

NASHVILLE JAZZ WORKSHOP

FINANCIAL STATEMENTS

December 31, 2011 and 2010

**NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nashville Jazz Workshop
Nashville, Tennessee

I have audited the accompanying statements of financial position of Nashville Jazz Workshop (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform my audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Jazz Workshop as of December 31, 2011 and 2010, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



March 22, 2012
Murfreesboro, Tennessee

NASHVILLE JAZZ WORKSHOP
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash	\$ 172,481	\$ 165,729
Tuition receivable	<u>2,093</u>	<u>-</u>
Total current assets	174,574	165,729
Property and equipment, at cost or fair market value at date of donation, less accumulated depreciation	34,079	34,789
Other Assets		
Temporarily restricted cash	<u>10,300</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 218,953</u></u>	<u><u>\$ 200,518</u></u>
LIABILITIES		
Accounts payable and accrued expenses	<u>10,449</u>	<u>13,261</u>
Total current liabilities	10,449	13,261
NET ASSETS		
Unrestricted	198,204	187,257
Temporarily Restricted	<u>10,300</u>	<u>-</u>
Total net assets liabilities	<u>208,504</u>	<u>187,257</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 218,953</u></u>	<u><u>\$ 200,518</u></u>

The accompanying notes are an integral part of these financial statements.

NASHVILLE JAZZ WORKSHOP
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>2010</u>
Support and revenues:				
Tuition	\$ 124,941	\$ -	\$ 124,941	\$ 106,367
Grants	-	83,000	83,000	91,540
Fundraising	48,911	-	48,911	37,980
Admissions	37,391	-	37,391	33,838
Contributions and sponsorships	46,630	-	46,630	24,864
Other	2,568	-	2,568	3,351
Merchandise income	-	-	-	-
Net assets released from temporary restriction	<u>72,700</u>	<u>(72,700)</u>	<u>-</u>	<u>-</u>
Total support and revenues	333,141	10,300	343,441	297,940
Expenses:				
Program services	274,374	-	274,374	231,187
Management and general	<u>47,820</u>	<u>-</u>	<u>47,820</u>	<u>43,168</u>
Total expenses	<u>322,194</u>	<u>-</u>	<u>322,194</u>	<u>274,355</u>
Net increase	10,947	10,300	21,247	23,585
Net assets, beginning of year	<u>187,257</u>	<u>-</u>	<u>187,257</u>	<u>163,672</u>
Net assets, end of year	<u>\$ 198,204</u>	<u>\$ 10,300</u>	<u>\$ 208,504</u>	<u>\$ 187,257</u>

The accompanying notes are an integral part of these financial statements.

NASHVILLE JAZZ WORKSHOP
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2011 and 2010

	Program Services	Management and General	Total Expenses	2010
Wages and taxes	\$ 79,999	\$ 20,000	\$ 99,999	\$ 79,059
Contract services	106,033	-	106,033	89,852
Rent	15,920	3,980	19,900	19,200
Professional fees	-	5,207	5,207	4,000
Supplies and materials	11,528	2,882	14,410	15,637
Contributions	1,535	-	1,535	3,468
Repairs and maintenance	4,656	-	4,656	2,851
Travel and transportation	5,207	1,302	6,509	3,605
Employee benefits	9,166	2,292	11,458	8,537
Utilities	7,511	1,876	9,387	9,448
Promotion and printing	5,122	1,281	6,403	10,605
Special events	14,877	-	14,877	6,429
Miscellaneous	1,471	368	1,839	3,167
Depreciation	8,108	1,212	9,320	8,437
Equipment rent	500	-	500	701
Insurance	-	4,114	4,114	4,668
Credit card and processing fees	2,097	3,145	5,242	4,119
Dues and subscriptions	644	161	805	572
Total functional expenses	<u>\$ 274,374</u>	<u>\$ 47,820</u>	<u>\$ 322,194</u>	<u>\$ 274,355</u>

The accompanying notes are an integral part of these financial statements.

NASHVILLE JAZZ WORKSHOP
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 21,247	\$ 23,585
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,320	8,437
(Increase) Decrease in accrued expenses	(2,812)	8,626
Increase in tuition receivable	(2,093)	-
Increase in temporarily restricted assets	<u>(10,300)</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,362	40,648
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(8,610)</u>	<u>(6,383)</u>
CASH FLOWS PROVIDED (USED) IN FINANCING ACTIVITIES		
Proceeds from bank loan	-	-
Payments on bank loan	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,752	34,265
CASH AND CASH EQUIVALENTS, beginning of year	<u>165,729</u>	<u>131,464</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 172,481</u></u>	<u><u>\$ 165,729</u></u>

The accompanying notes are an integral part of these financial statements.

NASHVILLE JAZZ WORKSHOP

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Nashville Jazz Workshop (the "Organization") was organized in 2000 as a not-for-profit corporation whose stated charitable purpose is providing student training and performances to the general public specific to jazz music in Nashville, Tennessee.

The sources of revenues are contributions, grants, and earned income from performances and workshops.

Basis of Accounting

The Organization recognizes revenues and expenses based on the accrual method of accounting. This method recognizes revenue when earned, and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according the three classes of assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

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

Property and Equipment

Property and Equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and resulting gain or loss is reflected in activity of the period. The Organization generally depreciates property and equipment on a straight-line basis over the useful lives of the related assets, estimated to be approximately five years for musical equipment. Office equipment and building improvements are depreciated over seven years.

NASHVILLE JAZZ WORKSHOP

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

Revenue Recognition

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. During the years ended December 31, 2011 and 2010, \$83,000 and \$91,540, respectively, in grants were received that were classified as temporarily restricted, because they are designated to support performances and operations in 2012.

Cash and Cash Equivalents

The Organization considers all highly investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Donated Services and Facilities

The Organization receives services donated by a number of unpaid volunteers. Because of the difficulty in assigning values for such services, these services are generally not reflected in the accompanying financial statements. However, when an objective, measurable basis exists for valuing donated services or facilities, the amounts thereof are reflected in the financial statements as revenue and expenses. For donated services, no amounts are recorded for the years ended December 31, 2011 and 2010.

Functional Classification of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities and detailed in the statements of functional expenses and are based upon the guidance included in the *Audit and Accounting Guide for Not-For-Profit Organizations*, issued by the American Institute of Certified Public Accountants. The Organization incurs costs and expenses related to its program services and supporting activities. Expenses that are directly related to, and can be assigned to, program services or a single supporting activity are charged directly to such function. Expenses that are related to more than one function are allocated among the appropriate functions. The most significant of allocated costs are the costs associated with wages and payroll taxes. The Organization allocates these costs primarily using proportional methods based on the time expended by personnel on the various functions.

NASHVILLE JAZZ WORKSHOP

NOTES TO FINANCIAL STATEMENTS December 31, 2011 and 2010

Accounts Receivable

Tuition receivable are stated at unpaid balances, less balances written off as uncollectible. The Organization provides for losses on accounts receivable using the direct write off method. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization currently has no unrelated business income which is subject to tax on unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Exempt Organization Business Income Tax Returns (Form 990) for 2009, 2010, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

NOTE B – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	<u>2011</u>	<u>2010</u>
Buildings	\$ 22,460	\$ 22,460
Office equipment	17,233	8,624
Decorations	5,984	5,984
Classroom equipment	5,612	5,612
Studio equipment	<u>54,136</u>	<u>54,136</u>
Total	105,425	96,816
Accumulated depreciation	<u>(71,346)</u>	<u>(62,027)</u>
Property, plant & equipment, net	<u>\$ 34,079</u>	<u>\$ 34,789</u>

NOTE C – TEMPORARY RESTRICTIONS ON NET ASSETS

In 2011, the Organization received \$10,300 on grants that will be expended during the year ended December 31, 2012. \$10,000 of the grants relate to lectures and performances in the "Jazz on the Move" series and \$300 relate to scholarships to be awarded during the year ended December 31, 2012.

NASHVILLE JAZZ WORKSHOP

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE D – LEASE OBLIGATIONS

The Organization leases its office building under an operating lease expiring in 2021. Future minimum lease payments under this agreement are as follows:

2012	\$ 19,900
2013	19,900
2014	19,900
2015	19,900
2016	19,900
Thereafter	<u>92,867</u>
	<u>\$ 192,367</u>

The Organization has an option to extend the lease in October 2021 for an additional five year term.

The Organization also leases additional space at an off-site facility on an as-needed basis and is not obligated under any agreement. Rent expense was \$19,900 and \$19,200 for the years ended December 31, 2011 and 2010, respectively.

NOTE D – SUBSEQUENT EVENTS

Management has evaluated events and transactions through March 22, 2012, the date on which the financial statements were available to be issued.