

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

FINANCIAL STATEMENTS

March 31, 2011 and 2010

TEN THOUSAND VILLAGES OF NASHVILLE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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, 2011 and 2010, 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 11, 2011

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 58,600	\$ 98,324
Inventory	57,692	49,406
Prepaid expenses	<u>3,625</u>	<u>3,625</u>
Total current assets	119,917	151,355
Furniture, fixtures and equipment, net of accumulated depreciation of \$32,623 and \$29,122, respectively	<u>4,469</u>	<u>7,970</u>
Total assets	<u><u>\$ 124,386</u></u>	<u><u>\$ 159,325</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ -	\$ 10,630
Accrued expenses	<u>17,626</u>	<u>16,549</u>
Total current liabilities	<u>17,626</u>	<u>27,179</u>
Net assets:		
Unrestricted	<u>106,760</u>	<u>132,146</u>
Total net assets	<u>106,760</u>	<u>132,146</u>
Total liabilities and net assets	<u><u>\$ 124,386</u></u>	<u><u>\$ 159,325</u></u>

See accompanying notes.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
STATEMENTS OF ACTIVITIES
Years Ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenues, gains, and other support:		
Store sales, net of discounts	\$ 452,616	\$ 432,910
Cost of goods sold	<u>237,612</u>	<u>225,298</u>
Gross profit	215,004	207,612
Contributions and other support	1,867	7,670
Interest	<u>70</u>	<u>1,286</u>
Total revenues, gains, and other support	<u>216,941</u>	<u>216,568</u>
Expenses:		
Program expenses:		
Payroll expenses	90,582	96,879
Rent	76,722	62,115
Advertising	13,825	20,841
Credit card charges	9,108	8,031
Utilities	5,785	5,663
Liability insurance	4,418	4,190
Supplies	3,992	5,254
Depreciation	3,501	2,666
Telephone	2,525	2,883
Health insurance	2,455	3,244
Miscellaneous	2,387	6,388
Licenses and taxes	1,939	1,600
Repairs and maintenance	831	5,815
Travel and entertainment	147	727
Dues and subscriptions	<u>105</u>	<u>700</u>
Total program expenses	<u>218,322</u>	<u>226,996</u>
Management and general expenses:		
Professional fees	9,275	8,881
Payroll expenses	4,767	5,098
Rent	4,038	3,269
Technical support	2,336	2,909
Volunteer appreciation	1,414	272
Payroll processing fees	1,376	1,830
Utilities	304	298
Liability insurance	233	221
Telephone	133	152
Health insurance	<u>129</u>	<u>171</u>
Total management and general expenses	<u>24,005</u>	<u>23,101</u>
Total expenses	<u>242,327</u>	<u>250,097</u>
Change in net assets	(25,386)	(33,529)
Net assets at beginning of year	<u>132,146</u>	<u>165,675</u>
Net assets at end of year	<u><u>\$ 106,760</u></u>	<u><u>\$ 132,146</u></u>

See accompanying notes.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (25,386)	\$ (33,529)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,501	2,666
Changes in operating assets and liabilities:		
Inventory	(8,286)	(6,361)
Prepaid expenses	-	154
Accounts payable	(10,630)	7,895
Accrued expenses	1,077	766
Net cash used in operating activities	<u>(39,724)</u>	<u>(28,409)</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	<u>-</u>	<u>(691)</u>
Net cash used in investing activities	<u>-</u>	<u>(691)</u>
Net decrease in cash and cash equivalents	(39,724)	(29,100)
Cash and cash equivalents at beginning of year	<u>98,324</u>	<u>127,424</u>
Cash and cash equivalents at end of year	<u><u>\$ 58,600</u></u>	<u><u>\$ 98,324</u></u>

See accompanying notes.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2011 and 2010

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. The Organization operates a store in Nashville, Tennessee, through the significant assistance of volunteers.

Financial Statement Presentation

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are 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 – 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, 2011 and 2010, 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, 2011 and 2010

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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor restricted contributions are generally reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year 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.

The Organization adopted Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance concerning the accounting for uncertainty in income taxes recognized in an entity's financial statements. The guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The guidance must be applied to all existing tax positions upon initial adoption. The Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended March 31, 2008 through March 31, 2011. The Organization had no uncertain tax positions at March 31, 2011 or 2010.

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 accounting principles generally accepted in the United States of America have not been satisfied.

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 \$13,825 and \$20,841 for the years ended March 31, 2011 and 2010, respectively.

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.

Subsequent Events

The Organization evaluated subsequent events through July 11, 2011 when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010

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. 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

During 2010, the Organization entered into a ten year lease agreement which requires monthly payments that increase over the lease term. The lease also requires that the Organization pay a proportionate share of taxes. The lease expires on October 31, 2019.

Future minimum lease payments required under the lease arrangement are as follows:

Year ending <u>March 31,</u>	
2012	\$ 76,520
2013	78,815
2014	81,180
2015	83,615
2016	86,124
Thereafter	<u>330,031</u>
	<u>\$ 736,285</u>

Rent expense for the years ended March 31, 2011 and 2010 totaled \$80,760 and \$65,384, respectively.