

**TEN THOUSAND VILLAGES
OF NASHVILLE, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

March 31, 2009 and 2008

TEN THOUSAND VILLAGES OF NASHVILLE, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ten Thousand Villages of Nashville, Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of Ten Thousand Villages of Nashville, Inc. (a nonprofit organization) as of March 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Ten Thousand Villages of Nashville, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Ten Thousand Villages of Nashville, Inc., as of March 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

July 7, 2009

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 127,424	\$ 160,598
Inventory	43,045	58,593
Prepaid expenses	<u>3,779</u>	<u>4,151</u>
Total current assets	174,248	223,342
Furniture, fixtures and equipment, net of accumulated depreciation of \$26,457 and \$21,958	<u>9,945</u>	<u>7,896</u>
Total assets	<u><u>\$ 184,193</u></u>	<u><u>\$ 231,238</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,735	\$ 11,054
Accrued expenses	<u>15,783</u>	<u>12,766</u>
Total current liabilities	18,518	23,820
Net assets:		
Unrestricted	<u>165,675</u>	<u>207,418</u>
Net assets	<u>165,675</u>	<u>207,418</u>
Total liabilities and net assets	<u><u>\$ 184,193</u></u>	<u><u>\$ 231,238</u></u>

See accompanying notes.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
STATEMENTS OF ACTIVITIES
Years ended March 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues, gains, and other support:		
Store sales	\$ 463,427	\$ 528,892
Cost of goods sold	<u>244,985</u>	<u>269,195</u>
Gross profit	218,442	259,697
Contributions and other support	4,429	6,595
Interest	<u>959</u>	<u>2,490</u>
Total revenues, gains, and other support	223,830	268,782
Expenses:		
Program expenses:		
Payroll expenses	117,733	83,027
Rent	50,070	48,657
Advertising	27,951	26,076
Credit card charges	9,337	9,615
Liability insurance	7,904	5,065
Supplies	7,377	6,935
Utilities	5,647	5,085
Health insurance	3,738	4,564
Depreciation	3,473	2,378
Miscellaneous	2,519	3,438
Telephone	2,761	2,718
Travel and entertainment	2,148	963
Repairs and maintenance	1,847	2,421
Licenses and taxes	796	53
Dues and subscriptions	550	1,007
Special programs	195	1,396
Interest expense	<u>-</u>	<u>12</u>
Total program expenses	244,046	203,410
Management and general expenses:		
Professional fees	8,719	11,916
Payroll expenses	6,196	4,370
Rent	2,635	2,561
Payroll processing fees	1,864	1,696
Technical support	959	-
Liability insurance	416	267
Utilities	297	268
Health insurance	197	240
Telephone	145	143
Volunteer appreciation	99	-
Outreach	<u>-</u>	<u>495</u>
Total management and general expenses	21,527	21,956
Total expenses	<u>265,573</u>	<u>225,366</u>
Change in net assets	(41,743)	43,416
Net assets at beginning of year	<u>207,418</u>	<u>164,002</u>
Net assets at end of year	<u>\$ 165,675</u>	<u>\$ 207,418</u>

See accompanying notes.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
STATEMENTS OF CASH FLOWS
Years ended March 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (41,743)	\$ 43,416
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,473	2,378
Changes in operating assets and liabilities:		
Inventory	15,548	(23,150)
Prepaid expenses	372	372
Accounts payable	(8,319)	1,558
Accrued expenses	<u>3,017</u>	<u>2,020</u>
Net cash (used in) provided by operating activities	<u>(27,652)</u>	<u>26,594</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	<u>(5,522)</u>	<u>(771)</u>
Net cash used in investing activities	<u>(5,522)</u>	<u>(771)</u>
Net (decrease) increase in cash and cash equivalents	(33,174)	25,823
Cash and cash equivalents at beginning of year	<u>160,598</u>	<u>134,775</u>
Cash and cash equivalents at end of year	<u>\$ 127,424</u>	<u>\$ 160,598</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 12</u>

See accompanying notes.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Ten Thousand Villages of Nashville, Inc. (the “Organization”) is a Tennessee nonprofit corporation affiliated with Ten Thousand Villages of Akron, Pennsylvania. Its goals, along with over 100 similar organizations located throughout the United States, include supporting the worldwide relief and development programs of nonprofit alternative trade organizations through the sale of merchandise, substantially all of which has been handcrafted by persons of low income from developing countries.

Financial Statement Presentation

The Organization operates a store in Nashville, Tennessee, through the significant assistance of volunteers. The Organization presents its financial statements in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – represents net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes.

At March 31, 2009 and 2008, the Organization had no temporarily or permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization may maintain cash balances, at times, which exceed federally insured limits. In management’s opinion, risks relating to such deposits are minimal based on the credit rating of its financial institution.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
March 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

The inventory of merchandise held for resale is valued at the lower of cost (first in, first out) or market.

Furniture, Fixtures and Equipment and Depreciation

Furniture, fixtures and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all assets range from three to ten years.

Revenue and Support

The Organization receives its program revenue primarily from the sale of merchandise handcrafted by lower income people from developing countries.

Contributions

The Organization accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Income Taxes

The Organization has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made in these financial statements.

Donated Services

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
March 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing program services and management and general functions have been allocated within the statements of activities based on estimates made by management.

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled \$27,951 and \$26,076 for the years ended March 31, 2009 and 2008, respectively.

NOTE 2 – RELATED PARTY TRANSACTIONS

Ten Thousand Villages of Nashville, Inc. operates its store under a support agreement with Ten Thousand Villages of Akron, Pennsylvania. The arrangement essentially provides the Organization with start-up support, initial inventory and sharing loans, and use of certain trademarks. In addition, the Organization is required, among other things, to purchase a minimum of 80% of its inventory from Ten Thousand Villages – Akron. As part of the agreement, Ten Thousand Villages – Akron may appoint a representative to the Board of Directors of the Organization. The agreement extends for an initial term of three years and is automatically renewed for additional one-year terms unless notice is given by either party.

NOTE 3 – COMMITMENTS

The Organization maintains an operating lease for its retail space, which originally expired on June 30, 2005. Prior to its expiration the Organization exercised the first of two options to extend the lease for a three-year period. In December 2007, the Organization exercised its second option to extend the lease through June 30, 2011. The lease is subject to certain annual increases based on the consumer price index. The following is a schedule by years of future minimum rental payments required under this operating lease:

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
March 31, 2009 and 2008

NOTE 3 – COMMITMENTS (continued)

Year ending <u>March 31,</u>	
2010	\$ 53,605
2011	54,222
2012	13,594
2012	-
2013	<u>-</u>
	<u>\$ 121,421</u>

Rent expense for the years ended March 31, 2009 and 2008 totaled \$52,705 and \$51,218, respectively.