

Jazz Education Network

**Financial Statements
As of June 30, 2022
and for the Year Then Ended
Together with Independent Auditors' Report**



MELLOR & ASSOCIATES PLLC
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Independent Auditors' Report

To the Board of Directors
Jazz Education Network
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of Jazz Education Network, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, the related statement of activities and change in net assets, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jazz Education Network as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jazz Education Network and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jazz Education Network's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Jazz Education Network's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jazz Education Network's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mellor and Associates PLLC

Mellor and Associates
Draper, UT
December 30, 2022

Jazz Education Network
Statement of Financial Position
As of June 30, 2022

Assets

Assets	
Cash and cash equivalents	\$ 266,144
Accounts receivable	12,325
Short-term investments	86,943
Prepaid expenses	6,730
Other current assets	<u>3,072</u>
Total assets	<u>\$ 375,214</u>

Liabilities and Net Assets

Liabilities:	
Accounts payable	\$ 2,202
Deferred revenue	<u>26,690</u>
Total liabilities	<u>28,892</u>
Net assets:	
Without donor restrictions	206,904
With donor restrictions	<u>139,418</u>
Total net assets	<u>346,322</u>
Total liabilities and net assets	<u>\$ 375,214</u>

See notes to financial statements and independent auditors' report.

Jazz Education Network
Statement of Activities and Change in Net Assets
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Grants	\$ 21,200	\$ 242,050	\$ 263,250
Membership dues	160,987	-	160,987
Special events	177,231	-	177,231
Contributions	74,417	8,325	82,742
Other income	26,672	-	26,672
	<u>460,507</u>	<u>250,375</u>	<u>710,882</u>
Net assets released from restrictions			
Restrictions satisfied	<u>251,630</u>	<u>(251,630)</u>	<u>-</u>
Total revenues and support	<u>712,137</u>	<u>(1,255)</u>	<u>710,882</u>
Expenses:			
Program services	496,779	-	496,779
Supporting services:			
Management and general	70,533	-	70,533
Fundraising	51,970	-	51,970
Total expenses	<u>619,282</u>	<u>-</u>	<u>619,282</u>
Increase (decrease) in net assets	<u>92,855</u>	<u>(1,255)</u>	<u>91,600</u>
Net assets, beginning of the year	<u>114,049</u>	<u>140,673</u>	<u>254,722</u>
Net assets, end of the year	<u>\$ 206,904</u>	<u>\$ 139,418</u>	<u>\$ 346,322</u>

See notes to financial statements and independent auditors' report.

Jazz Education Network
Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities:	
Increase in net assets	\$ 91,600
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Paycheck Protection Program forgiveness	(39,832)
Decrease (increase) in:	
Accounts receivable	255
Prepaid expenses	(6,730)
Short-term investments	(56,562)
Other assets	1,550
Increase (decrease) in:	
Accounts payable	1,087
Deferred revenue	<u>(13,460)</u>
Net cash used by operating activities	<u>(22,092)</u>
Net change in cash	(22,092)
Cash at beginning of the year	<u>288,236</u>
Cash at end of the year	<u><u>\$ 266,144</u></u>

See notes to financial statements and independent auditors' report.

Jazz Education Network

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - 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 headquarter in Chicago, Illinois.

Cash Equivalents - The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, permanent endowment, or other long-term purposes are excluded from this definition.

Receivables - Receivables, primarily consisting of donation pledges are unsecured. Receivables are carried at their estimated collectible amounts. As of June 30, 2022 the Organization had \$12,325 in pledged receivables, the Organization has allocated \$0 in allowance for doubtful accounts.

Property and Equipment - Property and equipment purchased by the Organization are capitalized at cost. The fair value of donated furniture and equipment is similarly capitalized. Depreciation expense is computed on the straight-line basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities for the period. Expenditures for maintenance and repairs are charged to expense as incurred.

Net Assets - Net assets, revenues, 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor stipulates the funds be maintained in perpetuity. As of June 30, 2022, the Organization had \$139,418 of net assets with donor restrictions.

The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated restriction ends or purpose restriction is accomplished, 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.

Revenue and Revenue Recognition - Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services - Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Jazz Education Network

Notes to Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Income Taxes - The Organization is organized as an Illinois nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifying for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes they have appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Advertising: Advertising costs are expensed as they are incurred, for the year ending June 30, 2022, the Organization incurred \$18,116 of advertising costs.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Note 2- Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position comprise the following:

	June 30,
	2022
Cash and cash equivalents	\$ 266,144
Accounts receivable	12,325
Short-term investments	86,943
Less: Donor restricted cash and cash equivalents	(139,418)
	<u>\$ 225,994</u>

The Organization primarily relies on donations and secondarily on other revenue sources to fund its operations. The Organization's management monitors its liquidity and cash flow needs through the use of a budget and projections to help ensure that cash inflows are sufficient to cover projected cash outflows. The accompanying statement of cash flows identifies the sources and uses of the Organization's cash and the positive cash flows generated from operating activities during the year ended June 30, 2022.

Note 3- Fair Value Measurements

The Organization follows a fair value hierarchy that prioritizes 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). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Jazz Education Network
Notes to Financial Statements

Note 3- Fair Value Measurements (Continued)	The Organization uses the following valuation techniques to measure fair value for its assets and liabilities:
Level 1 -	The fair value of marketable securities is based on quoted market prices in active markets for identical assets or liabilities;
Level 2 -	Significant other observable inputs (e.g. quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs);
Level 3 -	Unobservable inputs for the asset or liability, which are valued based on management's estimates of assumptions that market participants would use in pricing the asset or liability.

The following table provides financial assets carried at fair value as of June 30, 2022:

As of June 30, 2022:

	Level 1	Levels 2 & 3	Total
Balanced Index Funds	\$ 86,943	\$ -	\$ 86,943
Total investments	\$ 86,943	\$ -	\$ 86,943

The Organization recorded \$13,713 in unrealized losses in the fiscal year ending June 30, 2022.

Note 4- Property and equipment

Property and equipment consisted of the following as of June 30,

	2022
Office equipment	\$ 2,545
Less: Accumulated depreciation	(2,545)
Property and equipment, net	\$ -

Depreciation expense for the year ended June 30, 2022 was \$0.

Note 5 - 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 provide 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.

The organization is obligated under a five-year agreement with an agency for audio visual services for each annual conference until January 2027. Obligations for the future commitments for the audio visual services are as follows:

Year	Amount
2023	\$ 99,991
2024	99,991
2025	99,991
2026	99,991
2027	99,991
	\$ 499,955

Note 6 - Board Member Donations

During the year ended June 30, 2022, members of the Organization's Board of Directors collectively contributed \$11,333 in monetary donations to the Organization.

Jazz Education Network
Notes to Financial Statements

Note 7 - Expenses Classified by Function and Nature - The costs of program and supporting services are summarized below by both their respective natural and functional classifications. These costs have been consistently allocated on a reasonable basis of estimates of time and effort expended among program and supporting services functions.

Expenses classified by function and nature for the year ended June 30, 2022 are as follows:

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Expenses:				
Salaries and related expenses	\$ 172,234	\$ 25,093	\$ 20,306	\$ 217,633
Event production expenses	159,272	-	-	159,272
Travel and meeting expenses	99,336	6,605	3,139	109,080
Professional services	11,641	18,530	3,150	33,321
Awards and grants	28,420	3,150	-	31,570
Supplies	17,086	3,389	4,269	24,744
Marketing	5,119	322	16,430	21,871
Bank Fees	1,118	11,628	32	12,778
Office expenses	2,553	1,817	4,643	9,013
Total expenses included in the expense section on the statement of activities and change in net assets				
	\$ 496,779	\$ 70,533	\$ 51,970	\$ 619,282

Note 8 - Net Assets with Donor Restrictions Net assets with donor restrictions consisted of the following as of June 30, 2022:

Jamey Abersold Scholarship	\$ 96,712
Jamey Abersold Endowment	30,381
Other	12,325
	\$ 139,418

Note 9 - Subsequent Events The Organization has evaluated subsequent events through the date the accompanying financial statements were available to be issued. The Organization is not aware of any subsequent event which would require recognition or disclosure in the financial statements.