

**CHARLESTON JAZZ
NORTH CHARLESTON, SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Charleston Jazz (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Charleston Jazz 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 Charleston Jazz'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 audits.
- 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 audits 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 Charleston Jazz'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 Charleston Jazz'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.

Glaser and Company, LLC

Charleston, South Carolina
May 18, 2022

CHARLESTON JAZZ
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 256,138	\$ 124,412
Unconditional promises to give, current	4,142	-
Prepaid and other assets	9,393	3,661
Total current assets	269,673	128,073
<u>Non-current Assets</u>		
Cash and cash equivalents, endowment	100,747	-
Furniture and equipment, net	102,766	108,665
Library and archives, net	37,211	36,579
Total non-current assets	240,724	145,244
Total assets	\$ 510,397	\$ 273,317
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 14,502	\$ 8,698
Accrued payroll	11,190	7,905
Deferred concert revenue	79,186	64,765
Line of credit	-	42,000
Total current liabilities	104,878	123,368
Total liabilities	104,878	123,368
<u>Net Assets</u>		
Without donor restrictions	258,372	149,949
With donor restrictions	147,147	-
Total net assets	405,519	149,949
Total liabilities and net assets	\$ 510,397	\$ 273,317

See accompanying notes to financial statements.

CHARLESTON JAZZ
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in unrestricted net assets			
Support and Revenue			
Concert revenue	\$ 182,712	\$ -	\$ 182,712
Grants	228,401	74,400	302,801
Contributions	101,239	52,747	153,986
Academy tuition, fees and revenues	35,220	-	35,220
Sponsorships	28,624	20,000	48,624
Contributions - in-kind	116,923	-	116,923
Federal financial assistance	214,741	-	214,741
Special events	6,544	-	6,544
Interest	12	-	12
	<hr/>	<hr/>	<hr/>
Total support and revenue	914,416	147,147	1,061,563
	<hr/>	<hr/>	<hr/>
Net Assets Released from Restrictions	-	-	-
	<hr/>	<hr/>	<hr/>
Expenses			
Program services:			
Festival and orchestra programs	338,068	-	338,068
Academy activities	303,193	-	303,193
Total program services	<hr/> 641,261	<hr/> -	<hr/> 641,261
Supporting services:			
General and administrative	111,662	-	111,662
Fundraising	53,070	-	53,070
	<hr/> 164,732	<hr/> -	<hr/> 164,732
	<hr/>	<hr/>	<hr/>
Total expenses	805,993	-	805,993
	<hr/>	<hr/>	<hr/>
Increase in net assets	108,423	147,147	255,570
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	149,949	-	149,949
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 258,372</u>	<u>\$ 147,147</u>	<u>\$ 405,519</u>

See accompanying notes to financial statements.

**CHARLESTON JAZZ
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in unrestricted net assets			
Support and Revenue			
Concert revenue	\$ 248,523	\$ -	\$ 248,523
Grants	255,215	-	255,215
Contributions	131,553	-	131,553
Academy tuition, fees and revenues	32,055	-	32,055
Sponsorships	44,500	-	44,500
Contributions - in-kind	122,592	-	122,592
Federal financial assistance	64,700	-	64,700
Abatement of financed tenant improvements	30,986	-	30,986
Interest	26	-	26
	<hr/>	<hr/>	<hr/>
Total support and revenue	930,150	-	930,150
Net Assets Released from Restrictions	<hr/> 46,619	<hr/> (46,619)	<hr/> -
Expenses			
Program services:			
Festival and orchestra programs	417,640	-	417,640
Academy activities	287,800	-	287,800
Total program services	<hr/> 705,440	<hr/> -	<hr/> 705,440
Supporting services:			
General and administrative	107,529	-	107,529
Fundraising	68,365	-	68,365
	<hr/> 175,894	<hr/> -	<hr/> 175,894
Total expenses	<hr/> 881,334	<hr/> -	<hr/> 881,334
Increase (decrease) in net assets	95,435	(46,619)	48,816
Net assets, beginning of year	<hr/> 54,514	<hr/> 46,619	<hr/> 101,133
Net assets, end of year	<hr/> \$ 149,949	<hr/> \$ -	<hr/> \$ 149,949

See accompanying notes to financial statements.

CHARLESTON JAZZ
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Supporting Services			Total
	Program Services	General and Administrative	Fundraising	
Salary and payroll taxes	\$ 238,735	\$ 35,100	\$ 47,502	\$ 321,337
Contract labor - musicians	77,312	-	-	77,312
Contract labor and services - other	61,653	4,951	-	66,604
Equipment and rentals	-	-	-	-
Instructional supplies	1,716	-	-	1,716
Marketing and advertising	67,192	-	-	67,192
Donor recognition	-	-	2,542	2,542
Occupancy and venues	132,681	8,509	-	141,190
Artistic and production - other	14,949	-	-	14,949
Travel	1,914	184	-	2,098
Printing	2,099	-	-	2,099
Merchant and bank fees	19,372	3,488	-	22,860
Legal and professional fees	-	45,501	-	45,501
Office supplies and postage	5,918	1,813	555	8,286
Insurance	-	4,724	-	4,724
Telephone and connectivity	4,631	783	1,109	6,523
Interest and finance charges	-	234	-	234
Depreciation	10,907	140	365	11,412
Miscellaneous	2,182	6,235	997	9,414
	\$ 641,261	\$ 111,662	\$ 53,070	\$ 805,993

See accompanying notes to financial statements.

CHARLESTON JAZZ
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Salary and payroll taxes	\$ 201,564	\$ 33,750	\$ 46,752	\$ 282,066
Contract labor - musicians	114,466	-	-	114,466
Contract labor and services - other	72,629	4,870	-	77,499
Equipment and rentals	3,175	-	-	3,175
Instructional supplies	3,105	-	-	3,105
Marketing and advertising	83,515	-	-	83,515
Donor recognition	-	-	2,542	2,542
Occupancy and venues	150,216	8,030	2,355	160,601
Artistic and production - other	13,902	-	-	13,902
Travel	9,949	646	-	10,595
Printing	8,127	-	193	8,320
Merchant and bank fees	20,013	3,219	207	23,439
Legal and professional fees	-	47,249	10,188	57,437
Office supplies and postage	2,462	1,029	3,348	6,839
Insurance	-	4,949	-	4,949
Telephone and connectivity	6,329	1,070	1,515	8,914
Interest and finance charges	-	924	-	924
Depreciation	10,847	140	365	11,352
Miscellaneous	5,141	1,653	900	7,694
	<u>\$ 705,440</u>	<u>\$ 107,529</u>	<u>\$ 68,365</u>	<u>\$ 881,334</u>
Total expenses	<u>\$ 705,440</u>	<u>\$ 107,529</u>	<u>\$ 68,365</u>	<u>\$ 881,334</u>

See accompanying notes to financial statements.

CHARLESTON JAZZ
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
<u>Cash Flows from Operating Activities:</u>		
Increase in net assets	\$ 255,570	\$ 48,816
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	11,412	11,352
Amortization	-	2,787
Donated musical instruments	(4,500)	-
Contributions received restricted for long-term purposes	(100,747)	-
Abatement of financed tenant improvements	-	(30,986)
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	(4,142)	2,500
(Increase) decrease in prepaid and other assets	(5,732)	32,608
Increase (decrease) in accounts payable	5,804	(14,467)
Increase (decrease) in accrued payroll	3,285	(932)
Increase (decrease) in deferred concert revenue	14,421	(50,833)
	<u>175,371</u>	<u>845</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of computer	(1,013)	-
Purchase of additions to music library	(632)	(1,254)
	<u>(1,645)</u>	<u>(1,254)</u>
Net cash used for investing activities		
<u>Cash Flows from Financing Activities:</u>		
Net (payments) proceeds from line of credit	(42,000)	31,835
Contributions collected restricted for long-term purposes	100,747	-
Payments on financed tenant improvements	-	(10,329)
	<u>58,747</u>	<u>21,506</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	232,473	21,097
Cash and cash equivalents, beginning of year	<u>124,412</u>	<u>103,315</u>
Cash and cash equivalents, end of year	<u>\$ 356,885</u>	<u>\$ 124,412</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>		
Interest paid	\$ 234	\$ 924

See accompanying notes to financial statements.

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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.

Global Pandemic

In January 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a Public Health Emergency of International Concern. In response to the outbreak of COVID-19 and the resulting federal state, and local government directives, In 2021, the Charleston Jazz Orchestra performed at the Charleston Music Hall featuring only half of the number of musicians to accommodate social distancing on stage for the first three concerts in the spring (the three concerts in the fall were performed by the full big band). The Charleston Music Hall required all staff and attendees to wear masks, limited seating capacity to 30% of total capacity and required social distance seating. The Charleston Jazz Orchestra also performed each of the three spring concerts outdoors. Charleston Jazz saw a 30% decline in season subscription sales between 2020 and 2021. Many season subscribers in 2020 didn’t request a refund even though the season was disrupted by Covid, which supports the higher ticket revenues in 2020 compared to 2021. Also, the overall attendance in 2021 was 42% down from 2019 pre-covid years. At the time of issuance of the financial statements, Charleston Jazz has adequately responded to these risks.

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.

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to Charleston Jazz that is, in substance, unconditional. 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 in the United States of America. At December 31, 2021 and 2020, 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, 2021 and 2020, Charleston Jazz prepaid assets are comprised of insurance, costs for venue, marketing and other costs for 2021 and 2020 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.

Revenues from Non-Exchange Transactions

Revenues from non-exchange transactions are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of donor restrictions. Revenues from non-exchange transactions may also be subject to restrictions. Revenues from conditional non-exchange transactions are recognized when the restriction is satisfied, which is generally as costs are incurred. In addition, Charleston Jazz has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized. Revenues from non-exchange transactions that are considered unconditional generally are recognized as revenues with donor restrictions when the funds are awarded and are released into net assets without donor restrictions when the purpose has been met.

Revenues from Exchange Transactions

Charleston Jazz has multiple revenue streams that are accounted for as exchange transactions primarily from concert revenues and academy tuition. Because the Charleston Jazz's performance obligations are for a duration of less than one year, Charleston Jazz has elected to apply the optional

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

exemption provided in FASB ASC 606-10-50-14, *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Reclassifications

Certain 2020 balances have been reclassified to conform with 2021 presentation.

Contributions – In-kind

Charleston Jazz receives various donated services, advertising, marketing, printing and office space rent from supporters, which were used for program services and other operating activities. This rent and services totaled \$112,423 and \$132,921 for the years ended December 31, 2021 and 2020, respectively. Charleston Jazz also received donated capital of \$4,500 and donated leasehold upfit payments of \$20,657 for the years ended December 31, 2021 and 2020, 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

Charleston Jazz records expenses on a functional basis among its various program activities and supporting services. Program activities represent the costs associated with the delivery of the Charleston Jazz’s mission. Expenses that can be identified with a specific program or supporting service are charged directly. Other expenses that are common to several functions are allocated by various statistical bases. Salaries and related expenses are allocated based on time and effort. Staff training and conferences, contract services, supplies and other, insurance, promotion and advertising and interest are allocated based on total directly identified expenses. Facility occupancy, repairs and maintenance, depreciation and amortization are allocated based on square footage.

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).

Advertising

Advertising and marketing costs are expensed as incurred.

Federal Financial Assistance

During the years ended December 31, 2021 and 2020, Charleston Jazz applied for and received, forgivable loans under the US Small Business Administration (“SBA”) Paycheck Protection Program in the amounts of \$59,700 and \$59,700 for the years ended December 31, 2021 and 2020, respectively. Further, for the year ended December 31, 2021, Charleston Jazz received from the SBA through its Shuttered Venue Operators Grant program, a \$155,041 grant in support of COVID-19 relief.

2. CONCENTRATION OF CREDIT RISK

Charleston Jazz maintains deposits in commercial bank accounts. At December 31, 2021, Charleston Jazz did not have any deposits in excess of federal depository insurance coverage of \$250,000.

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

3. FURNITURE AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Computers and equipment	\$ 21,742	\$ 21,855
Leasehold improvements	123,944	123,944
Furniture	<u>6,988</u>	<u>6,988</u>
	152,674	152,787
Accumulated depreciation and amortization	<u>(49,908)</u>	<u>(44,122)</u>
	<u>\$ 102,766</u>	<u>\$ 108,665</u>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$11,352 for each of the years ended.

4. LIBRARY AND ARCHIVES

Library and archives consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Music library	\$ 28,274	\$ 27,642
Photography archives	13,936	13,936
Video and audio archives	7,437	7,437
Logo	<u>1,500</u>	<u>1,500</u>
	51,147	50,515
Accumulated amortization	<u>(13,936)</u>	<u>(13,936)</u>
	<u>\$ 37,211</u>	<u>\$ 36,579</u>

5. LINES OF CREDIT

Charleston Jazz has an agreement with a First Horizon Bank for a \$35,000 line of credit. Interest accrues at a variable rate. As of December 31, 2021 and 2020, the outstanding balance was \$0. Interest expense for the years ended December 31, 2021 and 2020 totaled \$0 and \$712, respectively.

During 2020, Charleston Jazz signed a (24) month line of credit agreement with a United Community Bank for a \$50,000. Interest accrues at a fixed rate of 2.95%. As of December 31, 2021 and 2020, the outstanding balance was \$0 and \$42,000, respectively. Interest expense for the years ended December 31, 2021 and 2020 totaled \$182 and \$177, respectively.

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

6. PAYCHECK PROTECTION PROGRAM

On January 25, 2021 and April 10, 2020, Charleston Jazz received \$59,700 and \$59,700 Paycheck Protection Program (“PPP”) loan from the US Small Business Administration (“SBA”) through a commercial lender, respectively. The loan was forgivable under expanding terms if Charleston Jazz was able to retain employees and expend funds under the criteria of the PPP. Charleston Jazz met the terms of PPP forgiveness and applied for and received approval for forgiveness of these notes on June 14, 2021 and January 6, 2021. In accordance with generally accepted accounting principles in the United States of America (US GAAP), an organization can elect to treat a PPP note as federal financial assistance if it is probable it will meet the PPP forgiveness criteria at the time of note issuance or during the term of the related note. Accordingly, Charleston Jazz has treated the forgiveness as federal financial assistance, and not gain on forgiveness of debt under US GAAP. Further, Charleston Jazz presented such federal financial assistance in the operating section of the statements of cash flows versus the financing section under these standards.

7. 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. On April 13, 2020, September 8, 2020 and in December 2020, Charleston Jazz signed a first, second and third amendment to the lease.

In the terms of the amendments, rental payments and payments for tenant upfits were abated from July 1, 2020 to December 31, 2021. Further the lease was extended for (12) months and shall terminated on December 31, 2024.

Future minimum lease payments under the term of the lease are as follows:

2022	\$	76,783
2023		79,087
2024		81,460
Thereafter		-
	\$	237,330

Rent expense for the years ended December 31, 2021 and 2020 was \$76,783 and \$71,848, respectively. Included in rent expense for the year ended December 31, 2021 and 2020 is in-kind (donated) rent of \$76,783 and \$54,150, 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. In accordance with the first, second and third amendments to this lease, these upfit payments were abated for the period due of April 2020 to December 2020. At December 31, 2020, no further upfit payments were due.

**CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

8. 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:

	2021	2020
Charleston Jazz Academy programs	\$ -	\$ 46,619
	\$ -	\$ 46,619

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

	2021	2020
Restricted for Specific Purpose:		
Charleston Jazz Academy scholarships	\$ 20,000	\$ -
Charleston Jazz Academy internship program	4,400	\$ -
Restricted for Passage of Time:		
2022 Festival Sponsorship and memberships	22,000	-
Restricted for Endowment:		
Charleston Jazz Academy endowment for internships	100,747	-
	\$ 147,147	\$ -

9. CHARLESTON JAZZ ACADEMY ENDOWMENT FUND

The state of South Carolina has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing or established after the date of adoption. The corpus of the fund subject to UPMIFA is classified as net assets with donor restrictions. The corpus represents the fair value of the original gifts as of the gift date and all subsequent gifts where the donor has indicated that the gift must be retained in perpetuity. The value of assets in excess of original gifts in donor-restricted endowment funds is classified as net assets with donor restrictions until appropriated for expenditure by Charleston Jazz. The Charleston Jazz Academy Endowment Fund is established to support the Charleston Jazz Academy, its educational programming and outreach, including the provisions of funds for scholarships and internships for Academy students, musicians, teachers, administrators, and other individuals that support and provided related services to the academy.

Spending policy

Spending is based on a total return strategy, which includes both appreciation and income. Charleston Jazz's spending allowance rate is established by the endowment fund agreement. In accordance with UPMIFA, the Board may expend so much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund. Charleston Jazz does not intend to make distributions from the fund in the near term as plans to grow the fund over time. In future years Charleston Jazz will establish a spending percentage in accordance with its endowment fund agreement, which may also include an endowment fund management fee.

CHARLESTON JAZZ
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

9. ENDOWMENT FUNDS FOR THE BENEFIT OF CHARLESTON JAZZ INTERSHIPS - CONTINUED

Investment policy

The overall investment goal for the endowment fund is three-fold: (1) to provide a relatively predictable, stable, and constant spending stream to meet the needs of Charleston Jazz; (2) to preserve and enhance the real (inflation adjusted) purchasing power of the fund; and (3) to increase the fund through unspent income and gains, appreciated value, gifts, and other appropriate funds.

At December 31, 2021, Charleston Jazz has not invested the funds under this policy.

The following represents a description of the endowment net asset composition as of December 31, 2021:

	Without Restrictions	With Donor Restrictions		Total
		Accumulated Gains (Losses)	Original Gift Held in Perpetuity	
Charleston Jazz Academy endowment for internships	\$ -	\$ -	\$ 100,747	\$ 100,747
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,747</u>	<u>\$ 100,747</u>

The following represents changes in endowment net assets for the year ended December 31, 2021:

	Without Restrictions	Accumulated Gains (Losses)	Original Gift Held in Perpetuity	Total
Net endowment net assets, beginning of year	\$ -	\$ -	\$ -	\$ -
Investment return	-	-	-	-
Contributions	-	-	100,747	100,747
Appropriations and spending	-	-	-	-
Net endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,747</u>	<u>\$ 100,747</u>

The endowment was created during 2021, accordingly, no balances or activity was present for the year ended December 31, 2020.

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10. RECENT ACCOUNTING PRONOUNCEMENT AND UPDATES

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit (“NFP”) entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in this ASU will improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services.

The amendments will not change the recognition and measurement requirements. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early application of the amendments is permitted. The amendments in this ASU should be applied on a retrospective basis.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (“Topic 842”), which will require a lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only finance leases to be recognized on the balance sheet—Topic 842 will require both finance and operating leases to be recognized on the statement of financial position. Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for Topic 842. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of Topic 842, as amended, by one year. Additionally, in June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which further deferred the effective date of Topic 842, as amended, by one additional year. The guidance set forth in Topic 842 is now effective for the Organization for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted.

11. 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.

	2021	2020
Financial assets, at December 31:	\$ 260,280	\$ 124,412
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Subject to satisfaction of donor-imposed restrictions	(100,747)	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 159,533	\$ 124,412

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12. SUBSEQUENT EVENTS

Management has evaluated the effect subsequent events would have on the financial statements of Charleston Jazz at December 31, 2021 through May 18, 2022, 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.