



JAZARTS CHARLOTTE

Financial Statements and Independent Auditor's Report

YEAR ENDED
JUNE 30, 2023

JazzArts Charlotte

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
JazzArts Charlotte
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of JazzArts Charlotte (the "Organization" - a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year 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 JazzArts Charlotte as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 JazzArts Charlotte and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 JazzArts Charlotte'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 auditors' 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 judgment 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 purposes of expressing an opinion on the effectiveness of JazzArts Charlotte'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 JazzArts Charlotte'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.

Foard & Company, P.A.

May 15, 2024

JazzArts Charlotte
Statement of Financial Position
June 30, 2023

ASSETS

Current Assets:

Cash	\$ 511,446
Accounts Receivable:	
Grants	150,000
Other, net of reserve of \$1,000	26,177
Prepaid expenses	20,879
Other Current Assets	587

TOTAL ASSETS

\$ 709,089

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 28,842
Accrued payroll and related liabilities	9,948
Deferred revenue	55,791

Total Current Liabilities 94,581

Net Assets:

With donor restrictions	314,793
Without donor restrictions	299,715

Total Net Assets 614,508

TOTAL LIABILITIES AND NET ASSETS

\$ 709,089

JazzArts Charlotte
Statement of Activities
Year Ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenues and Support:			
Contributed Revenue:			
Individual contributions	\$ 158,109	\$ 250	\$ 158,359
Corporate contributions and sponsorships	64,124	-	64,124
Grant revenue	304,479	332,225	636,704
Gifts in-kind	50,600	-	50,600
Total Contributed Revenue	577,312	332,475	909,787
Fundraising	20,204	-	20,204
Ticket sales and subscription revenue, net	260,874	-	260,874
Performance fees	30,475	-	30,475
Tuition	51,660	-	51,660
Employee Retention Credit refund	83,502	-	83,502
Other	2,367	-	2,367
Net assets released from restrictions:			
Satisfaction of Program Restrictions	268,450	(268,450)	-
	<u>1,294,844</u>	<u>64,025</u>	<u>1,358,869</u>
Expenses:			
Program Services:			
Performances	529,118	-	529,118
JazzArts Academy	179,956	-	179,956
Musician Support	21,673	-	21,673
Supporting Services:			
General and administrative	346,321	-	346,321
Development	154,663	-	154,663
Total Expenses	<u>1,231,731</u>	<u>-</u>	<u>1,231,731</u>
Operating Income	63,113	64,025	127,138
Net Assets, beginning of year	<u>236,602</u>	<u>250,768</u>	<u>487,370</u>
Net Assets, end of year	<u>\$ 299,715</u>	<u>\$ 314,793</u>	<u>\$ 614,508</u>

JazzArts Charlotte
Statement of Activities
Year Ended June 30, 2023

	Program Services				Supporting Services		
	Performances	JazzArts Academy	Musician Support	Total	General and Administrative	Development	Total
Payroll	\$ 32,000	\$ 69,805	\$ -	\$ 101,805	\$ 108,830	\$ 81,930	\$ 190,760
Payroll taxes	-	5,194	-	5,194	13,987	4,931	18,918
Employee benefits	-	5,093	-	5,093	15,314	6,395	21,709
Contracted services	277,166	48,224	19,625	345,015	110,622	14,550	125,172
Facilities and equipment rental	34,380	12,987	-	47,367	9,697	-	9,697
Parking	2,530	486	25	3,041	2,127	200	2,327
Dues and subscriptions	-	595	-	595	3,119	1,270	4,389
Postage and mailing service	2,024	1,200	-	3,224	589	2,380	2,969
Printing and copying	13,231	2,916	-	16,147	597	10,507	11,104
Small equipment and supplies	2,258	9,520	-	11,778	4,375	3,226	7,601
Telephone and communications	-	-	-	-	564	228	792
Insurance	-	-	-	-	6,633	-	6,633
Marketing	46,515	7,081	70	53,666	14,014	-	14,014
Graphic design	8,837	1,310	-	10,147	-	-	-
Bank charges and credit card fees	3,642	1,818	68	5,528	1,813	1,488	3,301
Food and beverage	14,847	3,871	135	18,853	5,001	3,226	8,227
Information technology	93	-	-	93	18,126	9,435	27,561
Training and seminars	-	530	-	530	11,365	3,525	14,890
Travel	82,061	4,618	715	87,394	11,445	797	12,242
Business development	-	-	-	-	-	9,137	9,137
Other operating expenses	9,534	4,708	1,035	15,277	8,103	1,438	9,541
	<u>\$ 529,118</u>	<u>\$ 179,956</u>	<u>\$ 21,673</u>	<u>\$ 730,747</u>	<u>\$ 346,321</u>	<u>\$ 154,663</u>	<u>\$ 500,984</u>

JazzArts Charlotte
Statement of Cash Flows
Year Ended June 30, 2023

Cash flows from operating activities:

Cash received from customers/receivables	\$ 523,483
Cash received from Foundations	550,933
Cash received from government agencies	83,502
Board member contributions received	18,642
	<u>1,176,560</u>
Less cash paid to:	
Contractors	(470,187)
Other vendors	(419,355)
Employees	<u>(293,965)</u>
Net cash used in operating activities	<u>(6,947)</u>

Net decrease in cash (6,947)

Cash, beginning of year 518,393

Cash, end of year \$ 511,446

Reconciliation of net change in net assets to net cash used in operating activities

Net operating income	\$ 63,113
Net changes in current assets and liabilities and provided (used) cash:	
Receivables	(106,250)
Prepaid expenses	(10,471)
Other current assets	186
Accounts payables	8,424
Accrued payroll and related liabilities	(515)
Deferred revenue	(25,459)
Donor restricted net assets	<u>64,025</u>
Total adjustments	<u>(70,060)</u>

Net cash used in operating activities \$ (6,947)

Note 1 - Principal Activity and Significant Accounting Policies

Organization and Purpose

JazzArts Charlotte (the "Organization") is a non-profit 501(c)(3) organization incorporated December 22, 2009, and is dedicated to the promotion, education, preservation of jazz and related art forms. The Organization is made up of arts patrons, educators, performing jazz artists, business leaders, and volunteers. Our mission focuses on three program development areas: *Jazz Performance, Education, and Musician Support*. These three elements were established to help nurture a future audience and preserve the tradition of this American Art Form, Jazz.

The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization's operations.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of American (U.S. GAAP). Net assets and revenues, expenses, 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 are currently available for use in the day-to-day operations of the Organization. From time to time, the board of directors may designate certain amounts to be utilized or invested to meet specific objectives of the Organization. There were no board-designated net assets as of June 30, 2023.

Net Assets With Donor Restrictions – Net assets subject to stipulations 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.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. When support received with restrictions expires (that is, when a stipulated time 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. Donor-

restricted contributions whose restrictions are met in the same reporting period in which they are received as reported as net assets without donor restrictions.

Use of Estimates

The preparation of financial statements requires the Organization to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Receivables

Accounts receivable are primarily unsecured amounts due from grants and individuals. The Organization maintains an allowance for doubtful accounts receivable. The allowance for doubtful accounts is reported as a reduction of accounts receivable on the statement of financial position.

Receivables, net, as of June 30, 2023, are as follows:

Currently due, net of reserve of \$1,000	\$ 26,177
1 year to two years (grants)	<u>150,000</u>
	<u>\$ 176,177</u>

Property and Equipment

The Organization has a policy to capitalize purchases of property and equipment items with an individual cost of \$1,000 or more and an estimated useful life greater than two years.

Deferred Revenue

Deferred revenue primarily represents unearned subscriptions revenue to the JAZZ ROOM concert series which is a six-month period.

Gifts In-kind

The Organization receives in-kind donations in the form of contributed facility space from Blumenthal Performing Arts, full-time salary of the current Chief Financial Officer, and other miscellaneous gifts in-kind, all of which are recorded as contribution revenue. The total value recorded for gifts in-kind are as follows:

JazzArts Charlotte
Notes to Financial Statements
June 30, 2023

Chief Financial Officer donated time	\$ 54,000
JazzArts Academy contractor	<u>600</u>
	<u>\$ 54,600</u>

Note 2 - Operating Lease

The Organization leases its copier under an agreement accounted for as an operating lease. Subsequent to June 30, 2023, the Organization replaced the copier under an agreement account for as an operating lease. The monthly lease payments are fixed at \$502, including sales taxes, for the next 24 months, then an annual increase, not to exceed five percent.

The future minimum lease payments, including the renewal period, is as follows:

Year ended June 30:	
2024	\$ 6,024
2025	6,024
2026	6,024
2027	6,024
2028	<u>3,514</u>
	<u>\$ 27,610</u>

Note 3 - Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Also, the Statement of Functional Expenses, provides detail of the functional costs by their natural classification. The following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

Program Services

Performances

Each month, The JAZZ ROOM concert series at the Stage Door Theater welcomes one of the most diverse audiences in the Queen City, presenting live jazz performances by the finest local, regional, and nationally renowned artists. From re-imagined early jazz tributes and classic swing to modern and

contemporary soulful sounds, these creatively curated programs include something for every musical palate.

JazzArts Academy

The JazzArts All-Star Youth Ensemble + Workshops represent two 12-week music training programs where top group local high-school student performers participate in weekly jazz immersion working and performing with the region's most highly regarded teaching artists. The groups' curriculum focuses on improvisation, jazz theory, active listening learning sessions, and composition. Members of the JazzArts All-Star Youth Ensemble have the opportunities to showcase their skills regularly by performing at various community events and venues. These young musicians help to fulfill the Organization's mission of developing jazz audience by serving as student ambassadors of jazz in our local community.

The JazzArts Nuestro Tiempo Latin Jazz Youth Ensemble is led by renowned Latin Jazz educators. Students perform repertoires in a Latin Jazz orchestra and learn fundamentals, including clave rhythms, improvisational theory, Latin Jazz history and stage presence. This is a unique opportunity for student musicians grades 7-12 to study an exciting facet of jazz that combines the chords and improvisational techniques of traditional jazz with Latin instruments and rhythms. This program is free to participants and enter the program.

The JazzArts Summer Music Camp is an exciting one-week comprehensive music training program for students, grades 7-12, devoted to America's original art form: Jazz. Students will be immersed in an intensive jazz curriculum and have the opportunity to interact and play with other motivated young musicians from the Charlotte area. This jazz camp offers instruction from the nations' leading professional jazz educators and internationally recognized performers.

Professional teaching artists from the Organization perform an interactive educational program in schools. The assembly programs are age-appropriate for all school audiences. These presentations include audience participation and a question-and-answer session for students and teachers.

Musician Support

The Organization has developed a program of activities to support professional musicians. Educational programs are devoted to Musician Career Development, Health Care Resources, a Musicians Connect Online Network, and an ongoing program of partnerships and research activities devoted to the development of the jazz audience.

Support Functions

General and Administrative

Expenses that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to the Organization's existence, including expenses for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

Fundraising

Expenses that are incurred in inducing others to contribute money, securities, time, and materials for facilities for which the contributor will receive no direct benefit.

Allocation of Joint Costs

Payroll and other administrative cost benefits more than one purpose and were allocated to programs based on an estimate of time dedicated to those programs.

Note 4 - Risk Management

The Organization is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Organization manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk of Loss Retained
Torts, errors and omissions, health and life	Purchased Commerical Insurance	None
Workers Compensation - employee injuries	Purchased Commerical Insurance	None
Physcal property loss and natural disasters	Purchased Commerical Insurance	None

Management believes such coverage is enough to preclude any significant losses to the Organization. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Note 5 - Restrictions on Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Net assets released from restrictions during the year ended June 30, 2023 and restricted net assets as of June 30, 2023, are as follows:

Released from Restrictions

Knight Foundation - operating support and technology	\$	70,150
Doris Duke Foundation - operating support		59,400
South Arts - operating support		105,621
JazzArts Academy		<u>33,279</u>
	\$	<u>268,450</u>

Donor Restricted Net Assets

Knight Foundation - operating support and technology	\$	94,469
South Arts - operating support		200,004
JazzArts Academy - student scholarships		10,413
Reemprise Fund		<u>9,907</u>
	\$	<u>314,793</u>

Note 6 - Income Taxes

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Company was eligible for a refundable employee retention credit subject to certain criteria. For the year end June 30, 2023, \$83,502 was received for the quarters ended March 31, 2020, December 31, 2020, March 31, 2021, June 30, 2021, and September 30, 2021.

The Organization is exempt from payment of income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except to the extent of taxes on any unrelated business income.

FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing financial statements to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority.

The Organization does not believe there are any unrecognized tax benefits or costs as of June 30, 2023. Income tax returns from 2019 through 2022 are open for examination by the tax authorities.

Note 7 - Liquidity

The Organization has \$537,623 of financial assets available within one year of the date of the statement of financial position to meet cash needs for general expenditure consisting of cash of \$511,446 and net receivables of \$26,177, which are expected to be collected during the year ended June 30, 2024. Financial assets amounting to \$164,793 are subjected to donor restrictions (refer to Note 5) that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets which consist of cash on hand to meet 180 days of normal operating expenses, which are, on average, approximately \$511,300. The Organization has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due.

Note 8 – Concentrations

All funds of the Organization are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Deposits over insured amounts subject the Organization to a concentration of credit risk. At June 30, 2023, the Organization has bank deposits not insured by the FDIC.

Note 9 - Subsequent Events

The Organization has evaluated subsequent events through May 15, 2024, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued and determined that except as disclosed in Note 2, there were no other items that were necessary for disclosure in the financial statements.

Note 10 – Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, enacting *Leases (Topic 842)*. ASU 2016-02 requires all leases that have a term of over 12 months to be recognized on the statement of financial position with the liability for lease payments and the corresponding right-of-use asset initially measured at the present value of amounts expected to be paid over the lease term. Recognition of the costs of leases classified as operating leases will continue to be recognized as a single operating expense on a straight-line basis over the term of the lease term. The Organization also elected the package of practical expedients permitted under the transition guidance, which allowed the Organization to maintain historic lease classification for leases in effect at the date of adoption. This new standard will be applied with the new lease agreement (See Note 2). The adoption of this standard is not expected to materially affect the Organization's financial statements.