

JAZZ EDUCATION NETWORK

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

(See Independent Auditor's Report)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jazz Education Network
Highland Park, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Jazz Education Network (the Organization) which comprise the statement of assets, liabilities, and net assets - income tax basis as of June 30, 2015, and the related statement of activities - income tax basis, and statement of functional expenses - income tax 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 basis of accounting the Organization uses for income tax purposes; this includes determining that the income tax 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 upon our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon 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 the Organization as of June 30, 2015, and its revenues, expenses, and other changes in net assets for the year then ended in accordance with the basis of accounting the Organization uses for income tax purposes described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Organization uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Wipfli LLP

Wipfli LLP

February 10, 2016
Northbrook, Illinois

JAZZ EDUCATION NETWORK
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - INCOME TAX BASIS
JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 248,372
Investments in mutual funds	<u>19,004</u>
	<u>\$ 267,376</u>

LIABILITIES AND NET ASSETS

LIABILITIES

\$ -

NET ASSETS

Unrestricted	<u>267,376</u>
	<u>\$ 267,376</u>

See accompanying notes to financial statements.

**JAZZ EDUCATION NETWORK
STATEMENT OF ACTIVITIES - INCOME TAX BASIS
YEAR ENDED JUNE 30, 2016
*UNAUDITED***

UNRESTRICTED REVENUES

Annual conference	\$ 232,616
Membership dues	133,470
Donations	32,157
Merchandise sales	7,205
Scholarship	9,000
Investment income	31
	<u>414,479</u>

EXPENSES

Program services	167,288
Fundraising	37,639
Management and general	213,294
	<u>418,221</u>

INCREASE IN NET ASSETS (3,742)

NET ASSETS

Beginning of year	<u>271,560</u>
End of year	<u>\$ 267,818</u>

See accompanying notes to financial statements.

**JAZZ EDUCATION NETWORK
STATEMENT OF FUNCTIONAL EXPENSES - INCOME TAX BASIS
YEAR ENDED JUNE 30, 2015**

Program services		
Annual conference		
Food and beverage	\$	23,430
Housing		19,528
Insurance - special events		1,062
Merchandise		4,692
Production		112,392
Security		5,805
Shipping and postage		1,435
Travel		381
Other		2,554
Total annual conference		<u>171,279</u>
Scholarships		<u>8,431</u>
Total program services	\$	<u><u>179,710</u></u>
Fundraising	\$	<u><u>38,649</u></u>
Management and general		
Bank charges	\$	13,984
Computer		394
Insurance		1,701
Marketing		5,534
Meals and entertainment		2,870
Office supplies		1,127
Outside labor		88,008
Professional services		11,860
Travel		23,572
Website development and maintenance		<u>17,083</u>
	\$	<u><u>166,133</u></u>

See accompanying notes to financial statements.

**JAZZ EDUCATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE A - NATURE OF BUSINESS AND 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.

CONCENTRATION OF CREDIT RISK

The Company maintains its cash funds in a national financial institution and investments and cash with a national brokerage firm. The cash balances maintained in the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash funds periodically exceed the Federally insured limits. The balances in the brokerage firm are insured up to \$500,000, with a limit of \$100,000 for cash balances, by the Securities Investor Protection Corporation.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

INCOME TAX BASIS OF ACCOUNTING

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

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.

**JAZZ EDUCATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As of June 30, 2015, the Organization's net assets were all unrestricted net assets.

REVENUE RECOGNITION

The Organization's sources of revenues 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.

CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

INVESTMENTS IN MUTUAL FUNDS

Investments in mutual funds classified as trading securities are carried at fair value on the balance sheet. Realized gains and losses and unrealized holding gains and losses are accounted for on the statement of activities as investment income.

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 Information Return of Organization Exempt from Income Tax for Federal and State of Illinois purposes.

The Organization files Federal and State of Illinois information tax returns. The tax returns for years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state authorities. However, there are currently no audits for any tax periods in progress.

**JAZZ EDUCATION NETWORK
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

Accounting principles generally accepted in the United State of America require that financial statements recognize the effects of events subsequent to the balance sheet date that provide additional evidence about conditions that existed at the date of the balance sheet. The Organization has made an evaluation of subsequent events through February 10, 2016.

NOTE B - 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 cancelation 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 hotels agreements.

The Organization is obligated under a four-year agreement with an agency for audio visual services for each annual conference until January 2017. The conferences always take place in January. The agreement requires a \$70,000 payment for each conference. The contract requires two deposits of \$23,100 due September 1st and December 1st before each conference and the remainder due after the close of the conference. The Organization paid \$71,715 in audio visual services for the year ended June 30, 2015.

The Organization is also obligated under a five-year agreement with an agency for event planning services for each annual conference through January 2017. The agreement lists pricing for decoration material, services, exhibits and equipment rental for each conference. The agency invoices the Organization after each conference based on usage. In the event that the conference is canceled, the agency 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 agency.

NOTE C - 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.