

TENNESSEE ARTS ACADEMY FOUNDATION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED AUGUST 31, 2021 AND 2020

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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 (a nonprofit organization), which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities and cash flows, for the years 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 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 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 1, Tennessee Arts Academy Foundation adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Nashville, TN
November 30, 2021

Kraft & Company, PLLC

THE TENNESSEE ARTS ACADEMY FOUNDATION
STATEMENT OF FINANCIAL POSITION
YEARS ENDED AUGUST 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash, money market and certificates of deposit	\$ 771,895	\$ 700,503
Total Assets	<u>\$ 771,895</u>	<u>\$ 700,503</u>

LIABILITIES AND NET ASSETS

Liabilities	\$ -	\$ -
Net Assets:		
Without Donor Restrictions	741,895	680,503
With Donor Restrictions	<u>30,000</u>	<u>20,000</u>
Total Liabilities and Net Assets	<u>\$ 771,895</u>	<u>\$ 700,503</u>

See Independent Auditor's Report and Notes to Financial Statements.

THE TENNESSEE ARTS ACADEMY FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Registration Fees - Tennessee Arts Academy	\$ 105,191	\$ -	\$ 105,191
State of Tennessee Grant	-	100,000	100,000
Private Grants - Foundation Giving	-	41,500	41,500
Endowment Fund Donations	-	10,000	10,000
Sponsorship and Corporate Gifts	42,026	-	42,026
Bravo Banquet Table Sponsors	44,585	-	44,585
Alumni Memberships	10,650	-	10,650
Contributions	12,479	-	12,479
Other Income	2,212	-	2,212
Silent Auction	10,737	-	10,737
NYC Broadway Fundraiser	4,672	-	4,672
Interest Income	2,196	-	2,196
Net Assets Released from Restrictions	141,500	(141,500)	-
	<u>376,248</u>	<u>10,000</u>	<u>386,248</u>
Total Revenues and Other Support			
	<u>376,248</u>	<u>10,000</u>	<u>386,248</u>
Expenses:			
Management and General	129,824	-	129,824
Program Expenses:			-
State of Tennessee Grant Expenses	100,000	-	100,000
Grant Expenses - other	41,500	-	41,500
Other Direct Tennessee Arts Academy Funding	25,040	-	25,040
Bravo Banquet Expenses	4,724	-	4,724
Scholarships	10,785	-	10,785
Other	2,983	-	2,983
	<u>314,856</u>	<u>-</u>	<u>314,856</u>
Total Expenses			
	<u>314,856</u>	<u>-</u>	<u>314,856</u>
Excess of Revenue Over Expenses	61,392	10,000	71,392
Net Assets:			
Beginning of Year	680,503	20,000	700,503
	<u>680,503</u>	<u>20,000</u>	<u>700,503</u>
End of Year	\$ 741,895	\$ 30,000	\$ 771,895
	<u>\$ 741,895</u>	<u>\$ 30,000</u>	<u>\$ 771,895</u>

See Independent Auditor's Report and Notes to Financial Statements.

THE TENNESSEE ARTS ACADEMY FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Registration Fees - Tennessee Arts Academy	\$ 107,273	\$ -	\$ 107,273
State of Tennessee Grant	-	100,000	100,000
Private Grants - Foundation Giving	-	71,489	71,489
Endowment Fund Donations	-	10,000	10,000
Sponsorship and Corporate Gifts	43,187	-	43,187
Bravo Banquet Table Sponsors	34,441	-	34,441
Alumni Memberships	10,574	-	10,574
Contributions	13,163	-	13,163
Other Income	1,170	-	1,170
Silent Auction	7,081	-	7,081
NYC Broadway Fundraiser	2,560	-	2,560
Interest Income	7,799	-	7,799
Net Assets Released from Restrictions	171,489	(171,489)	-
	<u>398,737</u>	<u>10,000</u>	<u>408,737</u>
Total Revenues and Other Support			
	<u>398,737</u>	<u>10,000</u>	<u>408,737</u>
Expenses:			
Management and General	49,407	-	49,407
Program Expenses:			-
State of Tennessee Grant Expenses	100,000	-	100,000
Grant Expenses	12,989	-	12,989
Other Direct Tennessee Arts Academy Funding	-	-	-
Scholarships	13,500	-	13,500
Other	2,850	-	2,850
	<u>178,746</u>	<u>-</u>	<u>178,746</u>
Total Expenses			
	<u>178,746</u>	<u>-</u>	<u>178,746</u>
Excess of Revenue Over Expenses	219,991	10,000	229,991
Net Assets:			
Beginning of Year	460,512	10,000	470,512
End of Year	<u>\$ 680,503</u>	<u>\$ 20,000</u>	<u>\$ 700,503</u>

See Independent Auditor's Report and Notes to Financial Statements.

THE TENNESSEE ARTS ACADEMY FOUNDATION
STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 71,392	\$ 229,991
Net cash provided by operating activities	<u>71,392</u>	<u>229,991</u>
Cash Flows from Investing Activities:	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities:	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	71,392	229,991
Cash and Cash Equivalents, Beginning of Year	<u>700,503</u>	<u>470,512</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 771,895</u></u>	<u><u>\$ 700,503</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

TENNESSEE ARTS ACADEMY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

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.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for nonprofit organizations within the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”). Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. These net assets may be used at the discretion of the Center’s management and the board of directors. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby that donor has stipulated the funds be maintained in perpetuity.

See Independent Auditor’s Report.

TENNESSEE ARTS ACADEMY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 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 tax amounts are not provided.

Forthcoming Accounting Pronouncements – In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and The Accounting Guidance for Contributions Received and Contributions Made*. The guidance in this ASU clarifies the accounting guidance for contributions received and contributions made. The amendments in this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This guidance is effective for the annual periods beginning after June 15, 2021. The Foundation is evaluating the impact of this standard on its financial statements.

NOTE 2 – STATE OF TENNESSEE GRANT:

The organization is the recipient of a 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 offers scholarship opportunities to deserving teachers. The Foundation has been approved to receive the grant for the 2022 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. The balances per the bank at August 31, 2021 and 2020 exceeded the FDIC amounts by approximately \$521,895 and \$450,503.

See Independent Auditor’s Report.

TENNESSEE ARTS ACADEMY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 4 – NONCASH INVESTING AND FINANCING ACTIVITIES:

There were no significant noncash investing and financing activities for the years ended August 31, 2021 and 2020.

NOTE 5 – SUBSEQUENT EVENTS:

The foundation has evaluated subsequent events through November 30, 2021, the date the financial statements were approved for issuance. No subsequent events were found that are required to be recognized or disclosed in the accompanying financial statements.

NOTE 6 – FINANCIAL ASSET AVAILABILITY

The organization maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as its expenditures come due. The following reflects the organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 771,895	\$ 700,503
Total financial assets	771,895	700,503
Less amounts not available to be used for general expenditures within one year:	<u>(30,000)</u>	<u>(20,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 741,895</u>	<u>\$ 680,503</u>

See Independent Auditor's Report.