

NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2020

**NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS
JUNE 30, 2020**

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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 June 30, 2020, 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 June 30, 2020, 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.

Thomason Financial Resources

October 31, 2020

NASHVILLE JAZZ WORKSHOP
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 512,842
Prepays	6,409
Total current assets	<u>519,251</u>

Property and Equipment (net of
accumulated depreciation of \$84,241)

15,331

Other Assets

Long-term investments	4,270
Security deposit	<u>36,338</u>

Total assets	<u><u>\$ 575,190</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Note payable	\$ 19,889
Accounts payable	7,171
Accrued liabilities	<u>4,476</u>
Total current liabilities	31,536

Notes payable

24,861

Total liabilities	<u>56,397</u>
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Net Assets

Without donor restrictions	461,467
With donor restrictions	<u>57,326</u>
Total net assets	<u>518,793</u>

Total liabilities and net assets	<u><u>\$ 575,190</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 JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 157,395	\$ 30,840	\$ 188,235
Grant Revenue	135,806	-	135,806
Loss on disposal of equipment	(1,322)	-	(1,322)
Special event revenue:			
Revenue	158,365	-	158,365
Less direct costs	(67,578)	-	(67,578)
Net revenue from special events	90,787	-	90,787
Total public support	382,666	30,840	413,506
 Other Revenue:			
Lease buyout	300,000	-	300,000
Tuition	70,163	-	70,163
Less: scholarships and discounts	(5,807)	-	(5,807)
Net tuition	64,356	-	64,356
Performances	28,747	-	28,747
Facility rental fees	1,245	-	1,245
Miscellaneous income	3,037	-	3,037
Investment income, net	2,246	-	2,246
Interest income	378	-	378
Total revenue	400,009	-	400,009
Net assets released from restrictions	2,227	(2,227)	-
Total public support and revenue	784,902	28,613	813,515
 Expenses			
Program services	207,692	-	207,692
Management and general	146,081	-	146,081
Fundraising	89,401	-	89,401
Total expenses	443,174	-	443,174
Change in net assets	341,728	28,613	370,341
Net assets at beginning of year	119,739	28,713	148,452
Net assets at end of year	<u>\$ 461,467</u>	<u>\$ 57,326</u>	<u>\$ 518,793</u>

The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

Cash Flows From Operating Activities:

Change in net assets	\$ 370,341
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	1,314
Scholarships and discounts	5,807
Loss on disposal of equipment	1,322
Investment income, net	(2,246)
Changes in operating assets and liabilities:	
Accounts receivable	16,501
Security deposit	(24,292)
Prepays	(351)
Accounts payable	(444)
Accrued liabilities	3,453
Net cash provided by operating activities	<u>371,405</u>

Cash Flows From Investing Activities:

Proceeds from sale of investments	23,428
Purchases of property and equipment	<u>(14,910)</u>
Net cash provided by investing activities	8,518

Cash Flows From Financing Activities

Proceeds from issuance of notes payable	<u>44,750</u>
Net cash provided by financing activities	<u>44,750</u>
Net change in cash and cash equivalents	424,673
Cash and cash equivalents at beginning of year	88,169
Cash and cash equivalents at end of year	<u><u>\$ 512,842</u></u>

The accompanying notes are an integral part of these financial statements

NASHVILLE JAZZ WORKSHOP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services			Supporting Services			
	<u>Education</u>	<u>Performances</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$ 46,403	\$ 42,864	\$ 89,267	\$ 66,662	\$ 54,692	\$ 121,354	\$ 210,621
Employee benefits	4,819	4,452	9,271	6,923	5,681	12,604	21,875
Payroll taxes	1,809	1,737	3,546	11,676	1,195	12,871	16,417
Total compensation	53,031	49,053	102,084	85,261	61,568	146,829	248,913
Contract services	30,885	22,668	53,553	21,662	2,518	24,180	77,733
Banking and credit card fees	-	-	-	4,708	-	4,708	4,708
Facility expense - Neuhoff	5,298	5,298	10,596	5,298	5,297	10,595	21,191
Facility expense - Buchanan	10,065	10,065	20,130	10,064	10,064	20,128	40,258
Facility expense - Royal Parkway	1,375	1,375	2,750	1,375	1,375	2,750	5,500
Moving and storage	1,310	1,310	2,620	1,310	1,310	2,620	5,240
Office supplies	2,043	892	2,935	2,771	3,344	6,115	9,050
Jazz camp	3,399	-	3,399	-	-	-	3,399
Insurance	-	-	-	8,290	-	8,290	8,290
Meals and Entertainment	-	127	127	1,528	1,425	2,953	3,080
Scholarships and discounts	5,807	-	5,807	-	-	-	5,807
Miscellaneous	4,145	5,353	9,498	2,500	2,500	5,000	14,498
Direct expenses of special events	-	-	-	-	67,578	67,578	67,578
Depreciation	-	-	-	1,314	-	1,314	1,314
Total expenses	\$ 117,358	\$ 96,141	\$ 213,499	\$ 146,081	\$ 156,979	\$ 303,060	\$ 516,559
Less: expenses netted with revenue on statement of activities:							
Scholarships and discounts	(5,807)	-	(5,807)	-	-	-	(5,807)
Direct expenses of special events	-	-	-	-	(67,578)	(67,578)	(67,578)
Total expenses by function	\$ 111,551	\$ 96,141	\$ 207,692	\$ 146,081	\$ 89,401	\$ 235,482	\$ 443,174
Current year's percentages	25.2%	21.7%	46.9%	33.0%	20.2%	53.1%	100.0%

The accompanying notes are an integral part of these financial statements

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.

Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as net assets without donor restrictions. When a restriction expires in a period after the contributions are received, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Presentation-continued

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.

Cash and Cash Equivalents

For purposes of the Statements 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.

Accounts Receivable

The Organization considers accounts receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. All contributions are expected to be collected in less than one year.

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.

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.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

Expense Recognition and 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. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Telephone, travel and meetings, and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the website is updated with requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

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.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Lease Buyout

The Organization received a termination fee settlement of \$300,000 for moving out of its office space prior to the expiration of lease agreement. Landlord requested this early termination for purpose of redeveloping the land for future commercial use. This fee is reported as revenue for the year ended June 30, 2020.

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has \$455,516 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$455,516. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses. The Organization also has a policy to structure its financial assets to be available as its general expenditures, liabilities, and any other obligations come due.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

Studio equipment	\$ 53,486
Office equipment and fixtures	25,695
Classroom equipment	6,411
Construction in progress	<u>13,980</u>
	\$ 99,572
Less accumulated depreciation	<u>(84,241)</u>
	<u>\$ 15,331</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments consist of equity securities at June 30, 2020:

	<u>Cost</u>	<u>Market</u>
Stocks	\$2,708	\$4,270

In determining fair value, the Organization uses valuation approach within the FASB ASC 820 fair value measurement framework. The fair value of equity securities is determined using Level 1 inputs in accordance with FASB ASC 820. Level 1 is for investments measured at quoted prices in active markets for identical investments as of June 30, 2020.

NOTE 5 – NOTE PAYABLE

On April 29, 2020, the Organization was granted a loan from Pinnacle Bank in the aggregate amount of \$44,750, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES”), which was enacted March 27, 2020. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, rent, and utilities. The Company intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 – NOTE PAYABLE - continued

Maturities of debt are as follows:

2021	\$ 19,889
2022	<u>24,861</u>
	<u>\$ 44,750</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020, net assets with donor restrictions are available for the following purposes:

Building tenant improvements	\$ 29,170
Scholarships for classes	<u>28,156</u>
	<u>\$ 57,326</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	\$ 2,227
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NOTE 7 – LEASE COMMITMENT

The Organization leases office facilities under an operating lease which expires September 30, 2024. Rent expense for the year ended June 30, 2020 totaled \$52,687.

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

Year Ending	
<u>June 30</u>	<u>Amount</u>
2021	56,079
2022	78,144
2023	80,429
2024	82,782
2025	<u>22,363</u>
	<u>\$ 319,797</u>

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 – CONCENTRATION OF RISK

Amounts held in a financial institution are in excess of the Federal Deposit Insurance Corporation limit. The organization deposits its cash with a high-quality financial institution, and management believes the organization is not exposed to significant credit risk on those amounts.

NOTE 9 – OTHER RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Organization’s results of future operations, financial position, and liquidity in fiscal year 2021.

NOTE 10 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through October 31, 2020, the issuance of the Organization’s financial statements.