

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

**FINANCIAL STATEMENTS**

**March 31, 2012 and 2011**

**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, 2012 and 2011, 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, 2012 and 2011, 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 9, 2012

**TEN THOUSAND VILLAGES OF NASHVILLE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 69,349	\$ 58,600
Inventory	53,999	57,692
Prepaid expenses	<u>3,687</u>	<u>3,625</u>
Total current assets	127,035	119,917
Furniture, fixtures and equipment, net of accumulated depreciation of \$34,797 and \$32,623, respectively	<u>2,975</u>	<u>4,469</u>
Total assets	<u><u>\$ 130,010</u></u>	<u><u>\$ 124,386</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 7,973	\$ -
Accrued expenses	<u>15,079</u>	<u>17,626</u>
Total current liabilities	<u>23,052</u>	<u>17,626</u>
Net assets:		
Unrestricted	<u>106,958</u>	<u>106,760</u>
Total net assets	<u>106,958</u>	<u>106,760</u>
Total liabilities and net assets	<u><u>\$ 130,010</u></u>	<u><u>\$ 124,386</u></u>

See accompanying notes.

**TEN THOUSAND VILLAGES OF NASHVILLE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Revenues, gains, and other support:		
Store sales, net of discounts	\$ 499,880	\$ 452,616
Cost of goods sold	<u>258,898</u>	<u>237,612</u>
Gross profit	240,982	215,004
Miscellaneous income	6,082	-
Contributions and other support	3,593	1,867
Interest	<u>13</u>	<u>70</u>
Total revenues, gains, and other support	<u>250,670</u>	<u>216,941</u>
Expenses:		
Program expenses:		
Payroll expenses	91,158	90,582
Rent	82,036	76,722
Advertising	15,567	13,825
Credit card charges	8,876	9,108
Utilities	5,073	5,785
Liability insurance	4,491	4,418
Supplies	4,059	3,992
Health insurance	2,885	2,455
Miscellaneous	2,382	2,387
Depreciation	2,175	3,501
Telephone	1,809	2,525
Repairs and maintenance	1,422	831
Licenses and taxes	773	1,939
Travel and entertainment	481	147
Special programs	89	-
Dues and subscriptions	<u>-</u>	<u>105</u>
Total program expenses	<u>223,276</u>	<u>218,322</u>
Management and general expenses:		
Professional fees	10,133	9,275
Payroll expenses	4,798	4,767
Rent	4,318	4,038
Volunteer appreciation	3,983	1,414
Technical support	2,824	2,336
Payroll processing fees	390	1,376
Utilities	267	304
Liability insurance	236	233
Health insurance	152	129
Telephone	<u>95</u>	<u>133</u>
Total management and general expenses	<u>27,196</u>	<u>24,005</u>
Total expenses	<u>250,472</u>	<u>242,327</u>
Change in net assets	198	(25,386)
Net assets at beginning of year	<u>106,760</u>	<u>132,146</u>
Net assets at end of year	<u><u>\$ 106,958</u></u>	<u><u>\$ 106,760</u></u>

See accompanying notes.

**TEN THOUSAND VILLAGES OF NASHVILLE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended March 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 198	\$ (25,386)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,175	3,501
Changes in operating assets and liabilities:		
Inventory	3,693	(8,286)
Prepaid expenses	(62)	-
Accounts payable	7,973	(10,630)
Accrued expenses	<u>(2,547)</u>	<u>1,077</u>
Net cash provided by (used in) operating activities	<u>11,430</u>	<u>(39,724)</u>
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	<u>(681)</u>	<u>-</u>
Net cash used in investing activities	<u>(681)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	10,749	(39,724)
Cash and cash equivalents at beginning of year	<u>58,600</u>	<u>98,324</u>
Cash and cash equivalents at end of year	<u><u>\$ 69,349</u></u>	<u><u>\$ 58,600</u></u>

See accompanying notes.

**TEN THOUSAND VILLAGES OF NASHVILLE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2012 and 2011**

**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, 2012 and 2011, 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.

**TEN THOUSAND VILLAGES OF NASHVILLE, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**March 31, 2012 and 2011**

**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**

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 follows 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. This 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, 2012 and 2011**

**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 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, 2009 through March 31, 2012. The Organization had no uncertain tax positions at March 31, 2012 or 2011.

**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 \$15,567 and \$13,825 for the years ended March 31, 2012 and 2011, 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

The Organization evaluated subsequent events through July 9, 2012 when these financial statements were available to be issued. Management 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, 2012 and 2011**

**NOTE 2 – RELATED PARTY TRANSACTIONS**

The Organization 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. The Store agrees to diligently and continuously market and sell Ten Thousand Villages—Akron products at retail, so that sales of the products constitute a minimum of eighty percent of the Store's total annual sales. The agreement extends for an initial term of three years and is automatically renewed for additional one-year term unless notice is given by either party.

**NOTE 3 – COMMITMENTS**

During 2009, the Organization entered into a ten year lease agreement for retail space 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 this lease arrangement are as follows:

Year ending	
<u>March 31,</u>	
2013	\$ 78,815
2014	81,180
2015	83,615
2016	86,124
2017	88,707
Thereafter	<u>241,325</u>
	<u>\$ 659,766</u>

Rent expense for the years ended March 31, 2012 and 2011 totaled \$86,354 and \$80,760, respectively.