

NASHVILLE JAZZ WORKSHOP

FINANCIAL STATEMENTS

December 31, 2011 and 2010

**NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS**

TABLE OF CONTENTS

| | |
|-----------------------------------|---|
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 |
| Statements of Functional Expenses | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nashville Jazz Workshop
Nashville, Tennessee

I have audited the accompanying statements of financial position of Nashville Jazz Workshop (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform my 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Jazz Workshop as of December 31, 2011 and 2010, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



March 22, 2012
Murfreesboro, Tennessee

NASHVILLE JAZZ WORKSHOP
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 172,481 | \$ 165,729 |
| Tuition receivable | <u>2,093</u> | <u>-</u> |
| Total current assets | 174,574 | 165,729 |
| Property and equipment, at cost or fair market value at date of donation, less accumulated depreciation | 34,079 | 34,789 |
| Other Assets | | |
| Temporarily restricted cash | <u>10,300</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 218,953</u> | <u>\$ 200,518</u> |
| LIABILITIES | | |
| Accounts payable and accrued expenses | <u>10,449</u> | <u>13,261</u> |
| Total current liabilities | 10,449 | 13,261 |
| NET ASSETS | | |
| Unrestricted | 198,204 | 187,257 |
| Temporarily Restricted | <u>10,300</u> | <u>-</u> |
| Total net assets liabilities | <u>208,504</u> | <u>187,257</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 218,953</u> | <u>\$ 200,518</u> |

The accompanying notes are an integral part of these financial statements.

NASHVILLE JAZZ WORKSHOP
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2011 and 2010

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2011 Total</u> | <u>2010</u> |
|--|---------------------|-----------------------------------|-----------------------|-------------------|
| Support and revenues: | | | | |
| Tuition | \$ 124,941 | \$ - | \$ 124,941 | \$ 106,367 |
| Grants | - | 83,000 | 83,000 | 91,540 |
| Fundraising | 48,911 | - | 48,911 | 37,980 |
| Admissions | 37,391 | - | 37,391 | 33,838 |
| Contributions and sponsorships | 46,630 | - | 46,630 | 24,864 |
| Other | 2,568 | - | 2,568 | 3,351 |
| Merchandise income | - | - | - | - |
| Net assets released from temporary restriction | 72,700 | (72,700) | - | - |
| Total support and revenues | <u>333,141</u> | <u>10,300</u> | <u>343,441</u> | <u>297,940</u> |
| Expenses: | | | | |
| Program services | 274,374 | - | 274,374 | 231,187 |
| Management and general | 47,820 | - | 47,820 | 43,168 |
| Total expenses | <u>322,194</u> | <u>-</u> | <u>322,194</u> | <u>274,355</u> |
| Net increase | 10,947 | 10,300 | 21,247 | 23,585 |
| Net assets, beginning of year | <u>187,257</u> | <u>-</u> | <u>187,257</u> | <u>163,672</u> |
| Net assets, end of year | <u>\$ 198,204</u> | <u>\$ 10,300</u> | <u>\$ 208,504</u> | <u>\$ 187,257</u> |

The accompanying notes are an integral part of these financial statements.

NASHVILLE JAZZ WORKSHOP
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2011 and 2010

| | Program Services | Management and General | Total Expenses | 2010 |
|----------------------------------|---------------------|---------------------------|-------------------|-------------------|
| Wages and taxes | \$ 79,999 | \$ 20,000 | \$ 99,999 | \$ 79,059 |
| Contract services | 106,033 | - | 106,033 | 89,852 |
| Rent | 15,920 | 3,980 | 19,900 | 19,200 |
| Professional fees | - | 5,207 | 5,207 | 4,000 |
| Supplies and materials | 11,528 | 2,882 | 14,410 | 15,637 |
| Contributions | 1,535 | - | 1,535 | 3,468 |
| Repairs and maintenance | 4,656 | - | 4,656 | 2,851 |
| Travel and transportation | 5,207 | 1,302 | 6,509 | 3,605 |
| Employee benefits | 9,166 | 2,292 | 11,458 | 8,537 |
| Utilities | 7,511 | 1,876 | 9,387 | 9,448 |
| Promotion and printing | 5,122 | 1,281 | 6,403 | 10,605 |
| Special events | 14,877 | - | 14,877 | 6,429 |
| Miscellaneous | 1,471 | 368 | 1,839 | 3,167 |
| Depreciation | 8,108 | 1,212 | 9,320 | 8,437 |
| Equipment rent | 500 | - | 500 | 701 |
| Insurance | - | 4,114 | 4,114 | 4,668 |
| Credit card and processing fees | 2,097 | 3,145 | 5,242 | 4,119 |
| Dues and subscriptions | 644 | 161 | 805 | 572 |
| Total functional expenses | \$ 274,374 | \$ 47,820 | \$ 322,194 | \$ 274,355 |

The accompanying notes are an integral part of these financial statements.

NASHVILLE JAZZ WORKSHOP
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 21,247 | \$ 23,585 |
| Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 9,320 | 8,437 |
| (Increase) Decrease in accrued expenses | (2,812) | 8,626 |
| Increase in tuition receivable | (2,093) | - |
| Increase in temporarily restricted assets | <u>(10,300)</u> | <u>-</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 15,362 | 40,648 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Purchase of property and equipment | <u>(8,610)</u> | <u>(6,383)</u> |
| CASH FLOWS PROVIDED (USED) IN FINANCING ACTIVITIES | | |
| Proceeds from bank loan | - | - |
| Payments on bank loan | <u>-</u> | <u>-</u> |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | - | - |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 6,752 | 34,265 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>165,729</u> | <u>131,464</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 172,481</u> | <u>\$ 165,729</u> |

The accompanying notes are an integral part of these financial statements.

NASHVILLE JAZZ WORKSHOP

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Nashville Jazz Workshop (the "Organization") was organized in 2000 as a not-for-profit corporation whose stated charitable purpose is providing student training and performances to the general public specific to jazz music in Nashville, Tennessee.

The sources of revenues are contributions, grants, and earned income from performances and workshops.

Basis of Accounting

The Organization recognizes revenues and expenses based on the accrual method of accounting. This method recognizes revenue when earned, and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation 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 the three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and Equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and resulting gain or loss is reflected in activity of the period. The Organization generally depreciates property and equipment on a straight-line basis over the useful lives of the related assets, estimated to be approximately five years for musical equipment. Office equipment and building improvements are depreciated over seven years.

NASHVILLE JAZZ WORKSHOP

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

Revenue Recognition

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily 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 classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. During the years ended December 31, 2011 and 2010, \$83,000 and \$91,540, respectively, in grants were received that were classified as temporarily restricted, because they are designated to support performances and operations in 2012.

Cash and Cash Equivalents

The Organization considers all highly investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Donated Services and Facilities

The Organization receives services donated by a number of unpaid volunteers. Because of the difficulty in assigning values for such services, these services are generally not reflected in the accompanying financial statements. However, when an objective, measurable basis exists for valuing donated services or facilities, the amounts thereof are reflected in the financial statements as revenue and expenses. For donated services, no amounts are recorded for the years ended December 31, 2011 and 2010.

Functional Classification of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities and detailed in the statements of functional expenses and 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.

NASHVILLE JAZZ WORKSHOP

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

Accounts Receivable

Tuition receivable are stated at unpaid balances, less balances written off as uncollectible. The Organization provides for losses on accounts receivable using the direct write off method. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization currently has no unrelated business income which is subject to tax on unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Exempt Organization Business Income Tax Returns (Form 990) for 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

NOTE B – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

| | <u>2011</u> | <u>2010</u> |
|----------------------------------|------------------|------------------|
| Buildings | \$ 22,460 | \$ 22,460 |
| Office equipment | 17,233 | 8,624 |
| Decorations | 5,984 | 5,984 |
| Classroom equipment | 5,612 | 5,612 |
| Studio equipment | <u>54,136</u> | <u>54,136</u> |
| Total | 105,425 | 96,816 |
| Accumulated depreciation | <u>(71,346)</u> | <u>(62,027)</u> |
| Property, plant & equipment, net | <u>\$ 34,079</u> | <u>\$ 34,789</u> |

NOTE C – TEMPORARY RESTRICTIONS ON NET ASSETS

In 2011, the Organization received \$10,300 on grants that will be expended during the year ended December 31, 2012. \$10,000 of the grants relate to lectures and performances in the "Jazz on the Move" series and \$300 relate to scholarships to be awarded during the year ended December 31, 2012.

NASHVILLE JAZZ WORKSHOP

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE D – LEASE OBLIGATIONS

The Organization leases its office building under an operating lease expiring in 2021. Future minimum lease payments under this agreement are as follows:

| | |
|------------|-------------------|
| 2012 | \$ 19,900 |
| 2013 | 19,900 |
| 2014 | 19,900 |
| 2015 | 19,900 |
| 2016 | 19,900 |
| Thereafter | <u>92,867</u> |
| | <u>\$ 192,367</u> |

The Organization has an option to extend the lease in October 2021 for an additional five year term.

The Organization also leases additional space at an off-site facility on an as-needed basis and is not obligated under any agreement. Rent expense was \$19,900 and \$19,200 for the years ended December 31, 2011 and 2010, respectively.

NOTE D – SUBSEQUENT EVENTS

Management has evaluated events and transactions through March 22, 2012, the date on which the financial statements were available to be issued.