

NASHVILLE JAZZ WORKSHOP

Financial Statements

Years Ended December 31, 2006 and 2005

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Independent Auditors' Report

To the Board of Directors
Nashville Jazz Workshop

We have audited the accompanying statements of financial position of Nashville Jazz Workshop (a non-profit corporation) as of December 31, 2006 and 2005 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. 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 our audits 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 audits provide 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 Nashville Jazz Workshop as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
March 20, 2007

NASHVILLE JAZZ WORKSHOP
Statements of Financial Position
December 31, 2006 and 2005

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ASSETS	<u>2006</u>	<u>2005</u>
Current Assets		
Cash	\$ 32,658	\$ 49,892
Grants receivable	<u>3,408</u>	<u>5,797</u>
Total current assets	<u>36,066</u>	<u>55,689</u>
Property and Equipment		
Building improvements	22,460	22,460
Office equipment	5,002	5,002
Classroom equipment and decoration	10,457	9,386
Studio equipment	<u>7,948</u>	<u>-</u>
	45,867	36,848
Less accumulated depreciation	<u>(29,586)</u>	<u>(23,711)</u>
Property and equipment, net	<u>16,281</u>	<u>13,137</u>
Total assets	<u><u>\$ 52,347</u></u>	<u><u>\$ 68,826</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 2,243</u>	<u>\$ 3,352</u>
Total current liabilities	<u>2,243</u>	<u>3,352</u>
NET ASSETS		
Unrestricted	41,696	57,177
Temporarily Restricted	<u>8,408</u>	<u>8,297</u>
Total Net Assets	<u>50,104</u>	<u>65,474</u>
Total liabilities and net assets	<u><u>\$ 52,347</u></u>	<u><u>\$ 68,826</u></u>

See notes to financial statements.

NASHVILLE JAZZ WORKSHOP
Statements of Activities
Years Ended December 31, 2006 and 2005

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2005</u>
Support and revenues:				
Tuition	\$ 94,298	\$ -	\$ 94,298	95,009
Grants	-	32,629	32,629	45,156
Fund raising	30,868	-	30,868	18,754
Admissions	29,995	-	29,995	29,482
Contributions and sponsorships	22,473	-	22,473	21,767
Other	3,370	-	3,370	6,472
Merchandise income	1,030	-	1,030	2,967
Net assets released from temporary restriction	<u>32,518</u>	<u>(32,518)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>214,552</u>	<u>111</u>	<u>214,663</u>	<u>219,607</u>
Expenses:				
Program services	178,081	-	178,081	149,718
Management and general	<u>51,952</u>	<u>-</u>	<u>51,952</u>	<u>51,487</u>
Total expenses	<u>230,033</u>	<u>-</u>	<u>230,033</u>	<u>201,205</u>
Net increase (decrease)	(15,481)	111	(15,370)	18,402
Net Assets, beginning of year	<u>57,177</u>	<u>8,297</u>	<u>65,474</u>	<u>47,072</u>
Net Assets, end of year	<u>\$ 41,696</u>	<u>\$ 8,408</u>	<u>\$ 50,104</u>	<u>\$ 65,474</u>

See notes to financial statements.

NASHVILLE JAZZ WORKSHOP
Statements of Functional Expenses
Years Ended December 31, 2006 and 2005

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	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>	<u>2005</u>
Wages and taxes	\$ 56,578	\$ 14,144	\$ 70,722	\$ 54,155
Contract services	64,112	5,253	69,365	60,517
Rent	16,640	4,160	20,800	19,600
Supplies and materials	15,333	3,833	19,166	17,200
Travel and transportation	9,766	5,259	15,025	8,478
Utilities	6,995	1,749	8,744	11,898
Promotion and printing	6,726	1,681	8,407	7,539
Miscellaneous	-	6,790	6,790	6,549
Depreciation	-	5,899	5,899	2,655
Equipment rent	1,931	-	1,931	1,190
Insurance	-	1,239	1,239	1,235
Interest and bank charges	-	1,002	1,002	553
Postage and shipping	-	623	623	450
Dues and subscriptions	-	320	320	1,173
Other production costs	-	-	-	3,990
Fundraisers	-	-	-	4,023
	<u>\$ 178,081</u>	<u>\$ 51,952</u>	<u>\$ 230,033</u>	<u>\$ 201,205</u>

See notes to financial statements.

NASHVILLE JAZZ WORKSHOP
Statements of Cash Flows
Years Ended December 31, 2006 and 2005

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	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Cash received from support and revenues	\$ 217,052	\$ 213,810
Cash paid to suppliers and employees	(224,004)	(197,767)
Interest paid	<u>(1,239)</u>	<u>(553)</u>
Net cash flows from operating activities	<u>(8,191)</u>	<u>15,490</u>
Cash Flows From Investing Activities		
Purchases of fixed assets	<u>(9,043)</u>	<u>-</u>
Net cash flows from investing activities	<u>(9,043)</u>	<u>-</u>
Cash, beginning of year	<u>49,892</u>	<u>34,402</u>
Cash, end of year	<u>\$ 32,658</u>	<u>\$ 49,892</u>
Reconciliation of increase in net assets to net cash flows from operating activities:		
Increase/(decrease) in net assets	<u>\$ (15,370)</u>	<u>\$ 18,402</u>
Adjustments to reconcile increase in net assets to cash flows from operating activities:		
Depreciation	5,899	2,655
(Increase)/decrease in grants receivable	2,389	(5,797)
Increase/(decrease) in accounts payable and accrued expenses	<u>(1,109)</u>	<u>230</u>
Net cash flows from operating activities	<u>7,179</u>	<u>(2,912)</u>
Net cash flows from operating activities	<u>\$ (8,191)</u>	<u>\$ 15,490</u>

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Nashville Jazz Workshop (the “Organization”) was organized in 2000 as a non-profit corporation for the purpose of providing student training and performances to the general public specific to jazz music in Nashville, Tennessee.

Basis of Presentation – The presentation of the financial statements 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 to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

As of December 31, 2006, temporarily restricted net assets represent grant monies received in 2006 designated to be used to support performances and operations in 2007. As of December 31, 2005, temporarily restricted net assets represent grant monies received in 2005 that were used to support performances and operations in 2006. There were no net assets or activities classified as permanently restricted in either 2006 or 2005.

Use of Estimates and Assumptions – 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Property and Equipment – Property and equipment are stated at cost, and depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation expense for the years ended December 31, 2006 and 2005 was \$5,899 and \$2,655, respectively.

Revenue Recognition – Recognition of contribution revenue follows the recommendations of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Under SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and nature of any donor restrictions. All donor-restricted net assets are reported as an increase in temporarily restricted 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 reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. During the years ended December 31, 2006 and 2005, \$8,408 and \$8,297, respectively, in grants were received that were classified as temporarily restricted, because they are designated to support performances and operations in 2007.

Functional Classification of Expenses – Functional classifications of expenses 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.

NOTE 2 – INCOME TAXES

The Organization is exempt from Federal income tax under Internal Revenue Code Section 501(c)(7).

NOTE 3 – LEASE OBLIGATIONS

The company leases its office building under an operating lease expiring in 2011. Future minimum lease payments under this agreement are as follows:

2007	\$ 19,200
2008	19,200
2009	19,200
2010	19,200
2011	<u>12,800</u>
Total	<u>\$ 89,600</u>

The company also leases additional space at an off-site facility on an as-needed basis and is not obligated under any agreement. Rent expense was \$20,800 and \$19,600 for 2006 and 2005, respectively.