

NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2021

**NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS
JUNE 30, 2021**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Nashville Jazz Workshop

Opinion

We have audited the accompanying statements of Nashville Jazz Workshop which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nashville Jazz Workshop, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nashville Jazz Workshop's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a

substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to the risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nashville Jazz Workshop's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt Nashville Jazz Workshop's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Thomas Financial Resources". The signature is written in a cursive, flowing style.

January 5, 2022

NASHVILLE JAZZ WORKSHOP
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 131,147
Grants receivable	10,394
Contributions receivable	23,617
Other receivable	75,350
Prepays	10,826
Total current assets	<u>251,334</u>

Property and Equipment (net of
accumulated depreciation of \$88,007)

370,437

Other Assets

Long-term investments	10,337
Security deposit	36,338
Total other assets	<u>46,675</u>

Total assets	<u><u>\$ 668,446</u></u>
--------------	--------------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 53,403
Accrued liabilities	4,610
Tenant improvement allowance	15,070
Total current liabilities	<u>73,083</u>

Tenant improvement allowance

45,210

Total liabilities	<u>118,293</u>
-------------------	----------------

Net Assets

Without donor restrictions	529,986
With donor restrictions	20,167
Total net assets	<u>550,153</u>

Total liabilities and net assets	<u><u>\$ 668,446</u></u>
----------------------------------	--------------------------

The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 213,435	\$ -	\$ 213,435
Grant Revenue	123,851	-	123,851
Government grant revenue	53,270	-	53,270
Gain on forgiveness of note payable	44,750	-	44,750
Special event revenue:			
Revenue	116,010	-	116,010
Less direct costs	(73,674)	-	(73,674)
Net revenue from special events	42,336	-	42,336
Total public support	477,642	-	477,642
Other Revenue:			
Tuition	90,389	-	90,389
Less: scholarships and discounts	(3,652)	-	(3,652)
Net tuition	86,737	-	86,737
Performances	11,731	-	11,731
Investment income, net	5,191	-	5,191
Interest income	306	-	306
Total revenue	103,965	-	103,965
Net assets released from restrictions	37,159	(37,159)	-
Total public support and revenue	618,766	(37,159)	581,607
Expenses			
Program services	328,998	-	328,998
Management and general	80,297	-	80,297
Fundraising	140,952	-	140,952
Total expenses	550,247	-	550,247
Change in net assets	68,519	(37,159)	31,360
Net assets at beginning of year	461,467	57,326	518,793
Net assets at end of year	<u>\$ 529,986</u>	<u>\$ 20,167</u>	<u>\$ 550,153</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, 2021**

Cash Flows From Operating Activities:

Change in net assets	\$ 31,360
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	12,901
Scholarships and discounts	3,652
Investment income, net	(5,191)
Gain on forgiveness of note payable	(44,750)
Reduction in rent expense with tenant allowance	(15,070)
Changes in operating assets and liabilities:	
Grants receivable	(10,394)
Contributions receivable	(23,617)
Other receivable	(75,350)
Prepays	(4,417)
Accounts payable	46,232
Accrued liabilities	134
Tenant improvement allowance	60,280
Net cash used in operating activities	<u>(24,230)</u>

Cash Flows From Investing Activities:

Net proceeds from sale of investments	10,542
Purchases of property and equipment	<u>(368,007)</u>
Net cash used in investing activities	(357,465)
 Net change in cash and cash equivalents	 (381,695)
Cash and cash equivalents at beginning of year	512,842
Cash and cash equivalents at end of year	<u><u>\$ 131,147</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, 2021**

	Program Services				Supporting Services			
	Professional Education	Performances	Community Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 70,522	\$ 54,931	\$ 6,986	\$ 132,439	\$ 16,322	\$ 93,675	\$ 109,997	\$ 242,436
Employee benefits	10,530	4,600	-	15,130	10,718	-	10,718	25,848
Payroll taxes	4,117	3,309	107	7,533	11,120	-	11,120	18,653
Total compensation	85,169	62,840	7,093	155,102	38,160	93,675	131,835	286,937
Contract labor	32,245	21,377	37,094	90,716	3,726	8,387	12,113	102,829
Professional Fees	3,342	2,258	1,681	7,281	3,367	6,092	9,459	16,740
Banking and credit card fees	1,018	688	512	2,218	1,025	1,855	2,880	5,098
Promotion and printing	2,696	1,109	12,600	16,405	-	-	-	16,405
Facilities	12,768	8,625	6,424	27,817	12,863	23,272	36,135	63,952
Moving and storage	4,206	4,206	-	8,412	-	-	-	8,412
Office expenses	4,209	2,842	2,117	9,168	4,241	7,671	11,912	21,080
Insurance	11,879	-	-	11,879	4,014	-	4,014	15,893
Scholarships	3,652	-	-	3,652	-	-	-	3,652
Direct expenses of special events	-	-	-	-	-	73,674	73,674	73,674
Depreciation	-	-	-	-	12,901	-	12,901	12,901
Total expenses	\$ 161,184	\$ 103,945	\$ 67,521	\$ 332,650	\$ 80,297	\$ 214,626	\$ 294,923	\$ 627,573
Less: expenses netted with revenue on statement of activities:								
Scholarships	(3,652)	-	-	(3,652)	-	-	-	(3,652)
Direct expenses of special events	-	-	-	-	-	(73,674)	(73,674)	(73,674)
Total expenses by function	\$ 157,532	\$ 103,945	\$ 67,521	\$ 328,998	\$ 80,297	\$ 140,952	\$ 221,249	\$ 550,247
Current year's percentages	28.6%	18.9%	12.3%	59.8%	14.6%	25.6%	40.2%	100.0%

The accompanying notes are an integral part of these financial statements

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 from 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, 2021

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 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.

Other Receivable

The Organization considers other 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.

Grants Receivable

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

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.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments

Investments are stated at fair market value. Unrealized gains and losses as well as appreciation or depreciation in market value and dividend income are reflected in the Statement of Activities as net investment income.

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.

Adoption of New Accounting Pronouncement

On July 1, 2020, the Organization adopted FASB Accounting Standards Update 2014-9, *Revenue from Contracts with Customers (ASC 606)*, which requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under ASC 606, revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The contract obligation for conducting workshops and holding performances is generally satisfied at the time these services are provided.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has \$220,341 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$110,980, grants receivable of \$10,394, contributions receivable of \$23,617 and other receivable of \$75,350. 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.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

Leasehold improvements	\$ 370,151
Studio equipment	57,412
Office equipment and fixtures	25,547
Classroom equipment	<u>5,334</u>
	\$ 458,444
Less accumulated depreciation	<u>(88,007)</u>
	<u>\$ 370,437</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT

Investments consist of equity securities at June 30, 2021:

	<u>Cost</u>	<u>Market</u>
Stocks	\$8,429	\$10,337

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, 2021.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 – GAIN ON FORGIVENESS OF 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. Funds from the loan were used for qualifying expenses including payroll costs, costs used to continue group health care benefits, rent, and utilities. As such, the conditions for forgiveness had been met and on February 22, 2021, the PPP loan was forgiven. This forgiveness is recognized in the Statement of Activities in the revenue section as a gain on forgiveness of note payable.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, net assets with donor restrictions are available for the following purposes:

Scholarships for classes	\$ 20,167
--------------------------	-----------

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:

Building tenant improvements	\$ 29,170
Scholarships for classes	<u>7,989</u>
	<u>\$ 37,159</u>

NOTE 7 – LEASE COMMITMENT

During 2021, the Organization received \$75,350 in tenant leasehold improvement allowances to fund improvements at the Organization’s office facility. Such amount has been recorded as a tenant improvement allowance in the Statement of Financial Position and is being recognized as a reduction in rent expense over the life of the related improvements, resulting in a reduction in rent totaling \$15,070 for the year ended June 30, 2021. The net tenant improvement allowance totals \$60,280 at June 30, 2021.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021 totaled \$52,993.

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

Year Ending	
<u>June 30</u>	<u>Amount</u>
2022	76,123
2023	78,407
2024	80,759
2025	<u>20,338</u>
	<u>\$ 255,627</u>

NOTE 8 – 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 2022.

NOTE 9 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through January 5, 2022, the issuance of the Organization’s financial statements.