TEN THOUSAND VILLAGES
OF NASHVILLE, INC.

FINANCIAL STATEMENTS

March 31, 2013 and 2012

TEN THOUSAND VILLAGES OF NASHVILLE, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ten Thousand Villages of Nashville, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Ten Thousand Villages of Nashville, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2013 and 2012, 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 Ten Thousand Villages of Nashville, Inc. as of March 31, 2013 and 2012, 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.

Frasier, Dean + Howard, PLLC

July 30, 2013

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 67,101	$ 69,349
Inventory	52,827	53,999
Prepaid expenses	3,687	3,687
Total current assets	123,615	127,035
Furniture, fixtures and equipment, net of accumulated depreciation of $36,518 and $34,797, respectively	1,254	2,975
Total assets	$ 124,869	$ 130,010
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 7,097	$ 7,973
Accrued expenses	16,167	15,079
Total liabilities	23,264	23,052
Net assets:		
Unrestricted	101,605	106,958
Total net assets	101,605	106,958
Total liabilities and net assets	$ 124,869	$ 130,010

See accompanying notes.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
STATEMENTS OF ACTIVITIES
Years Ended March 31, 2013 and 2012

	2013	2012
Revenues, gains, and other support:		
Store sales, net of discounts	$ 487,108	$ 499,880
Cost of goods sold	247,726	258,898
Gross profit	239,382	240,982
Contributions and other support	3,538	3,593
Interest	7	13
Miscellaneous income	-	6,082
Total revenues, gains, and other support	242,927	250,670
Expenses:		
Program expenses:		
Payroll expenses	90,004	91,158
Rent	85,738	82,036
Advertising	14,806	15,567
Credit card charges	8,701	8,876
Supplies	4,816	4,059
Liability insurance	4,704	4,491
Utilities	4,639	5,073
Health insurance	3,224	2,885
Telephone	2,111	1,809
Depreciation	1,721	2,175
Travel and entertainment	1,480	481
Repairs and maintenance	1,279	1,422
Miscellaneous	988	2,382
Licenses and taxes	59	773
Special programs	-	89
Total program expenses	224,270	223,276
Management and general expenses:		
Professional fees	10,328	10,133
Payroll expenses	4,737	4,798
Rent	4,512	4,318
Technical support	1,767	2,824
Volunteer appreciation	1,573	3,983
Payroll processing fees	320	390
Liability insurance	248	236
Utilities	244	267
Health insurance	170	152
Telephone	111	95
Total management and general expenses	24,010	27,196
Total expenses	248,280	250,472
Change in unrestricted net assets	(5,353)	198
Unrestricted net assets at beginning of year	106,958	106,760
Unrestricted net assets at end of year	$ 101,605	$ 106,958

See accompanying notes.

TEN THOUSAND VILLAGES OF NASHVILLE, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2013 and 2012

	2013	**2012**
Cash flows from operating activities:		
Change in unrestricted net assets	$ (5,353)	$ 198
Adjustments to reconcile change in unrestricted net assets to net cash (used in) provided by operating activities:		
Depreciation	1,721	2,175
Changes in operating assets and liabilities:		
Inventory	1,172	3,693
Prepaid expenses	-	(62)
Accounts payable	(876)	7,973
Accrued expenses	1,088	(2,547)
Net cash (used in) provided by operating activities	(2,248)	11,430
Cash flows from investing activities:		
Purchases of furniture, fixtures and equipment	-	(681)
Net cash used in investing activities	-	(681)
Net (decrease) increase in cash and cash equivalents	(2,248)	10,749
Cash and cash equivalents at beginning of year	69,349	58,600
Cash and cash equivalents at end of year	$ 67,101	$ 69,349

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Ten Thousand Villages of Nashville, Inc. (the "Organization") is a Tennessee nonprofit corporation affiliated with Ten Thousand Villages of Akron, Pennsylvania. Its goals, along with over 100 similar organizations located throughout the United States, include supporting the worldwide relief and development programs of nonprofit alternative trade organizations through the sale of merchandise, substantially all of which has been handcrafted by persons of low income from developing countries. The Organization operates a store in Nashville, Tennessee, through the significant assistance of volunteers.

Financial Statement Presentation

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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 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 stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements 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 donors of these assets may permit the Organization to use all or part of the income earned for general or specific purposes.

At March 31, 2013 and 2012, the Organization had no temporarily or permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

The inventory of merchandise held for resale is valued at the lower of cost (first in, first out) or market.

Furniture, Fixtures and Equipment and Depreciation

Furniture, fixtures and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all assets range from three to ten years.

Revenue

The Organization receives its program revenue primarily from the sale of merchandise handcrafted by lower income people from developing countries.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor restricted contributions are generally reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year the contributions are recognized.

Income Taxes

The Organization has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made in these financial statements.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification guidance concerning the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended March 31, 2010 through March 31, 2013. The Organization had no uncertain tax positions at March 31, 2013 or 2012.

Donated Services

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under accounting principles generally accepted in the United States of America have not been satisfied.

Functional Allocation of Expenses

The costs of providing program services and management and general functions have been allocated within the statements of activities based on estimates made by management.

Advertising Expense

The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled $14,806 and $15,567 for the years ended March 31, 2013 and 2012, respectively.

Use of Estimates

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

Subsequent Events

The Organization evaluated subsequent events through July 30, 2013 when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – RELATED PARTY TRANSACTIONS

The Organization operates its store under a support agreement with Ten Thousand Villages of Akron, Pennsylvania. The arrangement essentially provides the Organization with start-up support, initial inventory and sharing loans, and use of certain trademarks. The Store agrees to diligently and continuously market and sell Ten Thousand Villages—Akron products at retail, so that sales of the products constitute a minimum of eighty percent of the Store's total annual sales. For the fiscal year ended March 31, 2013, the Organization was not in compliance with the eighty percent requirement as they recorded approximately seventy-four percent in Ten Thousand Villages—Akron sales. The Organization is currently formulating a plan to meet the requirement for fiscal year 2014 and does not believe that its lack of compliance with this support agreement will have a significant impact on the Organization's activities. The agreement extended for an initial term of three years and is automatically renewed for additional one-year terms unless notice is given by either party, at least ninety days before the end of a contract year.

NOTE 3 – COMMITMENTS

During 2009, the Organization entered into a ten year lease agreement for retail space which requires monthly payments that increase over the lease term. The lease also requires that the Organization pay a proportionate share of taxes. The lease expires on October 31, 2019.

Future minimum lease payments required under this lease arrangement are as follows:

Year ending March 31,	
2014	$ 81,180
2015	83,615
2016	86,124
2017	88,707
2018	91,369
Thereafter	149,955
	$ 580,950

Rent expense for the years ended March 31, 2013 and 2012 totaled $90,250 and $86,354, respectively.