Independent Auditor's Report

Board of Directors
Jazz Education Network
Highland Park, 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, 2017, and the related statements of activities - 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; 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 financial position of Jazz Education Network as of June 30, 2017, and the results of its operations and its cash flows 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

April 17, 2018
Northbrook, Illinois
### Jazz Education Network

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

**June 30, 2017**

<table>
<thead>
<tr>
<th>Current assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$287,170</td>
</tr>
<tr>
<td>Prepaid loyalty rewards program</td>
<td>4,462</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>291,632</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Property and equipment:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment</td>
<td>2,545</td>
</tr>
<tr>
<td>Accumulated depreciation and amortization</td>
<td>(2,301)</td>
</tr>
<tr>
<td><strong>Net property and equipment</strong></td>
<td><strong>244</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Website development under construction</td>
<td>42,532</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS**                                      | **334,408** |

<table>
<thead>
<tr>
<th>Net assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>334,408</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES AND NET ASSETS**                  | **$334,408** |

See accompanying notes to financial statements.
Jazz Education Network  
Statement of Activities - Modified Cash Basis  

Year Ended June 30, 2017

Unrestricted Revenues:
- Annual conference $297,081
- Membership dues 160,476
- Donations 32,474
- Royalty income 1,477
- Scholarships 5,100
- Interest income 31

Total unrestricted revenues 496,639

Expenses:
- Program services 241,388
- Fundraising 14,700
- Management and general 201,032

Total expenses 457,120

Increase in net assets 39,519

Net Assets:
- Beginning of year 294,889
- End of year $334,408

See accompanying notes to financial statements.
# Jazz Education Network

## Statement of Functional Expenses - Modified Cash Basis

### Year Ended June 30, 2017

#### Program services:

- **Annual conference:**
  - Food and beverage $26,616
  - Occupancy 26,355
  - Merchandise 5,586
  - Production 159,446
  - Security 7,239
  - Travel 966

  **Total annual conference** 226,208

- **Scholarships** 15,180

  **Total program services** 241,388

#### Fundraising fees 14,700

#### Management and general:

- Bank charges 19,318
- Computer 1,455
- Depreciation 489
- Insurance 1,791
- Marketing 10,142
- Meals and entertainment 7,516
- Office supplies 13,218
- Outside labor 121,561
- Postage 9
- Professional services 6,368
- Travel 12,803
- Website maintenance 6,362

  **Total management and general** 201,032

**Total expenses** $457,120

See accompanying 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 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.

Concentrations of Credit Risk

From time to time, the Organization's cash can be held in accounts or instruments that are not fully insured. Management has assessed the creditworthiness of the financial institutions and considers the risk of loss to be minimal.

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.

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.

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.

As of June 30, 2017, the Organization's net assets were all unrestricted.
Note 1: Summary of Significant Accounting Policies (Continued)

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.

Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Equipment is recorded at cost less accumulated depreciation. 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

The Organization entered into a contract for a new website. The total contract price is $57,375. The Organization has paid $42,532 towards the project. The website is expected to be completed and in service by early fiscal year 2018. The website costs will be amortized using the straight-line method over an estimated life of three years once the website is in service.

Advertising Expenses

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses charged to expense totaled $10,142.

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 activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

Subsequent Events

The Organization has made an evaluation of subsequent events through April 17, 2018, the date that the financial statements were available to be issued.

Note 2: Commitments

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

Note 3: 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.