

NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2018

**NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Nashville Jazz Workshop

We have audited the accompanying statement of financial position of Nashville Jazz Workshop, Inc. as of December 31, 2018, and the related statement of activities, cash flows and functional expenses for the year 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 audit. We conducted our audit 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 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 consolidated 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 Nashville Jazz Workshop as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Thomason Financial Resources".

March 11, 2019

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

Current Assets

Cash and cash equivalents	\$ 110,283
Accounts receivable	896
Contributions receivable	10,825
Prepays	6,322
Total current assets	<u>\$ 128,326</u>

Property and Equipment (net of
accumulated depreciation of \$110,512)

3,057

Other Assets

Long-term investments	32,927
Cash restricted for scholarships	<u>50,956</u>

Total assets	<u><u>\$ 215,266</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 3,139
Accrued liabilities	<u>4,997</u>
Total current liabilities	8,136

Net Assets

Without donor restrictions	156,174
With donor restrictions	<u>50,956</u>
Total net assets	<u>207,130</u>

Total liabilities and net assets	<u><u>\$ 215,266</u></u>
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The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 88,958	\$ 29,576	\$ 118,534
Grant Revenue	110,472	-	110,472
Special event revenue:			
Revenue	101,835	-	101,835
Less direct costs	(64,650)	-	(64,650)
Net revenue from special events	37,185	-	37,185
Total public support	236,615	29,576	266,191
Revenue:			
Tuition	157,696	-	157,696
Less: scholarships	(11,650)	-	(11,650)
Net tuition	146,046	-	146,046
Performances	64,487	-	64,487
Sale of merchandise	765	-	765
Facility rental fees	1,730	-	1,730
Net realized and unrealized loss on investments	(1,426)	-	(1,426)
Dividends income	1,698	-	1,698
Total revenue	213,300	-	213,300
Net assets released from restrictions	35,995	(35,995)	-
Total public support and revenue	485,910	(6,419)	479,491
Expenses			
Program services	382,006	-	382,006
Management and general	28,913	-	28,913
Fundraising	53,173	-	53,173
Total expenses	464,092	-	464,092
Change in net assets	21,818	(6,419)	15,399
Net assets at beginning of year	134,356	57,375	191,731
Net assets at end of year	\$ 156,174	\$ 50,956	\$ 207,130

The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash Flows From Operating Activities:

Change in net assets	\$ 15,399
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	878
Contributions of scholarships	6,419
Dividend income	(1,698)
Net realized and unrealized loss on investments	1,426
Changes in operating assets and liabilities:	
Accounts receivable	12
Contributions receivable	(10,825)
Prepays	(6,322)
Accounts payable	(11,203)
Accrued liabilities	2,084
Net cash used in operating activities	<u>(3,830)</u>

Cash Flows From Investing Activities:

Purchases of property and equipment	<u>(799)</u>
Net cash used in investing activities	(799)
 Net change in cash and cash equivalents	 (4,629)
Cash and cash equivalents at beginning of year	114,912
Cash and cash equivalents at end of year	<u><u>\$ 110,283</u></u>

The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services				Supporting Services			
	Professional Education	Performances	Community Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 69,692	\$ 43,557	\$ 26,135	\$ 139,384	\$ 11,186	\$ 23,660	\$ 34,846	\$ 174,230
Employee benefits	6,029	3,768	2,261	12,058	964	2,050	3,014	15,072
Payroll taxes	5,332	3,332	1,999	10,663	853	1,813	2,666	13,329
Total compensation	81,053	50,657	30,395	162,105	13,003	27,523	40,526	202,631
Professional fees - Artists	-	56,407	-	56,407	-	-	-	56,407
Professional fees - Teachers	79,936	-	-	79,936	-	-	-	79,936
Professional fees - Fundraising	-	-	-	-	-	16,905	16,905	16,905
Contract services	11,220	7,575	-	18,795	-	-	-	18,795
Banking and credit card fees	-	-	-	-	4,999	-	4,999	4,999
Promotion and printing	5,930	3,706	2,224	11,860	1,186	1,779	2,965	14,825
Office rent	11,061	6,913	4,148	22,122	2,212	3,319	5,531	27,653
Utilities	5,860	3,663	2,198	11,721	1,172	1,758	2,930	14,651
Office supplies	3,629	2,268	1,361	7,258	725	1,089	1,814	9,072
Performance Expenses	-	4,376	-	4,376	-	-	-	4,376
Repairs and maintenance	-	-	-	-	3,012	-	3,012	3,012
Insurance	-	-	-	-	1,098	-	1,098	1,098
Travel and transportation	2,004	2,003	-	4,007	-	-	-	4,007
Scholarships	11,650	-	-	11,650	-	-	-	11,650
Miscellaneous	1,710	1,068	641	3,419	628	800	1,428	4,847
Direct expenses of special events	-	-	-	-	-	64,650	64,650	64,650
Depreciation	-	-	-	-	878	-	878	878
Total expenses	\$ 214,053	\$ 138,636	\$ 40,967	\$ 393,656	\$ 28,913	\$ 117,823	\$ 146,736	\$ 540,392
Less: expenses netted with revenue on statement of activities:								
Scholarships	(11,650)	-	-	(11,650)	-	-	-	(11,650)
Direct expenses of special events	-	-	-	-	-	(64,650)	(64,650)	(64,650)
Total expenses by function	\$ 202,403	\$ 138,636	\$ 40,967	\$ 382,006	\$ 28,913	\$ 53,173	\$ 82,086	\$ 464,092
Current year's percentages	43.6%	29.9%	8.8%	82.3%	6.2%	11.5%	17.7%	100.0%

The accompanying notes are an integral part of these financial statements

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Nashville Jazz Workshop (the “Organization”), a nonprofit organization chartered in the State of Tennessee in 2000, expands and enriches peoples’ lives by offering world class jazz education and performance in supportive and creative environments. The Organization is supported primarily through local grants, individual contributions, and special events and earns income from tuition and performances.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. 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 classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as net assets without donor restrictions. When a restriction expires in a period after the contributions are received, 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.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation-continued

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents.

Accounts Receivable

The Organization considers accounts receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. All contributions are expected to be collected in less than one year.

Property and Equipment

Property and equipment are recorded at cost to the Organization, or if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful life of the asset. Estimated useful lives are 5-7 years for office furniture, leasehold improvements and equipment.

Expenditures for repairs and maintenance are charged to operations when incurred.

Investments

Investments are stated at fair market value. Unrealized gains and losses as well as appreciation or depreciation in market value are reflected in the accompanying financial statements.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

Expense Recognition and Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Telephone, travel and meetings, and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the website is updated with requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Use of Estimates

The preparation of 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.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Change in Accounting Principles

The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 2).

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has \$122,004 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$110,283, accounts receivable of \$896 and contributions receivable of \$10,825. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses. The Organization also has a policy to structure its financial assets to be available as its general expenditures, liabilities, and any other obligations come due.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018:

Studio equipment	\$ 55,276
Office equipment and fixtures	25,216
Classroom equipment	6,411
Leasehold improvements	<u>26,666</u>
	\$ 113,569

Less accumulated depreciation	<u>(110,512)</u>
	<u>\$ 3,057</u>

NOTE 4 – INVESTMENTS

Investments consist of stocks at December 31, 2018:

	<u>Cost</u>	<u>Market</u>
Stocks	\$19,995	\$32,927

Interest and dividends earned from investments totaled \$1,698 for the year ended December 31, 2018.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, net assets with donor restrictions are available for the following purposes:

Scholarships for classes	\$ 50,956
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Scholarships for classes	\$ 30,995
Jazz education	<u>5,000</u>
	<u>\$ 35,995</u>

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 6 – LEASE COMMITMENT

The Organization leases office facilities under an operating lease which expires October 2, 2021. Rent expense for the year ended December 31, 2018 totaled \$25,200.

Future minimum rental payments under the office operating lease are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	25,200
2020	25,200
2021	<u>21,000</u>
	<u>\$ 71,400</u>

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through March 11, 2019, the issuance of the Organization's financial statements.