

NASHVILLE JAZZ WORKSHOP

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

DECEMBER 31, 2016

**NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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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, 2016, 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, 2016, 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'.

February 25, 2017

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

Current Assets

Cash and cash equivalents	\$ 205,609
Total current assets	<u>\$ 205,609</u>

Property and Equipment (net of accumulated depreciation of \$108,470)

4,300
<u>4,300</u>

Other Assets

Long-term investments	30,254
Total assets	<u><u>\$ 240,163</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 7,605
Accrued liabilities	3,542
Total current liabilities	<u>11,147</u>

Net Assets

Unrestricted	143,535
Temporarily restricted	85,481
Total net assets	<u>229,016</u>

Total liabilities and net assets	<u><u>\$ 240,163</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, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 49,161	\$ 40,000	\$ 89,161
Grant Revenue	93,415	-	93,415
Special event revenue:			
Revenue	105,080	-	105,080
Less direct costs	(49,581)	-	(49,581)
Net revenue from special events	<u>55,499</u>	<u>-</u>	<u>55,499</u>
Total public support	198,075	40,000	238,075
Revenue:			
Tuition	144,752	-	144,752
Less: scholarships	(12,210)	-	(12,210)
Net tuition	<u>132,542</u>	<u>-</u>	<u>132,542</u>
Performances	64,936	-	64,936
Sale of merchandise	1,697	-	1,697
Facility rental fees	2,050	-	2,050
Net realized and unrealized gain on investments	3,864	-	3,864
Dividends income	1,398	-	1,398
Total revenue	<u>206,487</u>	<u>-</u>	<u>206,487</u>
Net assets released from restrictions	17,610	(17,610)	-
Total public support and revenue	<u>422,172</u>	<u>22,390</u>	<u>444,562</u>
Expenses			
Program services	359,695	-	359,695
Management and general	15,034	-	15,034
Fundraising	44,983	-	44,983
Total expenses	<u>419,712</u>	<u>-</u>	<u>419,712</u>
Change in net assets	2,460	22,390	24,850
Net assets at beginning of year	141,075	63,091	204,166
Net assets at end of year	<u>\$ 143,535</u>	<u>\$ 85,481</u>	<u>\$ 229,016</u>

The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash Flows From Operating Activities:

Change in net assets	\$ 24,850
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,164
Dividend income	(1,398)
Net realized and unrealized gain on investments	(3,864)
Changes in operating assets and liabilities:	
Accounts payable	1,022
Accrued liabilities	174
Net cash provided by operating activities	22,948
Net increase in cash and cash equivalents	22,948
Cash and cash equivalents at beginning of year	182,661
Cash and cash equivalents at end of year	\$ 205,609

The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>				<u>Supporting Services</u>			
	<u>Professional Education</u>	<u>Performances</u>	<u>Community Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$ 53,297	\$ 33,310	\$ 19,986	\$ 106,593	\$ 6,662	\$ 19,986	\$ 26,648	\$ 133,241
Employee benefits	9,906	6,191	3,715	19,812	1,238	3,715	4,953	24,765
Payroll taxes	4,077	2,548	1,529	8,154	510	1,529	2,039	10,193
Total compensation	<u>67,280</u>	<u>42,049</u>	<u>25,230</u>	<u>134,559</u>	<u>8,410</u>	<u>25,230</u>	<u>33,640</u>	<u>168,199</u>
Professional fees - Artists	-	45,536	-	45,536	-	-	-	45,536
Professional fees - Teachers	71,703	-	-	71,703	-	-	-	71,703
Contract services	19,025	11,892	7,134	38,051	2,378	7,134	9,512	47,563
Banking and credit card fees	2,231	1,393	837	4,461	279	837	1,116	5,577
Promotion and printing	3,346	2,092	1,255	6,693	418	1,255	1,673	8,366
Office rent	8,640	5,400	3,240	17,280	1,080	3,240	4,320	21,600
Classroom rental	2,028	-	-	2,028	-	-	-	2,028
Utilities	4,528	2,830	1,698	9,056	566	1,698	2,264	11,320
Office supplies	5,230	3,268	1,961	10,459	654	1,961	2,615	13,074
Repairs and maintenance	1,618	1,010	606	3,234	202	606	808	4,042
Insurance	1,818	1,136	681	3,635	227	681	908	4,543
Travel and transportation	382	239	144	765	48	144	192	957
Meals	3,507	2,191	1,315	7,013	438	1,315	1,753	8,766
Scholarships	12,210	-	-	12,210	-	-	-	12,210
Miscellaneous	1,805	1,129	557	3,491	226	557	783	4,274
Direct expenses of special events	-	-	-	-	-	49,581	49,581	49,581
Depreciation	865	541	325	1,731	108	325	433	2,164
Total expenses	<u>\$ 206,216</u>	<u>\$ 120,706</u>	<u>\$ 44,983</u>	<u>\$ 371,905</u>	<u>\$ 15,034</u>	<u>\$ 94,564</u>	<u>\$ 109,598</u>	<u>\$ 481,503</u>
Less: expenses netted with revenue on statement of activities:								
Scholarships	(12,210)	-	-	(12,210)	-	-	-	(12,210)
Direct expenses of special events	-	-	-	-	-	(49,581)	(49,581)	(49,581)
Total expenses by function	<u>\$ 194,006</u>	<u>\$ 120,706</u>	<u>\$ 44,983</u>	<u>\$ 359,695</u>	<u>\$ 15,034</u>	<u>\$ 44,983</u>	<u>\$ 60,017</u>	<u>\$ 419,712</u>
Current year's percentages	<u>46.2%</u>	<u>28.8%</u>	<u>10.7%</u>	<u>85.7%</u>	<u>3.6%</u>	<u>10.7%</u>	<u>14.3%</u>	<u>100.0%</u>

The accompanying notes are an integral part of these financial statements

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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:

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

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. When a restriction expires in a period after the contributions are received, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

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. There were no permanently restricted net assets as of December 31, 2016.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

For purposes of the Statement 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. At December 31, 2016, the Organization had no cash equivalents.

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.

Expense 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. Accordingly, certain costs have been allocated among programs and supporting services based on actual or estimated time employees spend on each function.

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.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. Tax years that remain open to examination include years ended December 31, 2013 through December 31, 2016.

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.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2016:

Studio equipment	\$ 55,276
Office equipment and fixtures	25,216
Classroom equipment	5,612
Leasehold improvements	<u>26,666</u>
	\$ 112,770
Less accumulated depreciation	<u>(108,470)</u>
	<u>\$ 4,300</u>

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 – INVESTMENTS

Investments consist of mutual funds at December 31, 2016:

	<u>Cost</u>	<u>Market</u>
Mutual funds	\$18,248	\$30,254

Interest and dividends earned from investments totaled \$1,398 for the year ended December 31, 2016. Net unrealized and realized gain on investments amounted to \$3,864 for the year ended December 31, 2016.

NOTE 4 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2016 for the following purposes:

Scholarships for classes	\$ 75,178
Building fund	5,303
Jazz education	<u>5,000</u>
	<u>\$ 85,481</u>

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	\$ 12,210
Jazz education	<u>5,400</u>
	<u>\$ 17,610</u>

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 – LEASE COMMITMENT

The Organization leases office facilities under an operating lease which expires October 2, 2021. Rent expense for the year ended December 31, 2016 totaled \$21,600.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2017	25,200
2018	25,200
2019	25,200
2020	25,200
2021	<u>21,000</u>
	<u>\$121,800</u>

NOTE 6 – RELATED-PARTY TRANSACTIONS

Three board members were each paid teacher and/or musician fees by the Organization for year ended December 31, 2016 in the amounts of \$1,560, \$575 and \$125, respectively.

Also, for the year ended December 31, 2016, the Organization paid the Executive Director and Programs and Education Director \$1,775 and \$750, respectively, for teacher fees for conducting classes and musician fees for performances.

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through February 25, 2017, the issuance of the Organization's financial statements.