

Jazz Education Network

**Financial Statements
As of June 30, 2023 and 2022
and for the Years Then Ended
Together with Independent Auditors' Report**



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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, 2023 and 2022, the related statement of activities and change in net assets, and cash flows for the years 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, 2023 and 2022, and the results of its operations and its cash flows for the years 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
Murray, UT
January 2, 2024

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

<u>Assets</u>	2023	2022
Assets		
Cash and cash equivalents	\$ 176,399	\$ 266,144
Accounts receivable	37,082	12,325
Short-term investments	96,412	86,943
Prepaid expenses	8,785	6,730
Other current assets	3,072	3,072
Total assets	\$ 321,750	\$ 375,214
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 4,488	\$ 2,202
Accrued Liabilities	13,958	-
Deferred revenue	45,230	26,690
Total liabilities	63,676	28,892
Net assets:		
Without donor restrictions	82,899	206,904
With donor restrictions	175,175	139,418
Total net assets	258,074	346,322
Total liabilities and net assets	\$ 321,750	\$ 375,214

See notes to financial statements and independent auditors' report.

Jazz Education Network
Statement of Activities and Change in Net Assets
Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support:			
Grants	\$ -	\$ 46,000	\$ 46,000
Membership dues	205,263	-	205,263
Special events	221,151	16,455	237,606
Contributions	13,958	47,627	61,585
Other income	11,621	-	11,621
	<u>451,993</u>	<u>110,082</u>	<u>562,075</u>
Net assets released from restrictions			
Restrictions satisfied	<u>74,325</u>	<u>(74,325)</u>	<u>-</u>
Total revenues and support	<u>526,318</u>	<u>35,757</u>	<u>562,075</u>
Expenses:			
Program services	483,868	-	483,868
Supporting services:			
Management and general	100,142	-	100,142
Fundraising	66,313	-	66,313
	<u>650,323</u>	<u>-</u>	<u>650,323</u>
Total expenses	<u>650,323</u>	<u>-</u>	<u>650,323</u>
Increase (decrease) in net assets	<u>(124,005)</u>	<u>35,757</u>	<u>(88,248)</u>
Net assets, beginning of the year	<u>206,904</u>	<u>139,418</u>	<u>346,322</u>
Net assets, end of the year	<u>\$ 82,899</u>	<u>\$ 175,175</u>	<u>\$ 258,074</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,

	2023	2022
Cash flows from operating activities:		
Increase in net assets	\$ (88,248)	\$ 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	(24,757)	255
Prepaid expenses	(2,055)	(6,730)
Short-term investments	(9,469)	(56,562)
Other assets	-	1,550
Increase (decrease) in:		
Accounts payable	2,286	1,087
Accrued Liabilities	13,958	-
Deferred revenue	18,540	(13,460)
	<u>(89,745)</u>	<u>(22,092)</u>
Net cash used by operating activities		
	<u>(89,745)</u>	<u>(22,092)</u>
Net change in cash		
	(89,745)	(22,092)
Cash at beginning of the year	<u>266,144</u>	<u>288,236</u>
Cash at end of the year	<u>\$ 176,399</u>	<u>\$ 266,144</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, 2023 and 2022 the Organization had \$37,082 and \$12,325 in pledged receivables, respectively. 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, 2023 and 2022, the Organization had \$175,175 and \$139,418 of net assets with donor restrictions, respectively.

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.

Jazz Education Network
Notes to Financial Statements

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

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.

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 years ending June 30, 2023 and 2022, the Organization incurred \$15,098 and \$18,116 of advertising costs, respectively.

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.

Special Event Revenue - Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special events revenue equal to the fair value of direct benefits to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

**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, 2023	June 30, 2022
Cash and cash equivalents	\$ 176,399	\$ 266,144
Accounts receivable	37,082	12,325
Short-term investments	96,412	86,943
Less: Donor restricted cash and cash equivalents	(175,175)	(258,074)
	\$ 134,718	\$ 107,338

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 years ended June 30, 2023 and 2022.

Jazz Education Network
Notes to Financial Statements

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.

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, 2023:

As of June 30, 2023:

	Level 1	Levels 2 & 3	Total
Balanced Index Funds	\$ 96,412	\$ -	\$ 96,412
Total investments	\$ 96,412	\$ -	\$ 96,412

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 \$6,169 and \$13,713 in unrealized gains in the fiscal years ending June 30, 2023 and 2022, respectively.

Note 4- Property and equipment

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

	2023	2022
Office equipment	\$ 2,545	\$ 2,545
Less: Accumulated depreciation	(2,545)	(2,545)
Property and equipment, net	\$ -	\$ -

Depreciation expense for the years ended June 30, 2023 and 2022 was \$0 for both years.

Note 5- Accrued liabilities

Accrued liabilities consisted of the following as of June 30,

	2023	2022
Accrued payroll liabilities	\$ 13,958	\$ -

Jazz Education Network
Notes to Financial Statements

**Note 6 -
Expenses
Classified by
Function and
Nature**

The financial statements contain certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are included salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Expenses classified by function and nature for the year ended June 30, 2023 are as follows:

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Expenses:				
Salaries and related expenses	\$ 132,945	\$ 36,407	\$ 46,335	\$ 215,687
Event production expenses	186,846	-	-	186,846
Travel and meeting expenses	83,704	7,010	472	91,187
Awards and grants	45,405	-	-	45,405
Professional services	10,817	32,530	1,417	44,764
Supplies	12,823	3,649	8,175	24,647
Marketing	9,702	1,752	7,888	19,341
Bank Fees	732	14,760	14	15,507
Office expenses	894	4,034	2,011	6,939
Total expenses included in the expense section on the statement of activities and change in net assets	\$ 483,868	\$ 100,142	\$ 66,313	\$ 650,323

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	\$ 70,534	\$ 51,969	\$ 619,282

Jazz Education Network
Notes to Financial Statements

Note 7 - 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
2024	99,991
2025	99,991
2026	99,991
2027	<u>99,991</u>
	<u>\$ 399,964</u>

Note 8 - Board Member Donations During the years ended June 30, 2023 and 2022, members of the Organization's Board of Directors collectively contributed \$15,732 and \$11,333 in monetary donations to the Organization, respectively.

Note 9 - Net Assets with Donor Restrictions Net assets with donor restrictions consisted of the following as of June 30, 2023:

	Beginning Balance	Additions	Releases	Ending Balance
Jamey Abersold Scholarship	\$ 96,712	\$ 12,000	\$ (1,000)	\$ 107,712
Jamey Abersold Endowment	30,381	-	-	30,381
Other	12,325	37,082	(12,325)	37,082
Total net assests with donor restrictions	<u>\$ 139,418</u>	<u>\$ 49,082</u>	<u>\$ (13,325)</u>	<u>\$ 175,175</u>

Net assets with donor restrictions consisted of the following as of June 30, 2022:

	Beginning Balance	Additions	Releases	Ending Balance
Jamey Abersold Scholarship	\$ 97,712	\$ -	\$ (1,000)	\$ 96,712
Jamey Abersold Endowment	30,381	-	-	30,381
Other	12,580	12,325	(12,580)	12,325
Total net assests with donor	<u>\$ 140,673</u>	<u>\$ 12,325</u>	<u>\$ (13,580)</u>	<u>\$ 139,418</u>

Note 10 - 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.