

# Jazz Education Network

Financial Statements  
Year Ended June 30, 2018



**WIPFLI**<sup>LLP</sup>  
CPAs and Consultants



## **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, 2018, and the related statement of revenues, expenses and changes in net assets - modified cash basis, and statement of 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, 2018, 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*

Wipfli LLP

February 7, 2019  
Lincolnshire, Illinois

# Jazz Education Network

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

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June 30, 2018

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Current assets:

Cash	\$	254,513
Prepaid loyalty rewards program		4,623

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Total current assets		259,136
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Property and equipment:

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

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Net property and equipment		-
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Other assets:

Website, net of accumulated amortization of \$13,491		40,471
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<b>TOTAL ASSETS</b>	\$	<b>299,607</b>
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Net assets:

Unrestricted	\$	290,212
Temporarily restricted		9,395

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<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$	<b>299,607</b>
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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, 2018	Unrestricted	Temporarily Restricted	Total
<b>Revenues and support:</b>			
Annual conference	\$ 266,873	\$ -	\$ 266,873
Membership dues	142,097	-	142,097
Grants	16,350	32,181	48,531
Contributions	19,286	7,395	26,681
In-kind contributions	12,780	-	12,780
Merchandise sales	9,518	-	9,518
Interest income	30	-	30
Insurance proceeds	12,780	-	12,780
Other income	648	-	648
Net assets released from restrictions	30,181	(30,181)	-
<b>Total revenues and support</b>	<b>510,543</b>	<b>9,395</b>	<b>519,938</b>
<b>Expenses:</b>			
Program services	341,631	-	341,631
Management and general	213,108	-	213,108
<b>Total expenses</b>	<b>554,739</b>	<b>-</b>	<b>554,739</b>
<b>Increase (decrease) in net assets</b>	<b>(44,196)</b>	<b>9,395</b>	<b>(34,801)</b>
<b>Net Assets:</b>			
Beginning of year	334,408	-	334,408
<b>End of year</b>	<b>\$ 290,212</b>	<b>\$ 9,395</b>	<b>\$ 299,607</b>

See accompanying notes to financial statements.

# Jazz Education Network

## Statement of Functional Expenses - Modified Cash Basis

Year Ended June 30, 2018

Program services:

Annual conference:

Salaries and wages	\$	59,278
Payroll taxes		9,222
Merchandise		3,275
Production		97,317
Security		5,376
Travel		102,081

Total annual conference 276,549

Scholarships 65,082

Total program services 341,631

Management and general:

Bank charges		20,045
Computer		27,638
Depreciation and amortization		13,735
Donated equipment		12,780
Insurance		2,959
License and permits		962
Marketing		11,528
Outside labor		88,515
Payroll taxes		3,737
Postage		1,402
Salaries and wages		29,278
Travel		529

Total management and general 213,108

Total functional expenses \$ 554,739

See accompanying notes to financial statements.

# Jazz Education Network

## Notes to Financial Statements

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### 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 offers many educational programs, from an outreach program, to mentoring and 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

Resources of the Organization are classified into distinct net asset categories according to externally (donor) imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**Unrestricted Net Assets** - Net assets not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization or passage of time.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets at June 30, 2018.

As of June 30, 2018, the Organization had \$290,212 of unrestricted net assets and \$9,395 of temporarily restricted net assets.

#### 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.

# Jazz Education Network

## Notes to Financial Statements

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### **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.

#### **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.

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 2018 was \$13,491. Amortization expense for 2019, 2020 and 2021 is expected to be \$13,491, \$13,490, and \$13,490, respectively.

#### **Donated Assets**

Donated assets are recorded as in-kind contributions at their estimated fair value on the date of donation. The Organization received a number of donated instruments, which were recorded at their estimated fair value of \$12,780. The donation was received from a vendor to replace instruments which were stolen. Additionally the Organization received \$12,780 from its insurance provider in connection with the loss, and such amount is recorded as insurance proceeds.

# Jazz Education Network

## Notes to Financial Statements

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

#### **Volunteer 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 participation on the Board of Directors and numerous committees, 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 \$11,528.

#### **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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (Update). The Update reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofits to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments in this Update is permitted. The Organization has not elected to early implement the amendments.

#### **Subsequent Events**

The Organization has made an evaluation of subsequent events through February 7, 2019, the date that the financial statements were available to be issued.

# Jazz Education Network

## Notes to Financial Statements

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### Note 2: 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 2023, 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.

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 2018 conference, which amounted to \$72,139. Additionally, obligations for the January 2019 through 2023 conferences are as follows:

	Obligation
January 2019 Reno conference	\$ 61,000
January 2020 New Orleans conference	82,000
January 2021 Louisville conference	82,000
January 2022 Dallas conference	82,000
January 2023 Reno conference	61,000
<b>Total</b>	<b>\$ 368,000</b>

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 2019. 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 2019, 2020 and 2021 conferences.

# Jazz Education Network

## Notes to Financial Statements

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### Note 3: Temporarily Restricted Net Assets

Temporarily restricted net asset balances are restricted for use in various programs. The following is a summary of temporarily restricted contributions received and released to fund various programs:

Program	Balance July 1, 2017	Receipts	Transfer to Unrestricted Net Assets	Balance June 30, 2018
Jazz2U Re-grant Program	\$ -	\$ 20,000	\$ (20,000)	\$ -
Scholarship Funds:				
David Baker	-	3,000	(3,000)	-
Jamey Aebersold Endowment	-	4,395	-	4,395
General	-	5,000	-	5,000
Traditional Jazz Curriculum Kit	-	7,181	(7,181)	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 39,576</b>	<b>\$ (30,181)</b>	<b>\$ 9,395</b>