

NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2012

**NASHVILLE JAZZ WORKSHOP
FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Table of Contents

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



CPA for the Not-For-Profit Sector

1009 Harding Trace Court Nashville, TN 37221
phone 615-673-7307 cell 615-479-4770 kim@thomasonfinancial.com

INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Nashville Jazz Workshop
Nashville, Tennessee

We have audited the accompanying statements of financial position of the Nashville Jazz Workshop as of December 31, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nashville Jazz Workshop as of December 31, 2012, 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.

A handwritten signature in blue ink, appearing to read 'Thomas Financial Resources', is written over the date.

March 13, 2013

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012**

ASSETS

Current Assets

Cash and cash equivalents	\$ 203,758
Total current assets	<u>\$ 203,758</u>

Property and Equipment (net of
accumulated depreciation of \$82,342)

23,084

Other Assets

Long-term investments	11,698
Total assets	<u><u>\$ 238,540</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 1,524
Accrued liabilities	2,125
Total current liabilities	<u>3,649</u>

Net Assets

Unrestricted	185,928
Temporarily restricted	48,963
Total net assets	<u>234,891</u>

Total liabilities and net assets	<u><u>\$ 238,540</u></u>
----------------------------------	--------------------------

The accompanying notes are an integral part of these financial statements

**NASHVILLE JAZZ WORKSHOP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Public Support:			
Contributions	\$ 55,866	\$ 33,663	\$ 89,529
Grant Revenue	68,140	5,000	73,140
Special event revenue:			
Revenue	52,306	-	52,306
Less direct costs	(19,191)	-	(19,191)
Net revenue from special events	33,115	-	33,115
Total public support	157,121	38,663	195,784
Revenue:			
Tuition	130,379	-	130,379
Performances	40,347	-	40,347
Sale of merchandise	2,645	-	2,645
Facility rental fees	2,250	-	2,250
Interest income	80	-	80
Net loss on investments	(961)	-	(961)
Dividends income	105	-	105
Total revenue	174,845	-	174,845
Net assets released from restrictions	-	-	-
Total public support and revenue	331,966	38,663	370,629
Expenses			
Program services	270,730		270,730
Management and general	73,512	-	73,512
Total expenses	344,242	-	344,242
Change in net assets	(12,276)	38,663	26,387
Net assets at beginning of year	198,204	10,300	208,504
Net assets at end of year	<u>\$ 185,928</u>	<u>\$ 48,963</u>	<u>\$ 234,891</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, 2012**

Cash Flows From Operating Activities:

Change in net assets	\$ 26,387
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	10,995
Unrealized loss on investments	961
Changes in operating assets and liabilities:	
Accounts receivable	2,093
Accounts payable	1,524
Accrued liabilities	<u>(8,324)</u>
Net cash provided by operating activities	<u>33,636</u>

Cash Flows From Investing Activities:

Purchases of investments	<u>(12,659)</u>
Net cash used in investing activities	(12,659)
 Net increase in cash and cash equivalents	 20,977
Cash and cash equivalents at beginning of year	<u>182,781</u>
Cash and cash equivalents at end of year	<u><u>\$ 203,758</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, 2012**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 83,474	\$ 20,869	\$ 104,343
Employee benefits	9,846	2,462	12,308
Payroll taxes	4,826	1,206	6,032
Total compensation	<u>98,146</u>	<u>24,537</u>	<u>122,683</u>
Professional fees - Artists	36,200	-	36,200
Professional fees - Teachers	56,419	-	56,419
Contract services		30,216	30,216
Banking and credit card fees	4,940	-	4,940
Promotion and printing	6,714	1,679	8,393
Office rent	16,720	4,180	20,900
Utilities	5,735	1,434	7,169
Telephone	1,895	474	2,369
Office supplies	9,140	2,286	11,426
Repairs and maintenance	6,732	1,683	8,415
Insurance	2,927	732	3,659
Travel and transportation	8,165	2,041	10,206
Miscellaneous	8,201	2,051	10,252
Direct expenses of special events	19,191	-	19,191
Depreciation	8,796	2,199	10,995
Total expenses	<u>289,921</u>	<u>73,512</u>	<u>363,433</u>
Less: expenses netted with revenue on statement of activities;			
Direct expenses of special events	(19,191)	-	(19,191)
Total expenses by function	<u>\$ 270,730</u>	<u>\$ 73,512</u>	<u>\$ 344,242</u>
Current year's percentages	78.65%	21.35%	100.00%

The accompanying notes are an integral part of these financial statements

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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, provides the community with quality jazz education in a non-traditional setting and excellence in jazz performance. 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, 2012.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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, 2012, 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.

Income Taxes

The Organization is a not-for-profit 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.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

Under SFAS 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Financial Instruments

The Organization has an established process for determining fair values. Fair values are based upon market prices, where available. Assets and liabilities recorded at fair value in the statements of financial position are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by generally accepted accounting principles, are as follows:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization's financial instruments consist of accounts payable and accrued liabilities. The recorded values of accounts payable and accrued liabilities approximate their fair values based on their short-term nature.

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.

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2012:

Studio equipment	\$ 54,136
Office equipment and fixtures	23,217
Classroom equipment	5,612
Leasehold improvements	<u>22,460</u>
	\$ 105,425
Less accumulated depreciation	(82,342)
	<u>\$ 23,084</u>

NOTE 3 – INVESTMENTS

Investments consist of mutual funds at December 31, 2012:

	<u>Cost</u>	<u>Market</u>
Mutual funds	\$12,553	\$11,698

Interest and dividends earned from investments totaled \$105 for the year ended December 31, 2012. Net unrealized loss on investments amounted to \$961 for the year ended December 31, 2012.

NOTE 4 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2012 for the following purposes:

Scholarships for classes	\$ 38,660
Building fund	5,303
Summer jazz camp	<u>5,000</u>
	<u>\$ 48,963</u>

NASHVILLE JAZZ WORKSHOP
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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, 2012 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>
2013	20,400
2014	20,400
2015	20,400
2016	21,600
2017	<u>25,200</u>
	<u>\$108,000</u>

NOTE 6 – RELATED-PARTY TRANSACTIONS

Two board members were paid teacher fees by the Organization in the total amount of \$3,110 for conducting classes for year ended December 31, 2012. One board member was paid musician fees for performances in amount of \$400 for year ended December 31, 2012.

Also, for the year ended December 31, 2012, the Organization paid the Executive Director and Operations Director teacher fees for conducting classes and musician fees for performances in the total amount of \$610 and \$1,250, respectively.

NOTE 7 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through March 13, 2013, the issuance of the Organization's financial statements.