# Jazz Education Network

Financial Statements

Year Ended June 30, 2021

JAZZ EDUCATION NETWORK

WIPFLI

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# 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, 2021, 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, 2021, 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.

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**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

March 11, 2022
Lincolnshire, Illinois

# Jazz Education Network

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

| *June 30,* | | 2021 |
|---|---|---|
| Current assets: | | |
| Cash | $ | 288,236 |
| Investments | | 30,381 |
| Prepaid loyalty rewards program | | 4,622 |
| Total current assets | | 323,239 |
| Property and equipment: | | |
| Office equipment | | 2,545 |
| Accumulated depreciation | | (2,545) |
| Net property and equipment | | - |
| Other asset: | | |
| Website net of accumulated amortization of $53,962 | | - |
| TOTAL ASSETS | $ | 323,239 |
| Non-current liabilities: | | |
| Note Payable - Paycheck Protection Program | $ | 39,832 |
| Net assets: | | |
| Without donor restrictions | | 155,314 |
| With donor restrictions | | 128,093 |
| Total net assets | | 283,407 |
| TOTAL LIABILITIES AND NET ASSETS | $ | 323,239 |

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, 2021* | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenues and support: | | | |
| Annual conference | $ 122,459 | $ - | $ 122,459 |
| Membership dues | 159,316 | - | 159,316 |
| Grants | 25,000 | - | 25,000 |
| Contributions | 11,988 | 30,000 | 41,988 |
| Merchandise sales | 1,035 | - | 1,035 |
| Investment income | - | 381 | 381 |
| Other income | 29,347 | - | 29,347 |
| Net assets released from restrictions | 3,375 | (3,375) | - |
| Total revenues and support | 352,520 | 27,006 | 379,526 |
| Expenses: | | | |
| Program services | 281,078 | - | 281,078 |
| Management and general | 67,284 | - | 67,284 |
| Fundraising | 17,242 | - | 17,242 |
| Total expenses | 365,604 | - | 365,604 |
| Changes in net assets | (13,084) | 27,006 | 13,922 |
| Beginning of year | 168,398 | 101,087 | 269,485 |
| End of year | $ 155,314 | $ 128,093 | $ 283,407 |

See accompanying notes to financial statements.

# Jazz Education Network

## Statement of Functional Expenses - Modified Cash Basis

| *Year Ended June 30, 2021* | | 2021 |
|---|---|---|
| Program services: | | |
| Annual conference: | | |
| Salaries and wages | $ | 156,379 |
| Payroll taxes | | 12,247 |
| Merchandise | | 450 |
| Production | | 28,356 |
| Computer | | 28,596 |
| Outside labor | | 3,307 |
| License and permits | | 5,507 |
| Travel | | 1,762 |
| Total annual conference | | 236,604 |
| Scholarships: | | |
| Scholarships | | 35,133 |
| Salaries and wages | | 8,595 |
| Payroll taxes | | 746 |
| Total scholarships | | 44,474 |
| Total program services | | 281,078 |
| Management and general: | | |
| Accounting and audit | | 15,773 |
| Advertising | | 4,994 |
| Amortization | | 4,497 |
| Bank charges | | 12,625 |
| Computer | | 3,177 |
| Insurance | | 972 |
| Miscellaneous expense | | 157 |
| Outside labor | | 3,560 |
| Payroll taxes | | 1,168 |
| Postage | | 3,005 |
| Salaries and wages | | 13,785 |
| Technology consulting | | 1,600 |
| Other | | 1,971 |
| Total management and general | | 67,284 |
| Fundraising: | | |
| Salaries and wages | | 15,975 |
| Payroll taxes | | 1,267 |
| Total fundraising | | 17,242 |
| Total expenses | $ | 365,604 |

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.

**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, 2021, the Organization had $155,314 of net assets without donor restrictions and $128,093 of net assets with donor restrictions.

### 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.

### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### 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.

#### Investments

Investments are recorded at fair value and consist of a balanced index fund. Investment income, gains and losses, and any investment related expenses are recorded as changes in net assets without donor restrictions in the statement of revenues, expenses and changes in net assets - modified cash basis unless their use is restricted by explicit donor restrictions or by law.

The Organization's investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investment will occur in the near term and could materially affect the amounts reported in the statements of financial position.

#### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### 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 five to seven years. Property and equipment is fully depreciated at June 30, 2021.

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.

## Note 1: Summary of Significant Accounting Policies (Continued)

### 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 June 30, 2021, was $4,497. The website was fully amortized at June 30, 2021.

### Revenue Recognition

The Organization recognizes revenue when received.

Annual conference revenue consists primarily of registration, exhibit booth and sponsorship fees. The Organization contracts with annual conference attendees, advertisers and exhibitors in advance of the conferences. Attendees, advertisers and exhibitors are obligated to pay in advance. The Organization's performance obligations are to hold the conference and present advertising and exhibitor opportunities as part of the conference. The obligations are satisfied at a point in time when the annual conference is completed. The cost of the annual conference registration, exhibit booth and sponsorships are established in advance and publicized for sale.

### Membership Dues, Grants and Contributions

Membership dues, grants and contributions on the statement of revenues, expenses and changes in net assets - modified cash basis are treated like contributions. Contributions are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized

- An implicit right of return of assets transferred or a right of release of a donor or grantor’s obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

## Note 1: Summary of Significant Accounting Policies (Continued)

### 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.

### Advertising Expenses

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses charged to expense totaled $5,519 for the year ended June 30, 2021.

### 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 allocated based on time and effort.

### Subsequent Events

The Organization has evaluated subsequent events through March 11, 2022, which is the date the financial statements were available to be issued.

### 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 | $ | 288,236 |
| Investments | | 30,381 |
| Less: Donor restricted net assets | | (128,093) |
| Total | $ | 190,524 |

The Organization has a goal to maintain a minimum of funds to cover approximately 3 months of operating expenses or $125,000.

### Note 3: Investment income

Net investment gain consisted of the following

| *Year Ended June 30, 2021* | | 2021 |
|---|---|---|
| Unrealized gains | $ | 381 |
| Total | $ | 381 |

### Note 4: Fair Value Measurements

Generally accepted accounting principles regarding fair value measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that priorities the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified ( contractual) term, the Level 2 input must be observable for

## Note 4: Fair Value Measurements (Continued)

substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the fiscal years ended June 30, 2021 and 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarch:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| *As of June 30, 2021* | Level 1 | Level 2 | Level 3 | Total |
| Balanced Index funds | $ 30,381 | $ - | $ - | $ - |
| Total | $ 30,381 | $ - | $ - | $ - |

## Note 5: 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, 2020 | Receipts | Transfer to Net Assets without Donor Restrictions | Balance June 30, 2021 |
|---|---|---|---|---|
| Subject to expenditure for purpose restriction: | | | | |
| Jazz2U Re-grant Fund | $ 2,375 | $ - | $ (2,375) | $ - |
| Jamey Aebersold Scholarship | 98,712 | - | (1,000) | 97,712 |
| Subject to spending policy and appropriation: | | | | |
| Jamey Aebersold Endowment | - | 30,381 | - | 30,381 |
| Total | $ 101,087 | $ 30,381 | $ (3,375) | $ 128,093 |

### Note 6: Endowment Fund

As of June 30, 2021, the Organization had received donations of $30,000 with restriction towards the Jamey Aebersold Endowed Scholarship Fund. The objective of the Endowment Fund is to award annual scholarship to honor the jazz legend Jamey Aebersold. Since the amount resulted from a donor and is donor-restricted, it is classified and reported as net asset with donor restrictions. The Organization is still in process of establishing a formal spending policy of the Endowment fund and implementing the investment policy statement as of June 30, 2021. However, the intention of the endowed funds is to provide a $1,000 annual scholarship from earnings while maintaining the original donated amounts and investing them in perpetuity.

Changes in endowment net asset for the year ended June 30, 2021, are as follows:

| June 30, 2021 | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Endowment net asset at June 30, 2021 | $ - | $ - | $ - |
| | - | - | - |
| Contributions | - | 30,000 | 30,000 |
| Investment income | - | 381 | 381 |
| Total | $ - | $ 30,381 | $ 30,381 |

### Note 7: Note Payable – Paycheck Protection Program

As of June 30, 2021, the Organization had an outstanding loan of $39,832 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP), as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. This was their second PPP loan. The loan bears interest at a rate of 1% and is set to mature on March 3, 2026. If certain criteria are met, the SBA may forgive all or a portion of the loan.

The second PPP loan was forgiven subsequent to June 30, 2021. However, under generally accepted accounting principles, any forgiveness is not recognized until a formal forgiveness determination is made by the SBA.

In the previous year, the Organization had applied for and received its first PPP loan in the amount of $28,405, which was forgiven on March 30, 2021, and recognized and included in other income on the statement of activities and change in net assets.

### Note 8: 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 2027, 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.

## Note 8: 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. Additionally, obligations for the January 2022 and 2023 conferences are as follows:

| | Obligation |
|---|---|
| January 2022 Dallas conference | $ 82,000 |
| January 2023 Kissimmee conference | 82,000 |
| Total | $ 164,000 |

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 2022. 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. Due to pandemic, no costs were incurred and therefore no cancellation fees warranted.

## Note 9: Business Conditions

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Crisis ("CV19 Crisis") including financial markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 impact various parts of its fiscal year 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Organization’s results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.