

Jazz Education Network

Financial Statements

Year Ended June 30, 2020



WIPFLI

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, 2020, 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, 2020, 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

December 10, 2020
Lincolnshire, Illinois

Jazz Education Network

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

<i>June 30,</i>	2020
Current assets:	
Cash	\$ 288,771
Prepaid loyalty rewards program	4,622
Total current assets	293,393
Property and equipment:	
Office equipment	2,545
Accumulated depreciation	(2,545)
Net property and equipment	-
Other asset:	
Website net of accumulated amortization of \$49,465	4,497
TOTAL ASSETS	\$ 297,890
Non-current liabilities:	
Note Payable - Paycheck Protection Program	\$ 28,405
Net assets:	
Without donor restrictions	168,398
With donor restrictions	101,087
Total net assets	269,485
TOTAL LIABILITIES AND NET ASSETS	\$ 297,890

See accompanying notes to financial statements.

Jazz Education Network

Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis

<i>Year Ended June 30,</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Annual conference	\$ 276,789	\$ -	\$ 276,789
Membership dues	213,454	-	213,454
Grants	-	31,000	31,000
Contributions	15,883	27,000	42,883
Merchandise sales	12,919	-	12,919
Other income	372	-	372
Net assets released from restrictions	33,025	(33,025)	-
Total revenues and support	552,442	24,975	577,417
Expenses:			
Program services	430,663	-	430,663
Management and general	211,804	-	211,804
Total expenses	642,467	-	642,467
Changes in net assets	(90,025)	24,975	(65,050)
Beginning of year	258,423	76,112	334,535
End of year	\$ 168,398	\$ 101,087	\$ 269,485

See accompanying notes to financial statements.

Jazz Education Network

Statement of Functional Expenses - Modified Cash Basis

<i>Year Ended June 30,</i>	2020
Program services:	
Annual conference:	
Salaries and wages	\$ 123,989
Payroll taxes	10,343
Merchandise	10,317
Production	134,420
Travel	88,397
Total annual conference	367,466
Scholarships:	
Scholarships	59,056
Salaries and wages	3,795
Payroll taxes	346
Total scholarships	63,197
Total program services	430,663
Management and general:	
Accounting and audit	20,670
Advertising	20,803
Amortization	17,987
Bank charges	19,771
Computer	39,596
Insurance	4,160
License and permits	915
Miscellaneous expense	279
Outside labor	15,541
Payroll taxes	5,585
Postage	2,102
Salaries and wages	49,950
Technology consulting	12,355
Other	2,090
Total management and general	211,804
Total expenses	\$ 642,467

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, 2020, the Organization had \$168,398 of net assets without donor restrictions and \$101,087 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.

Jazz Education Network

Notes to Financial Statements

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 annual conference, membership dues, grants, contributions, and merchandise sales. Annual conference revenue consists 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. Property and equipment is fully depreciated at June 30, 2020.

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 June 30, 2020, was \$17,987.

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 \$20,803 for the year ended June 30, 2020.

Jazz Education Network

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 December 10, 2020, 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	\$	288,771
Less: conference commitments		(87,231)
Less: Donor restricted net assets		(101,087)
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Total	\$	100,453

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

Jazz Education Network

Notes to Financial Statements

Note 3: Note Payable – Paycheck Protection Program

In response to COVID-19 crisis, the Organization applied for and received a loan in the amount of \$28,405 pursuant to the Paycheck Protection Program (PPP), administered by the Small Business Administration (SBA). The loan bears interest at a rate of 1.0% and matures on May 8, 2022. Principal and interest payments of \$1,597 were set to commence on November 8, 2020, based on the loan agreement. On October 7, 2020, The Paycheck Protection Flexibility Act of 2020, P.L. 116-142, extended the deferral period for loan payments to either (1) the date that SBA remits the borrower’s loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period.

If certain criteria are met, all or a portion of the loan may be forgiven. As of the date of the issuance of the financial statements, the loan forgiveness criteria have not been finalized, and no determination of forgiveness can be made.

Note 4: 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.

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 2021 through 2023 conferences are as follows:

	Obligation
January 2021 Louisville conference	\$ 82,000
January 2022 Dallas conference	82,000
January 2023 Kissimmee conference	61,000
Total	\$ 225,000

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 2021. 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.

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Notes to Financial Statements

Note 4: Commitments (Continued)

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 was obligated to pay \$9,613 for the 2021 conference. Due to the pandemic, this obligation was reduced and the Organization is obligated to pay \$5,231.

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, 2019	Receipts	Transfer to Net Assets without Donor Restrictions	Balance June 30, 2020
Jazz2U Re-grant Fund	\$ 2,400	\$ 25,000	\$ (25,025)	\$ 2,375
Scholarship Funds:				
Jamey Aebersold Endowment	72,712	27,000	(1,000)	98,712
Research Fellowship	-	6,000	(6,000)	-
Traditional Jazz Curriculum Kit	1,000	-	(1,000)	-
Total	\$ 76,112	\$ 58,000	\$ (33,025)	\$ 101,087

Note 6: 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 may 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 as no triggering events or changes in circumstances had occurred as of year-end; 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.