

NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2015

**NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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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, 2015, 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, 2015, 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
February 26, 2016

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

ASSETS

Current Assets

Cash and cash equivalents	\$ 182,661
Total current assets	<u>\$ 182,661</u>

Property and Equipment (net of
accumulated depreciation of \$106,306)

6,464

Other Assets

Long-term investments	24,991
Total assets	<u><u>\$ 214,116</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 6,582
Accrued liabilities	<u>3,368</u>
Total current liabilities	9,950

Net Assets

Unrestricted	141,075
Temporarily restricted	<u>63,091</u>
Total net assets	<u>204,166</u>

Total liabilities and net assets	<u><u>\$ 214,116</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, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 58,253	\$ 18,000	\$ 76,253
Grant Revenue	108,314	-	108,314
Special event revenue:			
Revenue	84,845	5,400	90,245
Less direct costs	(46,710)	-	(46,710)
Net revenue from special events	38,135	5,400	43,535
Total public support	204,702	23,400	228,102
 Revenue:			
Tuition	146,117	-	146,117
Less: scholarships	(11,275)	-	(11,275)
Net tuition	134,842	-	134,842
Performances	59,370	-	59,370
Sale of merchandise	751	-	751
Facility rental fees	350	-	350
Net loss on investments	(1,426)	-	(1,426)
Dividends income	624	-	624
Total revenue	194,511	-	194,511
Net assets released from restrictions	49,482	(49,482)	-
Total public support and revenue	448,695	(26,082)	422,613
 Expenses			
Program services	373,572	-	373,572
Management and general	15,172	-	15,172
Fundraising	45,505	-	45,505
Total expenses	434,249	-	434,249
Change in net assets	14,446	(26,082)	(11,636)
Net assets at beginning of year	126,629	89,173	215,802
Net assets at end of year	<u>\$ 141,075</u>	<u>\$ 63,091</u>	<u>\$ 204,166</u>

The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Cash Flows From Operating Activities:

Change in net assets	\$ (11,636)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	7,140
Unrealized loss on investments	1,426
Changes in operating assets and liabilities:	
Accounts payable	(1,298)
Accrued liabilities	146
Net cash used in operating activities	<u>(4,222)</u>

Cash Flows From Investing Activities:

Purchases of property and equipment	(1,140)
Purchases of investments	<u>(1,300)</u>
Net cash used in investing activities	(2,440)

Net decrease in cash and cash equivalents	(6,662)
Cash and cash equivalents at beginning of year	<u>189,323</u>
Cash and cash equivalents at end of year	<u><u>\$ 182,661</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, 2016**

	Program Services				Supporting Services			
	Professional Education	Performances	Community Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 60,218	\$ 37,636	\$ 22,582	\$ 120,436	\$ 7,527	\$ 22,582	\$ 30,109	\$ 150,545
Employee benefits	4,580	2,863	1,717	9,160	573	1,717	2,290	11,450
Payroll taxes	4,607	2,878	1,728	9,213	576	1,728	2,304	11,517
Total compensation	69,405	43,377	26,027	138,809	8,676	26,027	34,703	173,512
Professional fees - Artists	-	58,281	-	58,281	-	-	-	58,281
Professional fees - Teachers	66,670	-	-	66,670	-	-	-	66,670
Contract services	15,528	9,705	5,823	31,056	1,941	5,823	7,764	38,820
Banking and credit card fees	2,628	1,643	985	5,256	329	985	1,314	6,570
Promotion and printing	2,302	1,439	864	4,605	288	864	1,152	5,757
Office rent	8,160	5,100	3,060	16,320	1,020	3,060	4,080	20,400
Classroom rental	5,927	-	-	5,927	-	-	-	5,927
Utilities	3,945	2,466	1,479	7,890	494	1,479	1,973	9,863
Office supplies	5,752	3,595	2,157	11,504	720	2,157	2,877	14,381
Repairs and maintenance	1,974	1,234	740	3,948	247	740	987	4,935
Insurance	1,757	1,098	659	3,514	219	659	878	4,392
Travel and transportation	558	349	209	1,116	71	209	280	1,396
Meals	3,326	2,078	1,247	6,651	416	1,247	1,663	8,314
Miscellaneous	3,156	1,973	1,184	6,313	394	1,184	1,578	7,891
Direct expenses of special events	-	-	-	-	-	46,710	46,710	46,710
Depreciation	2,856	1,785	1,071	5,712	357	1,071	1,428	7,140
Total expenses	\$ 193,944	\$ 134,123	\$ 45,505	\$ 373,572	\$ 15,172	\$ 92,215	\$ 107,387	\$ 480,959
Less: expenses netted with revenue on statement of activities:								
Direct expenses of special events	-	-	-	-	-	(46,710)	(46,710)	(46,710)
Total expenses by function	\$ 193,944	\$ 134,123	\$ 45,505	\$ 373,572	\$ 15,172	\$ 45,505	\$ 60,677	\$ 434,249
Current year's percentages	44.7%	30.9%	10.5%	86.0%	3.5%	10.5%	14.0%	100.0%

The accompanying notes are an integral part of these financial statements

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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:

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, 2015.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015, 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, 2015

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, 2012 through December 31, 2015.

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, 2015:

Studio equipment	\$ 55,276
Office equipment and fixtures	25,216
Classroom equipment	5,612
Leasehold improvements	<u>26,666</u>
	\$ 112,770

Less accumulated depreciation	(106,306)
	<u>\$ 6,464</u>

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 3 – INVESTMENTS

Investments consist of mutual funds at December 31, 2015:

	<u>Cost</u>	<u>Market</u>
Mutual funds	\$18,248	\$24,991

Interest and dividends earned from investments totaled \$624 for the year ended December 31, 2015. Net unrealized loss on investments amounted to \$1,426 for the year ended December 31, 2015.

NOTE 4 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2015 for the following purposes:

Scholarships for classes	\$ 52,388
Building fund	5,303
Jazz education	<u>5,400</u>
	<u>\$ 63,091</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	\$ 44,482
Jazz education	<u>5,000</u>
	<u>\$ 49,482</u>

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015 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>
2016	21,200
2017	25,200
2018	25,200
2019	25,200
2020	<u>25,200</u>
	<u>\$122,000</u>

NOTE 6 – RELATED-PARTY TRANSACTIONS

Board Chair and Board Secretary were each paid teacher fees by the Organization for conducting classes for year ended December 31, 2015 in the amounts of \$8,115 and \$1,255, respectively.

Also, for the year ended December 31, 2015, the Organization paid the Executive Director and Programs and Education Director \$2,515 and \$2,220, respectively, for teacher fees for conducting classes and musician fees for performances.

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through February 26, 2016, the issuance of the Organization's financial statements.