

Jazz Education Network

Financial Statements
Year Ended June 30, 2019





Independent Auditor's Report

Board of Directors
Jazz Education Network
Chicago, Illinois

We have audited the accompanying financial statements of Jazz Education Network (the "Organization"), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of June 30, 2019, and the related statements of revenues, expenses and changes in net assets - modified cash basis, and functional expenses - modified cash basis for the year 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 assets, liabilities and net assets of Jazz Education Network as of June 30, 2019, and its revenues, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.



Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Wipfli LLP

December 6, 2019
Lincolnshire, Illinois

Jazz Education Network

Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis

June 30, 2019

Current assets:

Cash	\$	307,428
Prepaid loyalty rewards program		4,623

Total current assets		312,051
----------------------	--	---------

Property and equipment:

Office equipment		2,545
Accumulated depreciation		(2,545)

Net property and equipment		-
----------------------------	--	---

Other asset:

Website net of accumulated amortization of \$31,478		22,484
---	--	--------

TOTAL ASSETS		334,535
---------------------	--	----------------

Liabilities:	\$	-
--------------	----	---

Net assets:

Without donor restrictions:

Board-designated		-
Undesignated		258,423

Total net assets without donor restrictions		258,423
---	--	---------

With donor restrictions		76,112
-------------------------	--	--------

TOTAL LIABILITIES AND NET ASSETS	\$	334,535
---	----	----------------

See accompanying notes to financial statements.

Jazz Education Network

Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis

Year Ended June 30, 2019	<u>Without Donor Restrictions</u>		With Donor Restrictions	Total
	Undesignated	Board Designated		
Revenues and support:				
Annual conference	\$ 197,686	\$ -	\$ -	\$ 197,686
Membership dues	161,625	-	-	161,625
Grants	-	-	31,000	31,000
Contributions	3,539	11,388	71,317	86,244
Merchandise sales	7,900	-	-	7,900
Interest income	33	-	-	33
Other income	137,148	-	-	137,148
Net assets released from restrictions	30,600	-	(30,600)	-
Transfer to undesignated	16,388	(16,388)	-	-
Total revenues and support	554,919	(5,000)	71,717	621,636
Expenses:				
Program services	373,248	-	-	373,248
Management and general	213,460	-	-	213,460
Total expenses	586,708	-	-	586,708
Increase (decrease) in net assets	(31,789)	(5,000)	71,717	34,928
Beginning of year	290,212	5,000	4,395	\$ 299,607
End of year	\$ 258,423	\$ -	\$ 76,112	\$ 334,535

See accompanying notes to financial statements.

Jazz Education Network

Statement of Functional Expenses - Modified Cash Basis

Year Ended June 30, 2019

Program services:

Annual conference:

Salaries and wages	\$	72,792
Payroll taxes		7,025
Merchandise		5,431
Production		128,588
Security		4,102
Travel		80,864

Total annual conference 298,802

Scholarships

Scholarships		70,401
Salaries and wages		3,736
Payroll taxes		309

Total scholarships 74,446

Total program services 373,248

Management and general:

Accounting and audit		16,283
Advertising		23,056
Amortization		17,987
Bank charges		12,814
Computer		32,260
Insurance		3,453
License and permits		880
Miscellaneous expense		40
Outside labor		24,572
Payroll taxes		3,087
Postage		1,897
Printing and publications		228
Salaries and wages		37,360
Technology consulting		39,543

Total management and general 213,460

Total expenses \$ 586,708

See accompanying notes to financial statements.

Jazz Education Network

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Business

Jazz Education Network (the Organization) is an Illinois not-for-profit corporation formed in 2008 to provide jazz education, promote performance and develop new audiences. The Organization has two major programs, which are hosting the annual jazz conference and providing scholarships. Funding for these services is derived from membership dues, donations, merchandise sales and an annual conference. The Organization hosts the annual conference with concerts presented by students and professionals, a student jazz festival, workshops, research presentations and an exhibition area with manufacturers, retailers, schools and other jazz related organizations. The Organization operates from its headquarters in Chicago, Illinois.

Modified Cash Basis of Accounting

The Organization's financial statements are prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. This basis differs from accounting principles generally accepted in the United States primarily in that revenues are recognized when received rather than earned and expenses are recognized when paid rather than when the obligation is incurred.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets. A definition and description of each class follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by purposes by the board of directors.

The board-designated funds have been set aside by the board of directors as a "separate fund," with the intention to fund additional scholarships. Since the amount is not donor-restricted, it is classified in net assets without donor restrictions, and the board has authority to use the funds at its discretion.

Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or occurrence of an event (purpose). Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

As of June 30, 2019 the Organization had \$258,423 of net assets without donor restrictions and \$76,112 of net assets with donor restrictions.

Jazz Education Network

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Concentrations of Credit Risk

The Organization maintains its bank accounts at two financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Depository accounts at these institutions are insured by the FDIC up to specified amounts. At times, balances exceed FDIC insured levels. Management has assessed the credit worthiness of these institutions and does not feel the deposits are subject to significant risk.

Revenue Recognition

The Organization's sources of revenue are membership dues, the annual conference revenue, donations, scholarships and merchandise sales. The annual conference revenue consist of registration fees, exhibit booth rental fees, participation fees and sponsorship revenue. All revenues are recognized when received.

Property and Equipment

Property and equipment are recorded at cost (if purchased) or at estimated fair value at time of donation (if donated). Property and equipment purchased at a cost exceeding \$500 is capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years. Property and equipment is fully depreciated at June 30, 2019.

Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains or losses on disposition of property and equipment are included in income.

Website

Website costs are being amortized using the straight-line method over an estimated useful life of three years. The website was placed in service in September 2017. Amortization expense for the year ended 2019 was \$17,987. Amortization expense for 2020 and 2021 is expected to be \$17,987 and \$4,497, respectively.

Donated Services

A significant amount of volunteer services are contributed to the Organization by various members to support the Organization's program and services. These volunteer activities include promotional services and usage of musical instruments. The value of these services has not been included in the financial statements.

Jazz Education Network

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Advertising Expenses

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses charged to expense totaled \$23,056.

Income Taxes

The Organization has a letter of exemption from the Internal Revenue Service under Section 501(c)(3), and is currently not liable for Federal income tax. However, the Organization is required to file an Information Return of Organization Exempt from Income Tax for Federal and State of Illinois purposes.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of revenues, expenses and changes in net assets - modified cash basis and functional expenses - modified cash basis. The Organization has two primary programs associated with its mission: annual conference and scholarships. Costs are directly allocated other than salaries and wages and payroll taxes which are based on time and effort.

Subsequent Events

The Organization has evaluated subsequent events through December 6, 2019, which is the date the financial statements were available to be issued.

Change in Accounting Policy

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The guidance was adopted effective July 1, 2018.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 606, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASC 606.

Jazz Education Network

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this update is permitted. Jazz Education Network is still evaluating the impact of the provisions of ASC Topic 958.

Note 2: Liquidity and Availability of Financial Resources

Cash receipts collected from member dues, annual conference revenues, and non-restricted donor contributions provide sufficient liquidity and availability to fund the Organization's programs. Financial assets available for general expenditure, that is without donor or other restrictions or designations limiting their use consisted of the following:

Cash	\$	307,428
		307,428
Less: conference commitments		(91,000)
Less: Donor restricted net assets		(76,112)
		<hr/>
Total	\$	140,316

The Organization has a goal to maintain a minimum of funds to cover approximately 3 months of operating expenses or \$140,000. At June 30, 2019, the Organization had available liquid resources to cover in excess of 3 months of operating expenses.

Note 3: Commitments

The Organization signs long-term contracts with various hotels and vendors for future annual conferences in order to stabilize pricing with essential suppliers.

In the event of cancellation of any future conference through 2025, the Organization is obligated to pay hotel cancellation fees. The cancellation fees depend on the date when the written cancellation notice is provided to the hotel and other factors listed in the hotel agreements. In the event of not meeting the minimum contracted number of room bookings, the Organization is also obligated to pay additional fees listed in the hotel agreements. In May 2019, the Organization cancelled the 2023 annual conference with the hotel vendor. Related cancellation fees are expected to be approximately \$29,000.

Jazz Education Network

Notes to Financial Statements

Note 3: Commitments (Continued)

The Organization is obligated under a five-year agreement with an agency for audio visual services for each annual conference until January 2023. The conferences always take place in January. The Organization had already paid for its January 2019 conference, which amounted to \$61,000. Additionally, obligations for the January 2020 through 2023 conferences are as follows:

	Obligation
January 2020 New Orleans Conference	\$ 82,000
January 2021 Louisville conference	82,000
January 2022 Dallas conference	82,000
January 2023 Kissimmee conference	61,000
Total	\$ 307,000

The Organization is also obligated under a one-year agreement with an agency for event planning services for the annual conference to be taken place in January 2020. The agreement lists pricing for decoration material, services, exhibits and equipment rental for the upcoming conference. The agency invoices the Organization after each conference based on usage. In the event that the conference is canceled, the Organization is required to be compensated for all services provided up to and including the date of cancellation including reimbursement for any direct and actual cost incurred by the Organization.

In September 2018, the Organization signed a three-year subscription licensing agreement for the usage of cloud based event management software that collects and reviews submissions, manages speakers and exhibitors, and provides up-to-date event content to attendees. The Organization is obligated to pay \$9,613 per year for the 2020 and 2021 conferences.

Note 4: Net Assets with Donor Restrictions

Net asset balances with donor restrictions are restricted for use in various scholarship funds. The following is a summary of donor restricted contributions received and released to fund various scholarships:

	Balance July 1, 2018	Receipts	Transfer to Net Assets without Donor Restrictions	Balance June 30, 2019
Jazz2U Re-grant Fund	\$ -	\$ 25,000	\$ (22,600)	\$ 2,400
Scholarship Funds:				
David Baker Fund	-	3,000	(3,000)	-
Jamey Aebersold Endowment	4,395	68,317	-	72,712
Traditional Jazz Curriculum Kit	-	6,000	(5,000)	1,000
Total	\$ 4,395	\$ 102,317	\$ (30,600)	\$ 76,112

Jazz Education Network

Notes to Financial Statements

Note 5: Board-Designated Net Assets

During the year ended, there is one board-designated amount, as follow:

Program	Balance July 1, 2018	Receipts	Transfer to Undesignated Net Assets	Balance June 30, 2019
General Scholarship Fund	\$ 5,000	\$ 11,388	\$ (16,388)	\$ -
Total	\$ 5,000	\$ 11,388	\$ (16,388)	\$ -

Note 6: Other Income

Other income consists primarily of incentive payments from the 2020 conference venue for changing the date of the conference to be held in 2020.