NASHVILLE JAZZ WORKSHOP

Financial Statements

Year Ended December 31, 2005

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Independent Auditors' Report

To the Board of Directors
Nashville Jazz Workshop

We have audited the accompanying statement of financial position of Nashville Jazz Workshop (a non-profit corporation) as of December 31, 2005 and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 Nashville Jazz Workshop as of December 31, 2005, 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.

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
March 3, 2006

NASHVILLE JAZZ WORKSHOP
Statement of Financial Position
December 31, 2005

		2005
ASSETS		
Current Assets		
Cash	$	49,892
Grants receivable		5,797
Total current assets		55,689
Property and Equipment		
Building improvements		22,460
Office equipment		5,002
Classroom equipment and decoration		9,386
		36,848
Less accumulated depreciation		(23,711)
Property and equipment, net		13,137
Total assets	$	68,826
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$	3,352
Total current liabilities		3,352
NET ASSETS		
Unrestricted		57,177
Temporarily Restricted		8,297
Total Net Assets		65,474
Total liabilities and net assets	$	68,826

See notes to financial statements.

NASHVILLE JAZZ WORKSHOP
Statement of Activities
For the Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted	Total
Support and revenues:			
Tuition	$ 95,009	$ -	$ 95,009
Grants	-	45,156	45,156
Contributions and sponsorships	21,767	-	21,767
Admissions	29,482	-	29,482
Fund raising	18,754	-	18,754
Merchandise income	2,967		2,967
Other	6,472	-	6,472
Net assets released from temporary restriction	56,976	(56,976)	-
Total support and revenues	231,427	(11,820)	219,607
Expenses:			
Program services	149,718	-	149,718
Management and general	51,487	-	51,487
Total expenses	201,205	-	201,205
Net increase	30,222	(11,820)	18,402
Net Assets, beginning of year	26,955	20,117	47,072
Net Assets, end of year	$ 57,177	$ 8,297	$ 65,474

See notes to financial statements.

NASHVILLE JAZZ WORKSHOP
Statement of Functional Expenses
For the Year Ended December 31, 2005

	Program Services	Management and General	Total Expenses
Wages and taxes	$ 40,616	$ 13,539	$ 54,155
Contract services	57,292	3,225	60,517
Rent	14,700	4,900	19,600
Utilities	8,923	2,975	11,898
Equipment rent	1,190	-	1,190
Supplies and materials	7,240	8,190	15,430
Promotion and printing	5,654	1,885	7,539
Travel and transportation	6,090	3,607	9,697
Depreciation	-	2,655	2,655
Dues and subscriptions	-	1,173	1,173
Interest and bank charges	-	553	553
Insurance	-	1,235	1,235
Other production costs	3,990	-	3,990
Postage and shipping	-	450	450
Fundraisers	4,023	-	4,023
Miscellaneous	-	7,100	7,100
	$ 149,718	$ 51,487	$ 201,205

See notes to financial statements.

NASHVILLE JAZZ WORKSHOP
Statement of Cash Flows
For the Year Ended December 31, 2005

	2005
Cash Flows From Operating Activities	
Cash received from support and revenues	$ 213,810
Cash paid to suppliers and employees	(197,767)
Interest paid	(553)
Net cash flows from operating activities	15,490
Cash, beginning of year	34,402
Cash, end of year	$ 49,892

Reconciliation of increase in net assets
to net cash flows from operating activities:

Increase in net assets	$ 18,402
Adjustments to reconcile increase in net assets to cash flows from operating activities:	
Depreciation	2,655
Increase in grants receivable	(5,797)
Increase in accounts payable and accrued expenses	230
	(2,912)
Net cash flows from operating activities	$ 15,490

See notes to financial statements.

NASHVILLE JAZZ WORKSHOP
Notes to Financial Statements
December 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Nashville Jazz Workshop (the "Organization") was organized in 2000 as a non-profit corporation for the purpose of providing student training and performances to the general public specific to jazz music in Nashville, Tennessee.

Basis of Presentation – The presentation of the financial statements follows the recommendations of the Financial Accounting Standards Board in its 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 according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

As of December 31, 2005, temporarily restricted net assets represent grant monies received in 2005 designated to be used to support performances and operations in 2006. As of December 31, 2005, there were no net assets or activities classified as permanently restricted.

Use of Estimates and Assumptions – 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 these estimates.

Property and Equipment – Property and equipment are stated at cost, and depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation expense for the year ended December 31, 2005 was $2,655.

Revenue Recognition – Recognition of contribution revenue follows the recommendations of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Under SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and nature of any donor restrictions. All donor-restricted net assets are reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. During the year ended December 31, 2005, $8,297 in grants were received that were classified as temporarily restricted, because they are designated to support performances and operations in 2006.

Functional Classification of Expenses – Functional classifications of expenses are based upon the guidance included in the *Audit and Accounting Guide for Not-For-Profit Organizations*, issued by the American Institute of Certified Public Accountants. The Organization incurs costs and expenses related to its program services and supporting activities. Expenses that are directly related to, and can be assigned to, program services or a single supporting activity are charged directly to such function. Expenses that are related to more than one function are allocated among the appropriate functions. The most significant of allocated costs are the costs associated with wages and payroll taxes. The Organization allocates these costs primarily using proportional methods based on the time expended by personnel on the various functions.

NOTE 2 – INCOME TAXES

The Organization is exempt from Federal income tax under Internal Revenue Code Section 501(c)(7).