

**TENNESSEE ARTS ACADEMY FOUNDATION**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**AUGUST 31, 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 which comprise the statements of financial position as of August 31, 2017 and the related statements of activities and cash flows, 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 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.

## 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Kraft & Company, PLLC*

Nashville, TN

November 7, 2017

**THE TENNESSEE ARTS ACADEMY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2017**

**ASSETS**

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

**LIABILITIES AND NET ASSETS**

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

See Independent Auditor's report and notes to the financial statements.

**THE TENNESSEE ARTS ACADEMY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED AUGUST 31, 2017**

Revenues and other support:

Registration fees - Tennessee Arts Academy	\$ 118,822
State of Tennessee Grant	100,000
Sponsorship and Corporate Gifts	52,234
Bravo Banquet Table Sponsors	35,398
Alumni Memberships	10,530
Contributions	12,682
Other income	10,122
Silent Auction	8,268
NYC Broadway Fundraiser	7,411
Interest Income	<u>1,177</u>

Total Revenue	<u>356,644</u>
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Expenses:

Management and general	30,689
Program expenses:	
State of Tennessee Grant Expenses	100,000
Other Direct Tennessee Arts Academy Funding	69,485
Bravo Banquet Expenses	12,500
Scholarships	2,000
Other	<u>1,589</u>

Total Expenditures	<u>216,263</u>
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Excess of Revenue Over Expenses:	140,380
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Net Assets:

Beginning of the Year	<u>173,127</u>
End of the Year	<u><u>\$ 313,507</u></u>

See Independent Auditor's report and notes to the financial statements.

**THE TENNESSEE ARTS ACADEMY FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2017**

Cash flows from Operating Activities:

Increase in Net Assets	\$ 140,380
Adjustments to reconcile change in net assets to net cash provided by operating activities:	<u>-</u>
Net cash provided by operating activities:	<u>140,380</u>

Cash flows from Investing Activities:

-

Cash Flows from Financing Activities:

-

Net Increase in Cash and Cash Equivalents	140,380
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Cash and Cash Equivalents, beginning of year	<u>173,127</u>
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Cash and Cash Equivalents, end of year	<u><u>\$ 313,507</u></u>
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See Independent Auditor's report and notes to the financial statements.



**TENNESSEE ARTS ACADEMY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 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.

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 the amount of 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 taxes are not provided.

See Independent Auditor's report.



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

**NOTE 2 – STATE OF TENNESSEE GRANT:**

The organization is the recipient of a non-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 offer scholarship opportunities to deserving teachers. The Foundation has been approved to receive the grant again for the 2018 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.

**NOTE 4 – NONCASH INVESTING AND FINANCING ACTIVITIES:**

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

**NOTE 5 – SUBSEQUENT EVENTS:**

The foundation has evaluated subsequent events through November 7, 2017, the date the financial statements were approved for issuance. There were no subsequent events that are required to be recognized or disclosed in the accompanying financial statements.

See Independent Auditor's report.