</u>	<u>125,100</u>	<u>10,525,334</u>
NET ASSETS - END OF YEAR	<u>\$ 14,462,278</u>	<u>\$ 191,750</u>	<u>\$ 14,654,028</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor</u>	<u>With Donor</u>	<u>Totals</u>
	<u>Restrictions</u>	<u>Restrictions</u>	
OPERATING REVENUE			
Ticket sales	\$ 17,378,737	\$ -	\$ 17,378,737
Rental income	384,334	-	384,334
Salary and wage reimbursements	481,269	-	481,269
Other reimbursements	416,698	-	416,698
Concession sales	1,435,933	-	1,435,933
Ticketing service charges and fees	3,186,713	-	3,186,713
Sales tax rebate	1,176,431	-	1,176,431
Other income	156,937	-	156,937
TOTAL OPERATING REVENUE	<u>24,617,052</u>	<u>-</u>	<u>24,617,052</u>
OPERATING COSTS AND EXPENSES			
Programming and production	15,136,451	-	15,136,451
Food and beverage	934,948	-	934,948
Operations	2,331,330	-	2,331,330
Marketing	1,457,842	-	1,457,842
Box office	1,306,917	-	1,306,917
Event services	748,024	-	748,024
TOTAL OPERATING COSTS AND EXPENSES	<u>21,915,512</u>	<u>-</u>	<u>21,915,512</u>
INCOME FROM OPERATIONS	<u>2,701,540</u>	<u>-</u>	<u>2,701,540</u>
PUBLIC SUPPORT AND OTHER REVENUES			
Contributions	2,320,717	125,100	2,445,817
Sponsorships	19,162	-	19,162
Grants	455,808	-	455,808
Income from Foundation	832,912	-	832,912
Gain on investments	9,539	-	9,539
Interest income	202	-	202
Net assets released from restrictions	384,863	(384,863)	-
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>4,023,203</u>	<u>(259,763)</u>	<u>3,763,440</u>
FUNCTIONAL EXPENSES			
Program services:			
Educational programs	1,250,643	-	1,250,643
Supporting services:			
Management and general	4,239,302	-	4,239,302
Fundraising	890,990	-	890,990
Total supporting services	<u>5,130,292</u>	<u>-</u>	<u>5,130,292</u>
TOTAL FUNCTIONAL EXPENSES	<u>6,380,935</u>	<u>-</u>	<u>6,380,935</u>
CHANGE IN NET ASSETS	343,808	(259,763)	84,045
NET ASSETS - BEGINNING OF YEAR	<u>10,056,426</u>	<u>384,863</u>	<u>10,441,289</u>
NET ASSETS - END OF YEAR	<u>\$ 10,400,234</u>	<u>\$ 125,100</u>	<u>\$ 10,525,334</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

OPERATING EXPENSES

	PROGRAMMING AND PRODUCTION	FOOD AND BEVERAGE	OPERATIONS	MARKETING	BOX OFFICE	EVENT SERVICES
Artist fees	\$ 24,250	\$ -	\$ -	\$ -	\$ -	\$ -
Awards incentives and gifts	-	-	-	-	-	-
Contract labor	-	-	100	-	-	6,459
Marketing - programming	78,951	-	-	-	-	100
Salaries	-	-	712,494	424,553	288,093	-
Wages - full-time	-	-	169,765	480	72,201	-
Wages - part-time	-	1,431	24,534	49,451	30,059	-
Employee related expenses	-	129	67,684	32,981	28,615	-
Bad debt expense	-	693	-	-	681	-
Cash (over) and short	-	(1)	-	-	50	-
Concessions supplies	-	16,335	-	-	-	-
Credit card fees	-	1,485	-	-	81,386	170
Custodial	715	-	8,865	-	-	-
Depreciation	52,350	28,149	295,214	7,614	1,124	13,532
Dues and subscriptions	-	-	156	8,908	27,216	-
Equipment rentals	-	-	-	-	-	-
Fees-ticketing/bank/other	-	510	-	2,000	77	-
Insurance	-	-	-	-	-	-
Interest expense	3,052	-	-	-	-	-
Loss on disposal of equipment	-	-	447	-	-	-
Marketing - institution	-	-	260	102,632	1,729	-
Meals and entertainment	-	-	12	55	-	-
Office and computer supplies	-	-	-	88	-	-
Postage	-	-	-	-	1	-
Printing and reproduction	-	-	196	4,428	-	-
Production costs	(1,409)	-	-	-	-	-
Production investment losses	-	-	-	-	-	-
Professional consulting	-	-	675	30,321	10,273	-
Promoter profit sharing	930	-	-	-	-	-
Rent	-	-	-	-	-	-
Repairs and maintenance	-	9,724	256,706	15,600	9,941	6,091
Security	816	-	-	-	-	2,763
State maintenance expenses	-	-	348,059	-	-	-
Stewardship fulfillment	-	-	-	-	-	-
Tech and house supplies	-	222	303	-	-	-
Telephone	-	-	-	-	-	4,249
Travel - air/hotel/auto	418	-	720	264	-	-
Total costs and expenses	\$ 160,073	\$ 58,677	\$ 1,886,190	\$ 679,375	\$ 551,446	\$ 33,364

See accompanying notes to financial statements.

	PROGRAM SERVICES	SUPPORTING SERVICES				
		MANAGEMENT AND				
TOTAL	EDUCATIONAL PROGRAMS	GENERAL	FUNDRAISING	TOTAL	TOTAL	
\$ 24,250	\$ 31,335	\$ -	\$ 18,125	\$ 18,125	\$ 73,710	
-	6,858	1,693	4,141	5,834	12,692	
6,559	83,891	-	19,120	19,120	109,570	
79,051	-	-	-	-	79,051	
1,425,140	436,067	1,232,763	325,919	1,558,682	3,419,889	
242,446	-	1,771	-	1,771	244,217	
105,475	-	5,003	-	5,003	110,478	
129,409	32,395	757,629	24,117	781,746	943,550	
1,374	-	-	6,970	6,970	8,344	
49	-	1	-	1	50	
16,335	-	-	-	-	16,335	
83,041	-	-	3,305	3,305	86,346	
9,580	96	-	156	156	9,832	
397,983	325	363,701	23,648	387,349	785,657	
36,280	8,093	64,840	15,865	80,705	125,078	
-	91	14,505	-	14,505	14,596	
2,587	100	12,959	161	13,120	15,807	
-	2,380	107,876	-	107,876	110,256	
3,052	-	3,206	-	3,206	6,258	
447	-	-	4,726	4,726	5,173	
104,621	46	-	-	-	104,667	
67	2,736	249	19,135	19,384	22,187	
88	935	8,222	-	8,222	9,245	
1	50	567	4,535	5,102	5,153	
4,624	-	126	16,534	16,660	21,284	
(1,409)	31,773	-	2,500	2,500	32,864	
-	-	86,484	-	86,484	86,484	
41,269	3,137	324,575	10,275	334,850	379,256	
930	-	-	-	-	930	
-	6,000	-	6,000	6,000	12,000	
298,062	-	153,102	-	153,102	451,164	
3,579	256	-	-	-	3,835	
348,059	-	-	-	-	348,059	
-	-	-	7,670	7,670	7,670	
525	-	-	-	-	525	
4,249	-	87,981	-	87,981	92,230	
1,402	4,376	1,659	912	2,571	8,349	
\$ 3,369,125	\$ 650,940	\$ 3,228,912	\$ 513,814	\$ 3,742,726	\$ 7,762,791	

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>OPERATING EXPENSES</u>					
	<u>PROGRAMMING AND PRODUCTION</u>	<u>FOOD AND BEVERAGE</u>	<u>OPERATIONS</u>	<u>MARKETING</u>	<u>BOX OFFICE</u>	<u>EVENT SERVICES</u>
Artist fees	\$ 11,272,339	\$ -	\$ -	\$ -	\$ -	\$ -
Awards incentives and gifts	1,141	50	705	937	-	40
Contract labor	1,332,906	1,397	-	-	-	35,048
Marketing - programming	1,044,893	-	-	258	-	18,663
Salaries	396,527	249,731	626,584	608,516	315,392	291,512
Wages - full-time	1,120	70,351	645,262	41,332	246,241	-
Wages - part-time	177,020	138,884	42,741	339	32,365	212,358
Employee related expenses	45,509	44,940	97,418	50,450	44,711	39,926
Bad debt expense	-	-	-	-	15,737	556
Cash (over) and short	-	514	-	-	5,385	2
Concessions supplies	-	318,160	-	-	-	-
Credit card fees	-	42,471	-	-	524,090	529
Custodial	100,315	-	41,815	525	-	-
Depreciation	52,350	39,500	278,502	7,704	3,777	14,415
Dues and subscriptions	13,448	-	5,866	14,371	38,227	280
Equipment rentals	62,767	-	-	1,155	-	12,106
Fees-ticketing/bank/other	16	349	-	-	-	-
Insurance	11,131	-	10,284	-	-	-
Interest expense	7,559	-	-	-	-	-
Loss on disposal of equipment	-	1,158	-	-	-	-
Marketing - institution	290	-	68	550,418	10,733	-
Meals and entertainment	1,312	813	4,278	4,170	210	246
Office and computer supplies	-	53	509	1,085	433	-
Postage	384	-	-	2,008	4,579	-
Printing and reproduction	2,134	909	108	16,876	10,655	-
Production costs	248,262	-	-	252	-	36,222
Production investment losses	-	-	-	-	-	-
Professional consulting	-	124	10,128	95,099	33,450	-
Promoter profit sharing	204,176	-	-	-	-	24,370
Rent	-	-	-	-	-	-
Repairs and maintenance	8,176	19,121	381,794	30,165	9,650	-
Security	141,502	-	163	160	-	61,746
State maintenance expenses	-	-	152,644	-	-	-
Stewardship fulfillment	-	-	-	-	-	-
Tech and house supplies	-	2,022	21,603	13	-	-
Telephone	1,139	-	-	541	-	-
Transportation grants expense	-	-	-	-	-	-
Travel - air/hotel/auto	10,035	165	7,747	31,468	11,282	5
Uniforms and alterations	-	4,236	3,111	-	-	-
Total costs and expenses	<u>\$ 15,136,451</u>	<u>\$ 934,948</u>	<u>\$ 2,331,330</u>	<u>\$ 1,457,842</u>	<u>\$ 1,306,917</u>	<u>\$ 748,024</u>

See accompanying notes to financial statements.

	PROGRAM SERVICES		SUPPORTING SERVICES			
			MANAGEMENT AND GENERAL			
TOTAL	EDUCATIONAL PROGRAMS			FUNDRAISING	TOTAL	TOTAL
\$ 11,272,339	\$ 201,890	\$ -	\$ 5,984	\$ 5,984	\$ 11,480,213	
2,873	3,640	27,399	4,277	31,676	38,189	
1,369,351	206,285	-	2,220	2,220	1,577,856	
1,063,814	-	-	150	150	1,063,964	
2,488,262	551,889	1,458,717	420,208	1,878,925	4,919,076	
1,004,306	-	185,943	-	185,943	1,190,249	
603,707	39,822	492	11,192	11,684	655,213	
322,954	44,594	1,059,815	33,214	1,093,029	1,460,577	
16,293	2,792	-	1,250	1,250	20,335	
5,901	108	291	-	291	6,300	
318,160	-	-	-	-	318,160	
567,090	-	-	5,177	5,177	572,267	
142,655	21,550	450	-	450	164,655	
396,248	325	372,484	20,610	393,094	789,667	
72,192	6,153	43,434	21,661	65,095	143,440	
76,028	310	22,040	18,940	40,980	117,318	
365	-	16,043	13	16,056	16,421	
21,415	(35)	140,775	-	140,775	162,155	
7,559	-	2,937	-	2,937	10,496	
1,158	-	-	-	-	1,158	
561,509	-	2,974	7,121	10,095	571,604	
11,029	26,754	18,549	95,986	114,535	152,318	
2,080	7,195	23,569	2,171	25,740	35,015	
6,971	1,835	2,737	1,144	3,881	12,687	
30,682	11,847	1,990	16,153	18,143	60,672	
284,736	36,233	352	16,017	16,369	337,338	
-	-	542	-	542	542	
138,801	7,900	586,458	19,867	606,325	753,026	
228,546	-	-	-	-	228,546	
-	48,783	-	48,783	48,783	97,566	
448,906	-	177,128	-	177,128	626,034	
203,571	14,064	810	1,346	2,156	219,791	
152,644	-	-	-	-	152,644	
-	-	-	133,211	133,211	133,211	
23,638	-	861	-	861	24,499	
1,680	-	73,724	-	73,724	75,404	
-	2,974	-	-	-	2,974	
60,702	13,735	18,788	4,295	23,083	97,520	
7,347	-	-	-	-	7,347	
\$ 21,915,512	\$ 1,250,643	\$ 4,239,302	\$ 890,990	\$ 5,130,292	\$ 28,296,447	

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 4,128,694	\$ 84,045
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	785,657	789,667
Loss on disposal of equipment	5,173	1,158
Gain on investments	(3,968)	(9,539)
Paycheck Protection Program loan forgiveness	(1,612,477)	-
(Increase) decrease in:		
Accounts and other receivables	39,335	(13,823)
Grant and contribution receivables	(6,546,478)	(77,279)
Prepaid expenses and inventory	(24,233)	50,134
Other assets	84,309	5,177
Increase (decrease) in:		
Accounts payable and accrued expenses	124,928	(1,267,721)
Advance ticket sales	1,304,119	(2,820,433)
Deposits and other	51,170	(20,902)
TOTAL ADJUSTMENTS	<u>(5,792,465)</u>	<u>(3,363,561)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,663,771)</u>	<u>(3,279,516)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(313,813)	(481,046)
Purchase of investments	(306)	(264,668)
Proceeds from sales of investments	<u>306</u>	<u>689,582</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(313,813)</u>	<u>(56,132)</u>
FINANCING ACTIVITIES		
Repayment of capital lease obligations	(83,855)	(76,428)
Proceeds from notes payable	-	1,612,477
Repayment of notes payable	<u>(24,497)</u>	<u>(32,414)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(108,352)</u>	<u>1,503,635</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(2,085,936)	(1,832,013)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>12,051,485</u>	<u>13,883,498</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,965,549</u>	<u>\$ 12,051,485</u>
OTHER CASH FLOW DISCLOSURES:		
Interest paid on capital lease	<u>\$ 4,765</u>	<u>\$ 7,975</u>
Interest paid on notes payable	<u>\$ 1,493</u>	<u>\$ 2,521</u>
NONCASH FINANCING AND INVESTING ACTIVITIES:		
Property and equipment purchased by capital lease	<u>\$ -</u>	<u>\$ 82,178</u>

See accompanying notes to financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 1 - GENERAL

The Tennessee Performing Arts Center Management Corporation (the "Organization"), a not-for-profit organization, was formed in November 1977. In March 1978, the Organization entered into an agreement (the "Agreement") with the State of Tennessee (the "State") and the Tennessee Performing Arts Foundation (the "Foundation") (amended in February 1999). The initial Agreement established the Organization principally for the purpose of presenting quality arts entertainment and education to Tennessee residents through the operation of the Tennessee Performing Arts Center (the "Center" or "TPAC"). The Organization has administrative control over the operations and functions of the Center that is located in the James K. Polk State Office Building, Nashville, Tennessee. The State is responsible for utilities, security services, major repairs, structural elements, fixtures, and the major elements of the sound, lighting and stage rigging in each of the Center's theaters.

Effective January 1, 2009, the operations of Nashville Institute for the Arts (the "Institute") were merged with the Organization. The Institute continues to exist as a separate legal entity but does not have any net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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.

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. There are currently no donor restrictions that are perpetual in nature.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, 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.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions - Contributions are recognized when cash, securities or other assets or an unconditional promise to give is received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

The Organization reports any gifts of equipment or materials as net assets without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Sponsorships - Based on arrangements with corporate donors, sponsorships often contain both an exchange element, relating to the value of benefits provided, and a contribution element for the difference between the total amount and the value of the benefits. The Organization recognizes the contribution portion when pledged and recognizes revenue for the exchange element as the benefits are provided. Benefits provided may include tickets to performances and fundraising events, as well as advertising and marketing.

Regarding the allocation of the revenue between exchange and contribution, the transaction amount is allocated to each benefit based on actual amounts charged for similar benefits, where applicable, or estimates based on similar goods or services provided within the surrounding area.

Grants - The Organization receives grant revenue from various state and local agencies. Grants are generally considered nonreciprocal transactions restricted by sponsors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses occur. Payments received in advance of conditions being met are recorded as deferred revenue on the statement of financial position. If the grant is not conditional, the revenue is recorded upon notification of the award.

Ticket sales and ticketing services charges and fees - Ticket sales and ticketing services charges and fees are deferred initially in the statement of financial position as advance ticket sales, and subsequently recognized as revenue when the related performance occurs, which fulfills the Organization's performance obligation.

Reimbursements - Other revenue generated from reimbursements is recognized when the related performance occurs. As performances occur, the reimbursable services or goods are provided, as such other related revenue would be recognized in the same period.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Concessions - Revenue is recognized at the time of sale, which is when the Organization's performance obligation is completed.

Sales Tax Rebate - In accordance with applicable State Statute, the Organization receives a rebate from the State of a portion of sales tax paid, to be used exclusively for facilities maintenance and improvements, as defined in the Statute. Such rebates are recognized and reported in the statement of activities in the period applicable.

Rentals - The Organization receives rental income for the use of its facilities. Revenue from rental income may include a nonrefundable deposit paid in advance, which is recorded as deferred revenue when received. The entirety of the rental income is recognized when the event occurs as the Organization has fulfilled its performance obligation.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and money market accounts with banks except for cash and cash equivalents held in brokerage accounts, which are included in investments.

Promises to Give

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.

An allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible. At June 30, 2021 and 2020, contributions receivable are deemed to be fully collectible by management, and no allowance for uncollectible contributions is considered necessary. All contributions receivable at June 30, 2021 and 2020 are due within one year.

Accounts Receivable

The Organization rents the use of the performance theaters and various other staff services to other organizations utilizing the theaters.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Accounts receivable are reported at gross sales price less any applicable payments or adjustments. The Organization does not charge interest on past due accounts. Accounts receivable are deemed to be fully collectible by management, and no allowance for bad debts is considered necessary at June 30, 2021 and 2020.

Prepaid Expenses and Inventory

Prepaid expenses and inventory consist primarily of certain marketing and promotional costs pertaining to the following theatre season that are paid for in advance and recognized in the following fiscal year, as well as food and beverage supplies. Marketing and promotional costs for the years ended June 30, 2021 and 2020 totaled approximately \$180,000 and \$1,600,000, respectively.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Property and Equipment and Depreciation

Property and equipment are recorded at cost at the date of purchase or estimated fair value at the date of gift to the Organization. The Organization's policy is to capitalize acquisitions with a cost of \$1,000 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 seven years for computers, furniture and equipment, thirty years for lobby improvements and ten years for other improvements.

Long-lived Assets

Management reviews the carrying value of its investments in long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If a long-lived asset is determined to be impaired, the amount recognized for impairment in the statement of activities is equal to the difference between the asset's carrying and fair values.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

The Organization classified its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

<i>Investments</i>	Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid securities and certain other products, such as mutual funds. If quoted market prices are not available then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified within Level 2 of the valuation hierarchy.
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There have been no changes in the valuation methodologies used at June 30, 2021 and 2020.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Donated Materials, Facilities and Services

Significant materials, facilities and services are donated to the Organization by various individuals and organizations. Donated materials, facilities and services, which amounted to \$123,150 in 2021 (\$617,471 in 2020), are recorded as revenue and expenses at their estimated fair value at the date of donation.

The Organization has an agreement with the State, under which the State provides theaters and support spaces to the Organization, and the Organization provides enhanced cultural, theatrical and educational opportunities to Tennessee residents. The space provided by the State includes performance halls, all backstage areas, dressing rooms, rehearsal and shop spaces, box office and administrative areas. In addition, the State is responsible for the supply and purchase of utilities, security services and major repairs related to the space. The State also provides janitorial services for the common or public areas, with the Organization responsible for all janitorial services within the theaters and support spaces not designated as common or public areas. No amounts are recorded related to this agreement.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Taxes Collected

Sales taxes collected and remitted to governmental authorities are excluded from sales and costs and presented on a net basis in the financial statements.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

The Organization files a U.S. federal Form 990 for organizations exempt from income tax, and U.S. federal Form 990-T for organizations exempt from income tax with unrelated business income. In addition, the Organization files an income tax return in the State of Tennessee.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services

TPAC maintains high standards for programming and education activities that benefit the entire community. In addition to offering a diverse season of culturally engaging performances by local and national artists, TPAC provides six distinct programs that provide extended educational services to students and TPAC audiences:

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

During the 2021 fiscal year, the Season for Young People (previously called Humanities Outreach in Tennessee) presented professional performances of theater, dance and music for student audiences through a virtual viewing platform. Each performance was available to view remotely at school or at home, with a total of 109 virtual performance days available for teachers to schedule for their students. The virtual performances were provided at no cost to schools along with corresponding on-line classroom materials to ensure that each student could continue to have access to diverse cultural and educational programs throughout the school closures. TPAC also provided virtual student workshops and artist discussions. During the 2020-2021 academic year, 68,946 students and teachers from 810 school groups attended Season for Young People performances (32,549 students and teachers from 434 school groups during the 2019-2020 academic year).

The ArtSmart program was discontinued in 2020-21. The program has provided professional development and artist residencies for K-12th grade schools to accompany the performances presented in each year's Season for Young People. Going forward, the program will shift to support multi-year partnerships planned with a limited number of schools. Warner Elementary Arts Magnet School in Nashville continued as a partner in 2020-21. A total of 250 students and teachers at Warner Elementary participated in arts integrated residencies and professional development provided by TPAC in 2020-2021 (2,095 students and teachers in 13 schools participated in 2019-2020).

TPAC's Wolf Trap Early Learning through the Arts program brings arts-based classroom residencies to preschools and Head Start Centers. Teaching Artists and teachers use arts instruction to target early childhood developmental goals and help children learn. In 2020-21 the number of residency visits with teaching artists was reduced and converted to virtual to respond to the remote and hybrid learning requirements of each individual center during the pandemic. Additionally, virtual interaction with teaching artists was provided in a weekly series for families to access from home. A total of 1,077 children, teachers and family members participated in Wolf Trap in 2020-2021 at no charge to them (1,676 children and teachers in 2019-2020).

InsideOut is for adults who want to grow in their knowledge and enjoyment of the performing arts. While much of the traditional in-person InsideOut Series was paused due to COVID in 2020-2021, TPAC created opportunities for audiences of all ages to interact virtually with the performing arts. 4,685 individuals viewed and participated in TPAC's Education and Community Engagement public programming. Virtual panel discussions and presentations highlighted local arts and community groups; two films produced by TPAC presented performances by local artists Mark Cabus and The Fisk Jubilee Singers; and TPAC teaching artists recorded 23 educational videos for families and 2 Behind the Scenes guided tours of TPAC's backstage. (2,851 individuals participated in InsideOut during 2019-2020).

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Services (Continued)

Disney Musicals in Schools (“DMIS”) develops a culture of musical theatre performance in Metro Nashville elementary schools. The program introduces the collaborative art of musical theatre; strengthens arts programming; develops partnerships among students, faculty, staff and the greater Nashville community. Participating schools receive (at no cost) a performance license to any Disney KIDS musical, ShowKit materials, including directors guides, student scripts, accompaniment and vocal CDs and a choreography DVD, cross-curricular activities; and in-school support from teams of two TPAC teaching artists for 15 weeks. In 2020-2021, all in-school activity for this program was paused, but DMIS teaching artists led 36 Story Adventure workshops on-line for families. 1,003 children and families Zoomed in from 11 states to move and sing along with teaching artists in Disney stories. (1,900 students and 208 educators from 39 MNPS and Bedford County schools in 2019-20).

Spotlight Awards are presented in partnership with Lipscomb University’s College of Entertainment and the Arts to encourage young theatre artists in Middle Tennessee. Through the program, applying high schools participate in workshops and event opportunities with theater professionals and their musicals are evaluated by a diverse panel of adjudicators. The program culminates in May where exemplary work is recognized with The Spotlight Awards ceremony at TPAC, where the top contenders for “Outstanding Musical” perform and honors are presented in a variety of categories, including “Outstanding Lead Actor” and “Outstanding Lead Actress.” The recipients of these two awards then move on to national consideration for The Jimmy Awards in New York.

Many schools did not produce musicals due to health concerns, so instead of the adjudication process, schools applied to participate in free educational workshops and virtual events throughout the year. In 2020-21, 45 high schools and more than 500 students participated in the Spotlight virtual activities provided by TPAC. Theater students in grades 11-12 were invited to apply in the Auditions and Awards process by submitting performance videos. The top two applicants were selected to participate in the virtual Jimmy Awards. The 2021 Jimmy Awards became a hybrid event, with the top two Spotlight students hosted at TPAC for 10 days of professional workshops led virtually from Broadway.

(32 high schools participated and 800 students, teachers and their guests attended the Virtual Spotlight Awards, and 2,200 viewed the online celebration after the live event in 2019-2020).

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting Services

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or event, or with fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, information technology, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of operating, program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, all costs have been directly charged to the operating, program and supporting services benefited; no costs are allocated across functional categories.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that 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.

Recent Authoritative Accounting Guidance

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In June 2020, in response to the COVID-19 pandemic, the FASB issued ASU 2020-05, allowing certain entities to defer implementation of ASU 2016-02 for an additional year. As a result, the standard will now be effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (Continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the consolidated statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Organization beginning on June 1, 2022. The Organization is currently evaluating the impact of the pending adoption of new standard on the financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on net assets or the change in net assets as previously reported.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2021 and December 16, 2021, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following as of June 30:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 9,965,549	\$ 12,051,485
Receivables:		
Accounts and other	66,249	105,584
Grants and contributions	6,899,964	353,486
Investments	<u>15,876</u>	<u>11,908</u>
Total financial assets	<u>16,947,638</u>	<u>12,522,463</u>
Less amounts not available for general expenditure within one year:		
Deferred compensation liability	(15,876)	(11,908)
Advance ticket sales	(6,427,588)	(5,123,469)
Deposits held - rental clients	(12,342)	(59,232)
Assets restricted for fundraising events	<u>-</u>	<u>(10,000)</u>
Amounts not available to be used within one year	<u>(6,455,806)</u>	<u>(5,204,609)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,491,832</u>	<u>\$ 7,317,854</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization excludes advance ticket sales proceeds as those funds have yet to be earned. The portion of the advance ticket sales proceeds that the Organization retains will be used for operations, including future programming and production costs. The Organization also excludes the liability associated with the deferred compensation plan as those are vested assets of the participants, and are, therefore, not available to meet current operating needs. In addition, certain donor-restricted assets are limited as to use, primarily for fundraising events, and are not available for general expenditure and deducted above.

Annually, the Organization receives distributions from the Foundation to use for general operating needs. The Organization expects the distributions to total approximately \$800,000 over the next 12-month period. The Organization also has a line of credit with availability totaling \$500,000 to meet cash flow needs (see Note 9).

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 4 - CONTRACT BALANCES

The following table summarizes activity related to contracts with customers as of June 30:

	<u>Accounts receivable</u>		<u>Advance ticket sales</u>		<u>Other unearned income</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Beginning of year	\$ -	\$ 244,405	\$5,123,469	\$ 7,943,902	\$ 104,132	\$ 125,034
End of year	\$ 12,441	\$ -	\$6,427,588	\$ 5,123,469	\$ 155,302	\$ 104,132

NOTE 5 - INVESTMENTS

Investments consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 532	\$ 227
Equity securities	13,160	9,482
Fixed income securities	1,965	1,986
Alternative securities	219	213
	<u>\$ 15,876</u>	<u>\$ 11,908</u>

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 6 - FAIR VALUE MEASUREMENTS

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30:

	2021			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Equity securities	\$ 13,160	\$ -	\$ -	\$ 13,160
Fixed income securities	1,965	-	-	1,965
Alternative securities	219	-	-	219
	<u>\$ 15,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,344</u>
	2020			
	Level 1	Level 2	Level 3	Total
Investments at fair value:				
Equity securities	\$ 9,482	\$ -	\$ -	\$ 9,482
Fixed income securities	1,986	-	-	1,986
Alternative securities	213	-	-	213
	<u>\$ 11,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,681</u>

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Lobby improvements	\$ 4,925,137	\$ 4,925,137
Other improvements	3,108,647	3,115,228
Computers	1,082,695	1,053,835
Furniture	630,961	634,902
Equipment	1,815,952	1,734,528
Construction in process	<u>184,884</u>	<u>50,616</u>
	11,748,276	11,514,246
Less accumulated depreciation	<u>(7,413,202)</u>	<u>(6,702,155)</u>
	<u>\$ 4,335,074</u>	<u>\$ 4,812,091</u>

The cost to complete construction in process as of June 30, 2021 is approximately \$100,000.

NOTE 8 - OTHER ASSETS

For the years ended June 30, 2021 and 2020, other assets recorded at cost include \$563,165 for the musical *Part of the Plan*, a developmental production of a new work that the Organization co-produced and presented during the 2017 - 2018 Broadway season, following a staged reading co-produced and presented by the Organization in the 2016 - 2017 fiscal year. The Organization is an investor in the show, a non-biographical production that features the music of Dan Fogelberg, who began his recording career in Nashville.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 9 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Note payable to First Foundation Bank for lighting equipment, requiring monthly principal and interest payments of \$2,129. All unpaid principal and interest are due August 2021. Interest is charged at a per annum rate equal to 5.99%. Secured by lighting equipment with a carrying value of \$236,326 at June 30, 2021.	\$ 4,227	\$ 28,724
Paycheck Protection Program loan (1)	<u>-</u>	<u>1,612,477</u>
	<u>\$ 4,227</u>	<u>\$ 1,641,201</u>

(1) The Organization entered into a Paycheck Protection Program loan of \$1,612,477 in May 2020, which was fully forgiven February 24, 2021. Since the loan was fully forgiven, the Organization is not responsible for any payments, and the balance of the loan was reclassified to grant income on the statement of activities.

The Organization also has a \$500,000 operating line of credit with the bank, which bears interest, payable monthly, on the amount borrowed at a variable interest rate based on the LIBOR Daily Floating Rate plus 2.75%. The line of credit was amended on January 12, 2021 with a new maturity date of January 30, 2022, at which time all unpaid principal and accrued interest will be due. There was no outstanding balance on the line of credit as of June 30, 2021 or 2020.

A schedule of annual principal maturities of notes payable as of June 30, 2021, follows:

For the year ending June 30,

2022	<u>\$ 4,227</u>
	<u>\$ 4,227</u>

Total interest expense on notes payable recognized by the Organization for the year ended June 30, 2021 was \$1,493 (\$2,521 in 2020). Interest expense is reported in the statements of activities under operating costs and expenses and management and general functional expenses.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Philanthropic sponsorship for future Broadway seasons	\$ 65,000	\$ -
Contributions and contributions receivable restricted for future years	<u>126,750</u>	<u>125,100</u>
	<u>\$ 191,750</u>	<u>\$ 125,100</u>

NOTE 11 - LEASES

The Organization leases certain office equipment under an operating lease through August 2023. During 2020, the Organization also leased office space for which monthly lease payments of \$6,000 were made. Total rental expense incurred under all such agreements for the year ended June 30, 2021, amounted to approximately \$16,000 (\$93,000 in 2020).

During 2016, the Organization entered into a capital lease for sound equipment, which requires monthly payments of \$5,871 through August 2021. The capitalized cost of the leased asset and related accumulated depreciation at June 30, 2021 were \$312,292 and \$145,736 respectively. During 2020, the Organization entered into a capital lease for multiple copiers, which requires monthly payments of \$1,551 through September 2024. The capitalized cost of the leased asset and related accumulated depreciation at June 30, 2021 were \$82,178 and \$27,393, respectively.

Future minimum lease commitments under all non-cancelable leases in effect as of June 30, 2021, are as follows:

<u>For the year ending June 30,</u>	<u>Operating Leases</u>	<u>Capital Lease</u>
2022	\$ 4,413	\$ 24,479
2023	4,413	18,609
2024	734	18,609
2025	<u>-</u>	<u>4,652</u>
	<u>\$ 9,560</u>	66,349
Less: imputed interest at 4.62% - 5.00%		<u>(4,788)</u>
Net minimum lease payments		<u>\$ 61,561</u>

Total interest expense recognized during the year ended June 30, 2021 on the capital lease totaled \$4,765 (\$7,975 recognized during the year ended June 30, 2020).

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 12 - CONCENTRATIONS AND RISKS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, contributions and grants. Contributions receivable consist of individual and corporate contribution pledges. Account receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. At June 30, 2021, receivables from one source amounted to approximately \$6,510,000, or 93% of total receivables. At June 30, 2020, receivables from three sources totaled approximately \$286,000, or 62% of total receivables.

For the year ended June 30, 2021, contribution revenue from one source totaled \$275,425 and grant revenue from one source totaled \$8,123,116 (contribution revenue from one source totaled \$332,475 for the year ended June 30, 2020).

The Organization maintains cash accounts at a reputable financial institution whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances generally exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Organization receives support from and, at times, purchases goods or services from companies or organizations that are affiliated with or owned, directly or indirectly, by members of the Board of Directors. All related party transactions are subject to the Organization's Conflict of Interest Policy.

The Foundation is responsible for the management of its Board-designated endowment fund that was established to support the operations of the Organization. The Foundation is governed by a separate Board and annually distributes 5% of the trailing five-year average investment value of the fund to the Organization. For the year ended June 30, 2021, the Foundation distributed \$826,677 to the Organization (\$832,912 distributed in 2020), which the Organization recognized as income in the year received.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 13 - RELATED PARTY TRANSACTIONS (CONTINUED)

A condensed summary of financial information of the Foundation as of and for the years ended June 30, follows:

	<u>2021</u>	<u>2020</u>
Total Assets	\$ 18,285,500	\$ 15,934,128
Total Liabilities	<u>11,818</u>	<u>11,000</u>
Net Assets - Unrestricted	<u>\$ 18,273,682</u>	<u>\$ 15,923,128</u>
Total Revenues (Expenses):		
Investment income, net	\$ 3,188,141	\$ 177,134
Other income	101	366
Endowment distributions to the Organization	(826,677)	(832,912)
Management and general expenses	<u>(11,011)</u>	<u>(11,012)</u>
Change in Net Assets	<u>\$ 2,350,554</u>	<u>\$ (666,424)</u>

NOTE 14 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

During 1996, Dr. and Mrs. Thomas Frist established two donor-designated endowment funds with the Community Foundation of Middle Tennessee for the benefit of the Organization and the Institute, respectively. Two other donor-designated endowment funds were established with the Community Foundation of Middle Tennessee by Mrs. Martha Ingram for the benefit of the Children's Educational Program at Tennessee Performing Arts Center and the Organization's HOT program (HOT is referred to as TPAC's "Season for Young People"). The Community Foundation of Middle Tennessee has the ultimate authority and control over these Funds and, therefore, these investments are not included in the financial statements of the Organization. Income distributed to the Organization from these funds, which is recognized by the Organization in the year received, amounted to \$3,600 and \$12,800 during fiscal year 2021 and 2020. Total assets held in these funds amounted to \$338,099 at June 30, 2021, and \$287,666 at June 30, 2020.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 15 - EMPLOYEE BENEFIT PLANS

Defined Contribution Plan

The Organization sponsors the Tennessee Performing Arts Center 401(k) Plan (the “Plan”) under Section 401(k) of the Internal Revenue Code. Eligible employees may elect to defer a portion of their compensation through the Plan, not to exceed the allowable amount under Section 401(k). The Organization’s contributions to the Plan are at the discretion of the Board of Directors with no minimum contributions guaranteed. The Organization did not make a contribution to the Plan for the year ended June 30, 2021 or 2020.

Deferred Compensation Plan

The Organization has a deferred compensation plan for a current member of management and has established a “rabbi trust” for the purpose of accumulating funds applicable thereto. The plan allows for an eligible account, in which the participant is fully vested, and a noneligible account, in which the participant will be eligible to receive the funds upon attaining retirement age, except in the case of death, disability or involuntary termination without cause, in which the balance will be paid to the participant or the participant’s estate. Contributions to the trust by the Organization were \$0 for the years ended June 30, 2021 and 2020, respectively. Trust assets are shown as investments in the accompanying statements of financial position and totaled \$15,876 at June 30, 2021 (\$11,908 at June 30, 2020). The related liability, equal to the eligible account balance, is included in accounts payable and accrued expenses, and totaled \$15,876 at June 30, 2021 (\$11,908 at June 30, 2020).

NOTE 16 - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization has experienced loss of revenues due to the cancellation of performances and events. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions. The Organization’s leadership team is evaluating the evolving situation and will implement appropriate countermeasures as determined to be appropriate.

TENNESSEE PERFORMING ARTS CENTER MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 16 - COVID-19 (CONTINUED)

On June 29, 2021, the Organization received a Shuttered Venue Operators Grant ("SVOG") in the amount of \$9,304,724, and on September 24, 2021, was notified it will receive a supplemental award of \$695,276 for a total of \$10,000,000. This award, established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act and amended by the American Rescue Plan Act, is to assist eligible entities who, in general, illustrated a loss of gross revenues in certain quarters during 2020 as compared to the same quarter(s) in 2019. This award is considered a conditional grant and will be recognized as revenue in the year awarded to the extent qualified expenditures have been incurred. For the year ended June 30, 2021, \$6,510,639 of grant revenue from the SVOG was recorded. The Organization has a remaining available balance of approximately \$3,500,000 that has not been recognized as revenue because qualifying expenditures have not been charged to the grant.