



JAZZARTS CHARLOTTE

Financial Statements and Independent Auditor's Report

YEAR ENDED
JUNE 30, 2024



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, 2024, 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, 2024, 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.

JazzArts Charlotte
Charlotte, North Carolina

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.

December 22, 2024

JazzArts Charlotte®
Statement of Financial Position
June 30, 2024

ASSETS

Current Assets:

Cash	\$	382,527
Receivables:		
Grants		30,000
Other		12,803
Prepaid expenses		23,613
Other current assets		44
Total Current Assets		<u>448,987</u>

Non-Current Assets:

Leased asset, net of accumulated amortization of \$5,038		<u>22,443</u>
Total Non-Current Assets		<u>22,443</u>

TOTAL ASSETS

\$ 471,430

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$	30,412
Accrued payroll and related liabilities		19,842
Deferred revenue		26,525
Lease obligation, current maturities		4,657
Total Current Liabilities		<u>81,436</u>

Non-Current Liabilities:

Lease obligation		<u>18,735</u>
Total Non-Current Liabilities		<u>18,735</u>
Total Liabilities		<u>100,171</u>

Net Assets:

With donor restrictions		189,661
Without donor restrictions		<u>181,598</u>
Total Net Assets		<u>371,259</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 471,430

JazzArts Charlotte®
Statement of Activities
Year Ended June 30, 2024

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and Support:			
Contributed Revenue:			
Individual contributions	\$ 189,383	\$ 7,700	\$ 197,083
Corporate contributions and sponsorships	95,120	-	95,120
Grant revenue	162,010	38,000	200,010
Gifts in-kind	61,600	-	61,600
Total Contributed Revenue	<u>508,113</u>	<u>45,700</u>	<u>553,813</u>
Fundraising	24,628	-	24,628
Ticket sales and subscription revenue	237,291	-	237,291
Performance fees	18,050	-	18,050
Tuition, net of \$7,463 financial assistance	55,093	-	55,093
Other	45,681	-	45,681
Net assets released from restrictions:			
Satisfaction of program restrictions	170,832	(170,832)	-
	<u>1,059,688</u>	<u>(125,132)</u>	<u>934,556</u>
Expenses:			
Program Services:			
Performances	433,646	-	433,646
JazzArts Academy	217,871	-	217,871
Musician Support	9,635	-	9,635
Supporting Services:			
General and administrative	339,365	-	339,365
Development	177,288	-	177,288
Total Expenses	<u>1,177,805</u>	<u>-</u>	<u>1,177,805</u>
Operating Loss	(118,117)	(125,132)	(243,249)
Net Assets, beginning of year	<u>299,715</u>	<u>314,793</u>	<u>614,508</u>
Net Assets, end of year	<u>\$ 181,598</u>	<u>\$ 189,661</u>	<u>\$ 371,259</u>

JazzArts Charlotte®
Statement of Activities
Year Ended June 30, 2024

	Program Services				Supporting Services		
	Performances	JazzArts Academy	Musician Support	Total	General and Administrative	Development	Total
Payroll	\$ 48,000	\$ 77,400	\$ -	\$ 125,400	\$ 89,733	\$ 89,600	\$ 179,333
Payroll taxes	-	4,888	-	4,888	14,405	5,500	19,905
Employee benefits	-	5,279	-	5,279	12,675	6,447	19,122
Contracted services	182,461	66,868	7,775	257,104	105,022	12,960	117,982
Facilities and equipment rental	36,115	18,495	-	54,610	4,601	1,875	6,476
Parking	2,888	247	45	3,180	2,283	431	2,714
Dues and subscriptions	795	-	-	795	3,058	764	3,822
Postage and mailing service	2,880	1,150	-	4,030	347	3,702	4,049
Printing and copying	9,604	2,636	-	12,240	287	13,707	13,994
Small equipment and supplies	1,080	5,170	-	6,250	14,799	3,642	18,441
Telephone and communications	-	-	-	-	568	152	720
Insurance	-	-	-	-	7,865	-	7,865
Marketing	40,763	3,693	-	44,456	18,493	-	18,493
Graphic design	6,593	2,383	-	8,976	300	2,500	2,800
Bank charges and credit card fees	5,660	2,319	60	8,039	6,423	1,476	7,899
Food and beverage	14,506	1,509	60	16,075	5,872	3,200	9,072
Information technology	-	-	-	-	22,205	9,445	31,650
Training and seminars	-	530	-	530	633	2,299	2,932
Travel	77,235	19,499	300	97,034	13,449	6,296	19,745
Business development	-	-	-	-	-	10,979	10,979
Other operating expenses	5,066	5,805	1,395	12,266	7,209	2,313	9,522
Lease amortization expense	-	-	-	-	5,038	-	5,038
	<u>\$ 433,646</u>	<u>\$ 217,871</u>	<u>\$ 9,635</u>	<u>\$ 661,152</u>	<u>\$ 335,265</u>	<u>\$ 177,288</u>	<u>\$ 512,553</u>

JazzArts Charlotte®
Statement of Cash Flows
Year Ended June 30, 2024

Cash flows from operating activities:

Cash received from customers/receivables	\$ 647,929
Cash received from foundations	291,985
Cash received from government agencies	15,000
Board member contributions received	22,150
	<u>977,064</u>

Less cash paid to:

Contractors	(375,086)
Other vendors	(429,348)
Employees	(297,460)
	<u>(1,099,894)</u>

Net cash used in operating activities (124,830)

Cash used in financing activities

Payments under lease obligation	<u>(4,089)</u>
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Net decrease in cash (128,919)

Cash, beginning of year 511,446

Cash, end of year \$ 382,527

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

Net operating loss	\$ (118,117)
Amortization expense	5,038
Net changes in current assets and liabilities and provided (used) cash:	
Receivables	133,374
Prepaid expenses	(2,734)
Other current assets	543
Accounts payables	1,570
Accrued payroll and related liabilities	9,894
Deferred revenue	(29,266)
Donor restricted net assets	(125,132)
	<u>(125,132)</u>

Total adjustments (6,713)

Net cash used in operating activities \$ (124,830)

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, 2024.

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

Receivables 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 as of June 30, 2024, are all current and no allowance for doubtful accounts were deemed necessary.

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, unless the purchase made with grant funds.

Deferred Revenue

Deferred revenue primarily represents unearned subscription 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 the 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:

Chief Financial Officer donated time	\$ 58,100
Donated furniture	2,800
Facility rental	700
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	\$ 61,600
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Note 2 - Operating Lease

The Organization leases its copier under an agreement accounted 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:	
2025	\$ 4,657
2026	5,290
2027	6,025
2028	6,833
2029	587
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	<u>\$ 23,392</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, generally 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 group curriculum focuses on

improvisation, jazz theory, active listening learning sessions, and composition. Members of the JazzArts All-Star Youth Ensemble have the opportunity 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 audiences 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 - Restrictions on Net Assets

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time. Net assets released from restrictions during the year ended June 30, 2024, and restricted net assets as of June 30, 2024, are as follows:

Released from Restrictions	
Knight Foundation - operating support and technology	\$ 56,954
South Arts - operating support	99,996
Reemprise Fund - operating Support	9,907
JazzArts Academy - scholarships	<u>3,975</u>
	<u>\$ 170,832</u>
Donor Restricted Net Assets	
Knight Foundation - operating support and technology	\$ 37,515
South Arts - operating support	100,008
Women's Impact Fund - operating support	21,000
JazzArts Academy - scholarships	26,138
Individual - operating support	<u>5,000</u>
	<u>\$ 189,661</u>

Note 5 - Income Taxes

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.

The organization claimed the Employee Retention Tax Credit for the quarters ended March 30, 2020, December 31, 2020, March 31, 2021, June 30, 2021, and September 30, 2021. The Organization filed for and received \$83,502

relating to the amended returns during the year ended June 30, 2023. The claims are subject to review and examination by the Internal Revenue Service for the three years from the date of the claim.

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, 2024. Income tax returns from 2020 through 2023 are open for examination by the tax authorities.

Note 6 - Liquidity

The Organization has \$425,330 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 \$382,567, grant receivables of \$30,000 and other receivables of \$12,803, which are expected to be collected during the year ended June 30, 2025. Financial assets amounting to \$189,661 are subjected to donor restrictions (refer to Note 4) that make them unavailable for general expenditure within one year of the date of the statement of financial position. 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 \$549,000. The Organization has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due.

Note 7 – 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, 2024, the Organization has bank deposits not insured by the FDIC, however, the Organization believes it is not exposed to any significant risk related to these accounts due to the credit worthiness of the financial institutions.

Note 8 - Subsequent Events

The Organization has evaluated subsequent events through the date of the **independent auditor's report**, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued and determined that there were no items that were necessary for disclosure in the financial statements.