

**NASHVILLE JAZZ WORKSHOP**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**DECEMBER 31, 2013**

**NASHVILLE JAZZ WORKSHOP  
FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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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 December 31, 2013, 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 December 31, 2013, 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*

March 4, 2014

**NASHVILLE JAZZ WORKSHOP  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2013**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 190,973
Total current assets	<u>\$ 190,973</u>

**Property and Equipment** (net of  
accumulated depreciation of \$91,022)

16,402

**Other Assets**

Long-term investments	14,205
Total assets	<u><u>\$ 221,580</u></u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable	\$ 4,586
Accrued liabilities	<u>2,776</u>
Total current liabilities	7,362

**Net Assets**

Unrestricted	147,342
Temporarily restricted	<u>66,876</u>
Total net assets	<u>214,218</u>

Total liabilities and net assets	<u><u>\$ 221,580</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 DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public Support and Revenue</b>			
Public Support:			
Contributions	\$ 58,225	\$ 40,250	\$ 98,475
Grant Revenue	70,480	2,500	72,980
Special event revenue:			
Revenue	58,690	-	58,690
Less direct costs	(27,296)	-	(27,296)
Net revenue from special events	31,394	-	31,394
Total public support	160,099	42,750	202,849
Revenue:			
Tuition	130,088	-	130,088
Less: scholarships	(3,380)	-	(3,380)
Net tuition	126,708	-	126,708
Performances	51,450	-	51,450
Sale of merchandise	1,396	-	1,396
Facility rental fees	1,000	-	1,000
Net gain on investments	1,164	-	1,164
Dividends income	410	-	410
Total revenue	182,128	-	182,128
Net assets released from restrictions	24,837	(24,837)	-
Total public support and revenue	367,064	17,913	384,977
<b>Expenses</b>			
Program services	308,664	-	308,664
Management and general	69,286	-	69,286
Fundraising	27,700	-	27,700
Total expenses	405,650	-	405,650
<b>Change in net assets</b>	(38,586)	17,913	(20,673)
Net assets at beginning of year	185,928	48,963	234,891
<b>Net assets at end of year</b>	\$ 147,342	\$ 66,876	\$ 214,218

The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Cash Flows From Operating Activities:**

Change in net assets	\$ (20,673)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	8,680
Unrealized gain on investments	(1,164)
Changes in operating assets and liabilities:	
Accounts payable	3,062
Accrued liabilities	651
Net cash used in operating activities	<u>(9,444)</u>

**Cash Flows From Investing Activities:**

Purchases of property and equipment	(1,999)
Purchases of investments	<u>(1,342)</u>
Net cash used in investing activities	(3,341)

Net decrease in cash and cash equivalents	(12,785)
Cash and cash equivalents at beginning of year	<u>203,758</u>
Cash and cash equivalents at end of year	<u><u>\$ 190,973</u></u>

The accompanying notes are an integral part of these financial statements



**NASHVILLE JAZZ WORKSHOP**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	Program Services				Supporting Services			
	Professional Education	Performances	Community Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 41,623	\$ 20,812	\$ 15,609	\$ 78,044	\$ 26,014	\$ 23,660	\$ 49,674	\$ 127,718
Employee benefits	5,056	2,528	1,895	9,479	3,160	2,230	5,390	14,869
Payroll taxes	3,189	1,594	1,196	5,979	1,993	1,810	3,803	9,782
Total compensation	49,868	24,934	18,700	93,502	31,167	27,700	58,867	152,369
Professional fees - Artists	24,085	24,086	-	48,171	-	-	-	48,171
Professional fees - Teachers	23,396	11,698	8,774	43,868	14,622	-	14,622	58,490
Contract services	15,448	7,724	5,793	28,965	9,654	-	9,654	38,619
Banking and credit card fees	2,711	2,710	-	5,421	-	-	-	5,421
Promotion and printing	2,781	1,391	1,043	5,215	1,738	-	1,738	6,953
Office rent	8,160	4,080	3,060	15,300	5,100	-	5,100	20,400
Classroom rental	11,357	-	-	11,357	-	-	-	11,357
Utilities	3,894	1,947	1,460	7,301	2,433	-	2,433	9,734
Telephone	-	-	-	-	194	-	194	194
Office supplies	3,533	1,767	1,325	6,625	2,208	-	2,208	8,833
Repairs and maintenance	2,026	2,026	2,026	6,078	-	-	-	6,078
Insurance	2,011	2,010	-	4,021	-	-	-	4,021
Travel and transportation	5,126	5,125	-	10,251	-	-	-	10,251
Meals	-	2,250	-	2,250	-	-	-	2,250
Miscellaneous	4,610	4,609	4,610	13,829	-	-	-	13,829
Direct expenses of special events	-	-	-	-	-	27,296	27,296	27,296
Depreciation	3,472	1,736	-	5,208	2,170	-	2,170	7,378
Total expenses	\$ 162,478	\$ 98,093	\$ 48,093	\$ 308,664	\$ 69,286	\$ 54,996	\$ 124,282	\$ 432,946
Less: expenses netted with revenue on statement of activities:	-	-	-	-	-	(27,296)	(27,296)	(27,296)
Direct expenses of special events	\$ 162,478	\$ 98,093	\$ 48,093	\$ 308,664	\$ 69,286	\$ 27,700	\$ 96,986	\$ 405,650
Total expenses by function	-	-	-	-	-	-	-	-
Current year's percentages	40.1%	24.1%	11.9%	76.1%	17.1%	6.8%	23.9%	100.0%

The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**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 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:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. When a restriction expires in a period after the contributions are received, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

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. There were no permanently restricted net assets as of December 31, 2013.



**NASHVILLE JAZZ WORKSHOP  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Cash and Cash Equivalents**

For purposes of the Statement 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. At December 31, 2013, the Organization had no cash equivalents.

**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.

**Expense 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. Accordingly, certain costs have been allocated among programs and supporting services based on actual or estimated time employees spend on each function.

**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.

**Contributions**

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**NASHVILLE JAZZ WORKSHOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Income Taxes**

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. Tax years that remain open to examination include years ended December 31, 2010 through December 31, 2013.

**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.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2013:

Studio equipment	\$ 54,136
Office equipment and fixtures	25,216
Classroom equipment	5,612
Leasehold improvements	<u>22,460</u>
	\$ 107,424
Less accumulated depreciation	( 91,022)
	<u>\$ 16,402</u>

**NASHVILLE JAZZ WORKSHOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 3 – INVESTMENTS**

Investments consist of mutual funds at December 31, 2013:

	<u>Cost</u>	<u>Market</u>
Mutual funds	\$13,488	\$14,205

Interest and dividends earned from investments totaled \$410 for the year ended December 31, 2013. Net unrealized gain on investments amounted to \$1,164 for the year ended December 31, 2013.

**NOTE 4 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consist of the following at December 31, 2013 for the following purposes:

Scholarships for classes	\$ 59,073
Building fund	5,303
Summer jazz camp	<u>2,500</u>
	<u>\$ 66,876</u>

**NOTE 5 – LEASE COMMITMENT**

The Organization leases office facilities under an operating lease which expires October 2, 2021. Rent expense for the year ended December 31, 2013 totaled \$20,400.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2014	20,400
2015	20,400
2016	21,600
2017	25,200
2018	<u>25,200</u>
	<u>\$112,800</u>

**NASHVILLE JAZZ WORKSHOP**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 6 – RELATED-PARTY TRANSACTIONS**

One board member was paid teacher fees by the Organization in the total amount of \$7,320 for conducting classes for year ended December 31, 2013.

Also, for the year ended December 31, 2013, the Organization paid the Executive Director and Operations Director teacher fees for conducting classes and musician fees for performances in the total amount of \$875 and \$800, respectively.

**NOTE 7 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through March 4, 2014, the issuance of the Organization's financial statements.