

**CHARLESTON JAZZ
NORTH CHARLESTON, SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Charleston Jazz
North Charleston, South Carolina

We have audited the accompanying financial statements of Charleston Jazz (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Charleston Jazz as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



April 17, 2020
Charleston, South Carolina

CHARLESTON JAZZ
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 103,315	\$ 114,418
Unconditional promises to give, current	2,500	7,407
Prepaid and other assets	36,269	25,276
Total current assets	142,084	147,101
<u>Non-current Assets</u>		
Furniture and equipment, net	120,018	131,369
Library and archives, net	38,112	39,536
Total non-current assets	158,130	170,905
Total assets	\$ 300,214	\$ 318,006
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 23,166	\$ 20,131
Accrued payroll	8,837	8,027
Deferred concert revenue	115,598	155,518
Line of credit	10,165	33,987
Financed tenant improvements, current portion	41,315	41,316
Total current liabilities	199,081	258,979
<u>Non-current Liabilities</u>		
Financed tenant improvements, net of current portion	-	41,313
Total non-current liabilities	-	41,313
Total liabilities	199,081	300,292
<u>Net Assets (Deficit)</u>		
Without donor restrictions	54,514	(1,880)
With donor restrictions	46,619	19,594
Total net assets	101,133	17,714
Total liabilities and net assets	\$ 300,214	\$ 318,006

See accompanying notes to financial statements.

CHARLESTON JAZZ
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in unrestricted net assets			
Support and Revenue			
Concert revenue	\$ 447,840	\$ -	\$ 447,840
Grants	352,723	46,619	399,342
Contributions	114,298	-	114,298
Academy tuition, fees and revenues	29,367	-	29,367
Sponsorships	37,224	-	37,224
Contributions - in-kind	75,371	-	75,371
Special events, net of expenses of \$34,345	16,699	-	16,699
Interest	114	-	114
	<hr/>	<hr/>	<hr/>
Total support and revenue	1,073,636	46,619	1,120,255
	<hr/>	<hr/>	<hr/>
Net Assets Released from Restrictions	19,594	(19,594)	-
	<hr/>	<hr/>	<hr/>
Expenses			
Program services:			
Festival and orchestra programs	608,978	-	608,978
Academy activities	185,387	-	185,387
Total program services	<hr/>	<hr/>	<hr/>
	794,365	-	794,365
	<hr/>	<hr/>	<hr/>
Supporting services:			
General and administrative	182,407	-	182,407
Fundraising	60,064	-	60,064
	<hr/>	<hr/>	<hr/>
	242,471	-	242,471
	<hr/>	<hr/>	<hr/>
Total expenses	1,036,836	-	1,036,836
	<hr/>	<hr/>	<hr/>
Increase in net assets	56,394	27,025	83,419
	<hr/>	<hr/>	<hr/>
Net (deficit) assets, beginning of year	(1,880)	19,594	17,714
	<hr/>	<hr/>	<hr/>
Net assets (deficit), end of year	<u>\$ 54,514</u>	<u>\$ 46,619</u>	<u>\$ 101,133</u>

See accompanying notes to financial statements.

CHARLESTON JAZZ
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in unrestricted net assets			
Support and Revenue			
Concert revenue	\$ 434,068	\$ -	\$ 434,068
Grants	107,654	-	107,654
Contributions	70,660	-	70,660
Academy tuition, fees and revenues	31,915	-	31,915
Sponsorships	60,900	-	60,900
Contributions - in-kind	61,806	-	61,806
Miscellaneous	-	-	-
Special events, net of expenses of \$91,478	12,601	-	12,601
Interest	122	-	122
	<hr/>	<hr/>	<hr/>
Total support and revenue	779,726	-	779,726
Net Assets Released from Restrictions	<hr/>	<hr/>	<hr/>
	157,439	(157,439)	-
Expenses			
Program services:			
Festival and orchestra programs	577,744	-	577,744
Academy activities	151,737	-	151,737
Total program services	<hr/>	<hr/>	<hr/>
	729,481	-	729,481
Supporting services:			
General and administrative	176,002	-	176,002
Fundraising	105,393	-	105,393
	<hr/>	<hr/>	<hr/>
	281,395	-	281,395
Total expenses	<hr/>	<hr/>	<hr/>
	1,010,876	-	1,010,876
Decrease in net assets	(73,711)	(157,439)	(231,150)
Net assets, beginning of year	<hr/>	<hr/>	<hr/>
	71,831	177,033	248,864
Net (deficit) assets, end of year	<hr/>	<hr/>	<hr/>
	\$ (1,880)	\$ 19,594	\$ 17,714

See accompanying notes to financial statements.

CHARLESTON JAZZ
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Salary and payroll taxes	\$ 147,664	\$ 116,246	\$ 50,269	\$ 314,179
Contract labor - musicians	171,045	-	-	171,045
Contract labor and services - other	72,763	-	1,530	74,293
Equipment and rentals	3,103	-	-	3,103
Instructional supplies	6,532	-	-	6,532
Marketing and advertising	102,250	-	-	102,250
Occupancy and venues	168,488	2,792	2,101	173,381
Artistic and production - other	26,499	-	-	26,499
Travel	21,783	957	-	22,740
Printing	19,288	-	1,546	20,834
Merchant and bank fees	30,245	3,348	-	33,593
Legal and professional fees	-	42,396	-	42,396
Office supplies and postage	1,621	1,275	1,651	4,547
Insurance	-	4,235	-	4,235
Telephone and connectivity	7,643	6,016	2,602	16,261
Interest	-	2,980	-	2,980
Depreciation	10,847	140	365	11,352
Miscellaneous	4,594	2,022	-	6,616
	<u>\$ 794,365</u>	<u>\$ 182,407</u>	<u>\$ 60,064</u>	<u>\$ 1,036,836</u>
Total expenses	<u>\$ 794,365</u>	<u>\$ 182,407</u>	<u>\$ 60,064</u>	<u>\$ 1,036,836</u>

See accompanying notes to financial statements.

CHARLESTON JAZZ
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Salary and payroll taxes	\$ 125,448	\$ 109,767	\$ 78,405	\$ 313,620
Contract labor - musicians	167,614	-	-	167,614
Contract labor and services - other	60,213	-	7,998	68,211
Equipment and rentals	5,643	-	-	5,643
Instructional supplies	203	-	-	203
Marketing and advertising	118,558	-	-	118,558
Occupancy and venues	141,978	4,761	10,604	157,343
Artistic and production - other	27,497	-	-	27,497
Travel	17,408	363	-	17,771
Printing	12,858	-	2,577	15,435
Merchant and bank fees	31,084	1,813	-	32,897
Legal and professional fees	-	46,346	-	46,346
Office supplies and postage	1,689	1,478	3,275	6,442
Insurance	-	3,962	-	3,962
Telephone and connectivity	3,694	3,232	2,309	9,235
Interest	-	1,729	-	1,729
Depreciation	10,652	103	225	10,980
Miscellaneous	4,942	2,448	-	7,390
	<u>\$ 729,481</u>	<u>\$ 176,002</u>	<u>\$ 105,393</u>	<u>\$ 1,010,876</u>
Total expenses	<u>\$ 729,481</u>	<u>\$ 176,002</u>	<u>\$ 105,393</u>	<u>\$ 1,010,876</u>

See accompanying notes to financial statements.

CHARLESTON JAZZ
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<u>Cash Flows from Operating Activities:</u>		
Increase (decrease) in net assets	\$ 83,419	\$ (231,150)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	11,352	10,980
Amortization	2,787	2,787
Changes in operating assets and liabilities:		
Decrease (increase) in unconditional promises to give	4,907	(7,407)
(Increase) decrease in prepaid and other assets	(10,993)	39,775
Increase in accounts payable	3,034	5,902
Increase in accrued payroll	810	2,750
Decrease in deferred concert revenue	(39,920)	(4,727)
	<u>55,396</u>	<u>(181,090)</u>
<u>Cash Flows from Investing Activities:</u>		
Cash paid to invest in music library	(1,363)	(1,845)
Cash paid to purchase furniture and equipment	-	(4,222)
	<u>(1,363)</u>	<u>(6,067)</u>
Net cash used for investing activities	<u>(1,363)</u>	<u>(6,067)</u>
<u>Cash Flows from Financing Activities:</u>		
Net proceeds from line of credit	(23,822)	31,849
Payments on financed tenant improvements	(41,314)	(41,315)
	<u>(65,136)</u>	<u>(9,466)</u>
Net cash used for financing activities	<u>(65,136)</u>	<u>(9,466)</u>
Net decrease in cash and cash equivalents	(11,103)	(196,623)
Cash and cash equivalents, beginning of year	114,418	311,041
Cash and cash equivalents, end of year	<u>\$ 103,315</u>	<u>\$ 114,418</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Interest paid	\$ 2,980	\$ 1,729

See accompanying notes to financial statements.

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basic Program

Charleston Jazz (“Charleston Jazz”) (formerly known as “Jazz Artists of Charleston”) (a nonprofit organization) was organized January 16, 2008, to grow a local and global community for jazz through performance, education and outreach while celebrating and preserving Charleston’s rich history in jazz. Programs include year-round concerts by the Charleston Jazz Orchestra and Charleston Jazz artists; the annual Charleston Jazz Festival a four-day festival each year bringing local, regional and national jazz musicians to Charleston, South Carolina; and education and activities to elevate jazz musicianship and broaden the love of Jazz through the Charleston Jazz Academy.

Charleston Jazz’s support comes primarily from concert revenues and contributions, grants and sponsorships made by individual donors, businesses, and other supporting entities and tuition and fees.

In the interest of elevating jazz musicianship and broadening the love of jazz in future generations, Charleston Jazz brought the Leonard School of Music operations into the organization to create the Charleston Jazz Academy. The Leonard School of Music, Inc. had played an important role in teaching jazz to young people in Charleston since 1945. Working in partnership with local schools, parents, and students of all ages, the Charleston Jazz Academy brings together highly motivated students in a collaborative and challenging environment to expand their repertoire and nurture the skills of improvisation.

Basis of Accounting

The accompanying financial statements present the financial condition, results of operations, and cash flows of Charleston Jazz on the accrual basis of accounting. Support is recognized when received or unconditionally promised, and expenses are recognized when incurred.

Basis of Presentation

In accordance with ASC 958-205, *Presentation of Financial Statements*, Charleston Jazz reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets without Donor Restrictions

Net assets without donor-imposed restrictions and currently available for program and supporting services.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations, may or will be met, by actions of the Organization and/or the passage of time.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement reporting, cash includes all cash and short-term liquid investments with an original maturity of three months or less.

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to Charleston Jazz that is, in substance, unconditional. Contributions received are recorded as net assets with donor restrictions and net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Charleston Jazz uses the direct write-off method to determine uncollectible unconditional promises receivable. The results do not differ materially from generally accepted accounting principles. At December 31, 2019 and 2018, all promises to give were expected to be collected in less than one year.

Prepaid and Other Assets

Charleston Jazz recognizes payments made for services or benefits in future periods as prepaid and other assets. At December 31, 2019 and 2018, Charleston Jazz prepaid assets are comprised of insurance, costs for venue, marketing and other costs for 2020 and 2019 concerts and events, respectively.

Furniture and Equipment

It is the policy of Charleston Jazz to capitalize furniture and equipment of \$1,000 or greater at cost, if purchased, and at fair market value, if donated. Capitalized leasehold improvements, furniture and equipment are depreciated over their estimated useful lives using the straight-line method. Depreciable lives of range from seven to fifteen years.

Library and Archives

Charleston Jazz capitalizes investments in music library, video, and audio archives. Capitalized library and archives are evaluated for impairment annually. For wasting library and archive assets, Charleston Jazz amortizes their cost on a straight-line basis over a period approximating 10 years.

Deferred Concert Revenue

Charleston Jazz recognizes payments for future concerts and events as deferred concert revenue. This deferred revenue is recognized in the future period when the concert or event is performed.

Contributions

Contributions are recorded as net assets with donor restrictions and net assets without donor restrictions support depending on the existence or nature of any donor restrictions. Contributions of property and equipment are recorded as support at their estimated fair value. All such donations have been given without restrictions by the donors.

Contributions – In-kind

Charleston Jazz receives various donated services, advertising, marketing, printing and office space from supporters, which were used for program services and other operating activities. These services totaled \$75,371 and \$61,806 for the years ended December 31, 2019 and 2018, respectively. A number of unpaid volunteers have made significant contributions of time to assist the Charleston Jazz in the operation of its programs. The value of these contributions is not reflected in these statements since they do not meet the criteria for revenue recognition.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on the functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of estimates made by management.

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

Charleston Jazz is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, Charleston Jazz qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

2. CONCENTRATION OF CREDIT RISK

Charleston Jazz maintains deposits in commercial bank accounts. At December 31, 2019, Charleston Jazz did not have any deposits in excess of federal depository insurance coverage of \$250,000.

3. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Computers and equipment	\$ 21,855	\$ 21,855
Leasehold improvements	123,944	123,944
Furniture	6,988	6,988
	<u>152,787</u>	<u>152,787</u>
Accumulated depreciation and amortization	<u>(32,769)</u>	<u>(21,418)</u>
	<u>\$ 120,018</u>	<u>\$ 131,369</u>

Depreciation expense for the years ended December 31, 2019 and 2018 totaled \$11,352 and \$10,980, respectively.

4. LIBRARY AND ARCHIVES

Library and archives consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Music library	\$ 29,174	\$ 27,811
Photography archives	8,362	8,362
Video and audio archives	7,437	7,437
Logo	1,500	1,500
	<u>46,473</u>	<u>45,110</u>
Accumulated amortization	<u>(8,361)</u>	<u>(5,574)</u>
	<u>\$ 38,112</u>	<u>\$ 39,536</u>

5. LINE OF CREDIT

Charleston Jazz has an agreement with a commercial bank for a \$35,000 line of credit. Interest accrues at a variable rate (currently 10.65%). As of December 31, 2019, and 2018, the outstanding balance was \$10,165 and \$33,987, respectively. Interest expense for the years ended December 31, 2019 and 2018 totaled \$2,980 and \$1,792, respectively.

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

6. LEASE AGREEMENT

On April 28, 2017, Charleston Jazz signed a lease agreement with 3005 W Montague LLC for the main operating facility of the Charleston Jazz Academy. The lease term is for (5) years and (2) months commencing on April 1, 2017. The lease has an option of renewal for a period of (3) years and increases annually at a rate of (3%) from inception. Future minimum lease payments under the term of the lease are as follows:

	2020	\$	43,886
	2021		18,675
	Thereafter		-
		\$	62,561

Rent expense for the years ended December 31, 2019 and 2018 was \$70,341 and \$67,888, respectively.

Under the terms of the lease agreement, there are provisions for construction and alteration of the premises. The agreement provided for \$44,000 of landlord upfit and up to \$156,000 of additional upfit financed by the landlord but reimbursed by Charleston Jazz as additional rent payments over a (36) month term. The project costs came in under budget and totaled \$115,739 financed at 4.5% by the landlord. Additional rent is paid monthly at a payment of \$3,443.

Future additional rent payments are as follows at December 31, 2019:

	Thereafter		-
		\$	41,315

7. NET ASSETS

Net assets are released from donor restrictions by incurring expenses satisfying the purposes or by occurrence of other events specified by donors during the years ended December 31 as follows:

	2019	2018
10th Anniversary programs	\$ -	\$ 7,500
Charleston Jazz Academy programs	19,594	149,939
	\$ 19,594	\$ 157,439

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

7. NET ASSETS - CONTINUED

Net assets with donor restrictions as of December 31 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Charleston Jazz Academy programs	\$ 46,619	\$ 19,594
	<u>\$ 46,619</u>	<u>\$ 19,594</u>

8. RECENT ACCOUNTING PRONOUNCEMENT AND UPDATES

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments in this Update are effective for fiscal years beginning after December 15, 2019.

9. DISCLOSURE OF LIQUIDITY INFORMATION

The following reflects the Organization's financial assets as of December 31 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date.

	<u>2019</u>	<u>2018</u>
Financial assets, at December 31:	\$ 105,815	\$ 121,825
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Subject to satisfaction of donor-imposed restrictions	<u>(46,619)</u>	<u>(19,594)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 59,196</u>	<u>\$ 102,231</u>

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

10. SUBSEQUENT EVENTS

Management has evaluated the effect subsequent events would have on the financial statements of Charleston Jazz at December 31, 2019 through April 17, 2020, which is the date the financial statements were available to issue. Based upon this evaluation, there were no material adjustments or disclosures to these financial statements beyond those described below:

At the time of issuance of these financial statements, the global, national and local impact of the health risks of the coronavirus disease 2019 (COVID-19) is continuing to evolve. The Center for Disease Control and Prevention continues to work with the broad scientific community to develop a vaccine. As global efforts currently focus on containing COVID-19, the impacts on United States citizens and businesses are intensifying. With a potential long-term horizon for containment and creation of a vaccine, it is reasonably likely that COVID-19 may cause Charleston Jazz to experience declines in attendance, delays in vendor delivery of supplies and services, and staffing interruptions.