

TENNESSEE ARTS ACADEMY FOUNDATION

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

YEARS ENDED AUGUST 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tennessee Arts Academy Foundation
Nashville, Tennessee

We have audited the accompanying financial statements of the Tennessee Arts Academy Foundation (a nonprofit organization), which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Arts Academy Foundation as of August 31, 2018 and 2017, 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 & Company, PLLC

Nashville, TN
December 14, 2018

THE TENNESSEE ARTS ACADEMY FOUNDATION
STATEMENT OF FINANCIAL POSITION
YEARS ENDED AUGUST 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash, money market and certificates of deposit	<u>\$ 381,484</u>	<u>\$ 313,507</u>
Total Assets	<u><u>\$ 381,484</u></u>	<u><u>\$ 313,507</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$ -	\$ -
Net Assets:		
Unrestricted	<u>381,484</u>	<u>313,507</u>
Total Liabilities and Net Assets	<u><u>\$ 381,484</u></u>	<u><u>\$ 313,507</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

THE TENNESSEE ARTS ACADEMY FOUNDATION
STATEMENT OF ACTIVITIES
YEARS ENDED AUGUST 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Revenues and Other Support:		
Registration Fees - Tennessee Arts Academy	\$ 93,994	\$ 118,822
State of Tennessee Grant	100,000	100,000
CMA Grant	32,000	-
Sponsorship and Corporate Gifts	52,852	52,234
Bravo Banquet Table Sponsors	38,723	35,398
Alumni Memberships	10,837	10,530
Contributions	12,347	12,682
Other Income	7,025	10,122
Silent Auction	10,602	8,268
NYC Broadway Fundraiser	8,127	7,411
Interest Income	6,255	1,177
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Total Revenues and Other Support	372,762	356,644
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Expenses:		
Management and General	40,132	30,689
Program Expenses:		
State of Tennessee Grant Expenses	100,000	100,000
CMA Grant Expenses	32,000	-
Other Direct Tennessee Arts Academy Funding	104,834	69,485
Bravo Banquet Expenses	15,000	12,500
Scholarships	6,550	2,000
Other	6,269	1,589
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Total Expenses	304,785	216,263
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Excess of Revenue Over Expenses	67,977	140,380
Net Assets:		
Beginning of Year	313,507	173,127
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End of Year	\$ 381,484	\$ 313,507
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See Independent Auditor's Report and Notes to Financial Statements.

THE TENNESSEE ARTS ACADEMY FOUNDATION
STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	<u>\$ 67,977</u>	<u>\$140,380</u>
Net cash provided by operating activities	<u>67,977</u>	<u>140,380</u>
Cash Flows from Investing Activities:	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities:	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	67,977	140,380
Cash and Cash Equivalents, Beginning of Year	<u>313,507</u>	<u>173,127</u>
Cash and Cash Equivalents, End of Year	<u><u>\$381,484</u></u>	<u><u>\$313,507</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

TENNESSEE ARTS ACADEMY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Tennessee Arts Academy Foundation (TAAF) is a 501(c)(3) non-profit organization established to aid and assist in the growth and expansion of the Tennessee Arts Academy and Arts Academy America. The TAAF Board of Directors shares in the belief that educators trained at the Tennessee Arts Academy are better equipped and motivated to serve their students, significantly raise achievement levels, and effect positive and lasting change in classrooms throughout the state.

Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting. This method of accounting recognizes revenue when earned and expenses when incurred.

Cash and Cash Equivalents – For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Estimates – The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Asset Classifications – Resources for various purposes are classified for accounting and financial reporting purposes into net asset categories established according to their nature and purpose as follows:

- *Unrestricted Net Assets:* Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services.
- *Temporarily Restricted Net Assets:* Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied either by the passage of time or by actions of the Organization.
- *Permanently Restricted Net Assets:* Permanently restricted net assets include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity but permit the Organization to expend all or part of the income derived from the donated assets.

See Independent Auditor's Report.

**TENNESSEE ARTS ACADEMY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017**

Donated Services – Services are donated by many individuals who are members of the Organization. These services are not recorded in the accounts of the Tennessee Arts Academy Foundation as the Organization does not exercise control over employment of the donors nor does it have a clear, measurable basis for services.

Membership Dues – The Organization recognizes membership dues as revenue in the applicable membership period.

Federal 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 and has been classified by the Internal Revenue Service as an organization that is not a private foundation under Section 509(a)(2). Accordingly, income tax amounts are not provided.

NOTE 2 – STATE OF TENNESSEE GRANT:

The organization is the recipient of a recurring direct appropriation grant, in the amount of \$100,000 from the State of Tennessee. The grant allows the Foundation to assist the Arts Academy in partially funding selected operational expenses, enables the Academy to maintain its registration rate for participants at the current level and offers scholarship opportunities to deserving teachers. The Foundation has been approved to receive the grant for the 2019 fiscal year.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and investments. The Organization maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. The balances per the bank at August 31, 2018 and 2017 exceeded the FDIC amounts by approximately \$131,484 and \$63,507.

NOTE 4 – NONCASH INVESTING AND FINANCING ACTIVITIES:

There were no significant noncash investing and financing activities for the years ended August 31, 2018 and 2017.

See Independent Auditor’s Report.

TENNESSEE ARTS ACADEMY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017

NOTE 5 – SUBSEQUENT EVENTS:

The foundation has evaluated subsequent events through December 14, 2018, the date the financial statements were approved for issuance. No subsequent events were found that are required to be recognized or disclosed in the accompanying financial statements.

See Independent Auditor's Report.