



# SAN JOSE JAZZ

**Financial Statements  
March 31, 2018 and 2017**

**Together with  
Independent Auditors' Report**

**SAN JOSE JAZZ**  
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March 31, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
San Jose Jazz  
San Jose, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of San Jose Jazz (the "Organization", a California public benefit corporation), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of  
San Jose Jazz  
San Jose, California

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of March 31, 2018 and 2017, 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.

*Robert Lee & Associates, LLP*

San Jose, California  
December 19, 2018

**SAN JOSE JAZZ**  
**Statements of Financial Position**

	As of March 31,	
	2018	2017
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 368,170	\$ 266,328
Grants receivable, net	115,708	150,484
Pledges receivable	170	43,115
Accounts receivable	200,720	70,047
Prepaid expenses and deposits	23,456	11,710
Total current assets	708,224	541,684
Grant receivable, net	72,290	57,831
Property and equipment, net	25,259	23,690
Total assets	\$ 805,773	\$ 623,205
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 22,243	\$ 32,129
Accrued expenses	36,161	21,892
Deferred revenue	100,199	96,084
Total current liabilities	158,603	150,105
Commitment and contingencies		
Net assets:		
Unrestricted	199,769	70,764
Temporarily restricted	447,401	402,336
Total net assets	647,170	473,100
Total liabilities and net assets	\$ 805,773	\$ 623,205

The accompanying notes are an integral part of these financial statements

**SAN JOSE JAZZ**  
**Statements of Activities and Changes in Net Assets**

For the Years Ended March 31,

	2018			2017		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
<b><u>REVENUE</u></b>						
Festival revenue	\$ 1,055,811	\$ -	\$ 1,055,811	\$ 918,188	\$ -	\$ 918,188
Government grants	63,363	321,377	384,740	66,717	353,529	420,246
Foundation grants	30,694	423,200	453,894	32,831	339,200	372,031
Program fees	158,105	-	158,105	98,160	-	98,160
Contributions	45,288	104,705	149,993	36,237	214,633	250,870
In-kind contributions	143,160	-	143,160	145,860	-	145,860
Membership dues	126,481	-	126,481	106,416	-	106,416
Total revenues and support	1,622,902	849,282	2,472,184	1,404,409	907,362	2,311,771
Special event revenue						
Contributions	-	-	-	20,678	-	20,678
Earned revenues	-	-	-	50,952	-	50,952
Less cost of direct benefit to donors	-	-	-	(37,256)	-	(37,256)
Total special event revenue, net	-	-	-	34,374	-	34,374
Net assets released from restriction	804,217	(804,217)	-	744,978	(744,978)	-
Total revenue	2,427,119	45,065	2,472,184	2,183,761	162,384	2,346,145
<b><u>EXPENSES</u></b>						
Program services						
Concert series	363,746	-	363,746	438,242	-	438,242
Education and outreach	400,425	-	400,425	344,431	-	344,431
Festival	1,310,374	-	1,310,374	1,211,091	-	1,211,091
Supporting services						
Management and general	112,092	-	112,092	236,071	-	236,071
Fundraising	111,477	-	111,477	88,549	-	88,549
Total expenses	2,298,114	-	2,298,114	2,318,384	-	2,318,384
<b><u>CHANGE IN NET ASSETS</u></b>	129,005	45,065	174,070	(134,623)	162,384	27,761
Net assets, beginning of year	70,764	402,336	473,100	205,387	239,952	445,339
Net assets, end of year	\$ 199,769	\$ 447,401	\$ 647,170	\$ 70,764	\$ 402,336	\$ 473,100

The accompanying notes are an integral part of these financial statements

**SAN JOSE JAZZ**  
**Statements of Functional Expenses**  
For the Year Ended March 31, 2018

	Program services				Supporting services			Total
	Concert series	Education and outreach	Festival	Total	Management and general	Fundraising	Total	
Personal expenses:								
Salaries and wages	\$ 89,171	\$ 93,822	\$ 135,587	\$ 318,580	\$ 71,152	\$ 31,281	\$ 102,433	\$ 421,013
Payroll taxes	7,408	7,794	11,262	26,464	5,911	2,599	8,510	34,974
Employee health insurance benefits	7,713	8,115	11,726	27,554	6,193	2,706	8,899	36,453
Total personnel expenses	104,292	109,731	158,575	372,598	83,256	36,586	119,842	492,440
Clinicians and musicians	121,040	165,082	354,679	640,801	-	-	-	640,801
Outside services	29,683	42,902	294,989	367,574	1,722	757	2,479	370,053
Advertising / outreach	37,265	4,079	188,394	229,738	-	25,800	25,800	255,538
Equipment lease / purchase	4,304	23,084	151,097	178,485	-	-	-	178,485
Travel and mileage	25,857	13,528	59,162	98,547	691	304	995	99,542
Professional fees	19,902	19,893	8,172	47,967	3,315	40,773	44,088	92,055
Concession costs	-	-	53,553	53,553	-	-	-	53,553
Occupancy	8,003	8,421	12,169	28,593	7,886	2,808	10,694	39,287
Dues, fees, and other charges	6,402	6,343	11,144	23,889	5,039	1,994	7,033	30,922
Insurance	1,996	2,100	10,837	14,933	1,593	700	2,293	17,226
Depreciation	3,384	3,560	5,143	12,087	2,699	1,187	3,886	15,973
Office expense	1,493	1,571	2,270	5,334	4,791	524	5,315	10,649
Miscellaneous	125	131	190	446	1,100	44	1,144	1,590
Total expenses	<u>\$ 363,746</u>	<u>\$ 400,425</u>	<u>\$ 1,310,374</u>	<u>\$ 2,074,545</u>	<u>\$ 112,092</u>	<u>\$ 111,477</u>	<u>\$ 223,569</u>	<u>\$ 2,298,114</u>

The accompanying notes are an integral part of these financial statements

**SAN JOSE JAZZ**  
**Statements of Functional Expenses (continued)**  
For the Year Ended March 31, 2017

	Program services				Supporting services			Total
	Concert series	Education and outreach	Festival	Total	Management and general	Fundraising	Total	
Personal expenses:								
Salaries and wages	\$ 79,632	\$ 35,392	\$ 106,176	\$ 221,200	\$ 76,037	\$ 48,387	\$ 124,424	\$ 345,624
Payroll taxes	6,693	2,975	8,924	18,592	6,391	4,067	10,458	29,050
Employee health insurance	6,755	4,402	9,007	20,164	6,450	4,105	10,555	30,719
Total personnel expenses	93,080	42,769	124,107	259,956	88,878	56,559	145,437	405,393
Clinicians and musicians	99,815	180,946	353,657	634,418	1,500	-	1,500	635,918
Outside services	110,570	57,737	273,163	441,470	3,026	1,897	4,923	446,393
Advertising / outreach	29,132	6,042	158,373	193,547	66,234	3,000	69,234	262,781
Equipment lease / purchase	10,630	23,909	153,985	188,524	-	-	-	188,524
Professional fees	27,985	9,771	29,313	67,069	52,602	13,359	65,961	133,030
Travel and mileage	27,142	12,119	41,743	81,004	722	459	1,181	82,185
Concession costs	-	-	38,225	38,225	-	-	-	38,225
Dues, fees, and other charges	8,294	4,173	11,884	24,351	6,903	4,393	11,296	35,647
Occupancy	8,185	3,638	10,913	22,736	7,816	4,974	12,790	35,526
Insurance	10,640	1,054	10,785	22,479	2,264	1,441	3,705	26,184
Depreciation	11,040	1,023	3,070	15,133	2,198	1,399	3,597	18,730
Office expense	1,614	997	1,873	4,484	1,542	981	2,523	7,007
Miscellaneous	115	253	-	368	2,386	87	2,473	2,841
Total expenses	\$ 438,242	\$ 344,431	\$ 1,211,091	\$ 1,993,764	\$ 236,071	\$ 88,549	\$ 324,620	\$ 2,318,384

The accompanying notes are an integral part of these financial statements



**SAN JOSE JAZZ**  
**Statements of Cash Flows**

	For the Year Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 174,070	\$ 27,761
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15,973	18,730
Discount on grant receivable	(541)	(2,169)
Allowance for doubtful accounts	-	(2,250)
Changes in operating assets and liabilities:		
Grants receivable	20,858	(22,272)
Pledges receivable	42,945	(32,945)
Accounts receivable	(130,673)	(7,218)
Prepaid expenses and deposits	(11,746)	5,143
Accounts payable	(9,886)	5,864
Accrued expenses	14,269	(9,822)
Deferred revenue	4,115	30,292
Net cash provided by operating activities	119,384	11,114
Cash flows used from investing activities:		
Purchase of property and equipment	(17,542)	(3,448)
Net cash used in investing activities	(17,542)	(3,448)
Increase in cash	101,842	7,666
Cash, beginning of year	266,328	258,662
Cash, end of year	\$ 368,170	\$ 266,328

The accompanying notes are an integral part of these financial statements

**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
March 31, 2018

**Note 1 - Organization and operations:**

San Jose Jazz (the “Organization”) is a community-based Organization, incorporated in 1986. The purpose of the Organization is to enrich the community through music education and performance. San Jose Jazz is an innovative educational organization whose commitment to education and the community goes back over thirty years.

The Organization offers the following programs: The San Jose Jazz Summer Fest, held annually in the summer. A year round music education program offering aspiring young musicians throughout Silicon Valley a range of programs designed for grades kindergarten through twelve, from jazz appreciation to advanced musical instruction and performance to youth development. In addition, the Organization puts on the following events: the Winter Festival, Wednesday Night Jazz Series, Summer Jazz Camp, and the South First Friday Concerts. San Jose Jazz is the home of the San Jose Jazz High School All Stars.

The Organization has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d). The Organization’s support and revenues are primarily from contributions and festival program revenues.

**Note 2 - Summary of significant accounting policies:**

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - The Organization presents its financial statements regarding its financial position and activities according to three classes of net assets:

- *Unrestricted net assets* consist of net assets for which there are no donor-imposed restrictions or such donor-imposed restrictions were temporary and expired during the current or previous years.
- *Temporarily restricted net assets* represent contributions whose use is restricted by the donor, often based on time or purpose. Generally, these assets will be expended over a period of time and are not available for immediate use.
- *Permanently restricted net assets* are those whose use is restricted to a specific use in perpetuity. There were no permanently restricted net assets as of March 31, 2018 and 2017.

**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
March 31, 2018

**Note 2 - Summary of significant accounting policies (continued):**

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates included in these financial statements relate primarily to the valuation of present value discount of long-term grants receivable, depreciation, deferred revenue, functional expense allocation and in-kind contributions.

Revenue recognition - The Organization recognizes revenues from grants and program fees in the period in which the conditions are met or the service is provided.

Membership dues are deferred upon receipt and recognized as revenue ratably over the membership period, generally for the one-year period effective as of the month of receipt.

The Organization records contributions, grants and pledges receivable at their fair value in the period the contribution, grant or pledge is received. The Organization reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as both restricted and released. All other contributed support is recognized as unrestricted revenue when received or unconditionally promised.

In-kind support - The Organization records various types of in-kind support including various professional services and tangible assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated, principally on a direct cost basis, among the classifications. Expenses applicable to more than one program are allocated based on usage and management's estimates.

**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
March 31, 2018

**Note 2 - Summary of significant accounting policies (continued):**

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. The Organization considers all unrestricted highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. The carrying amount in the statements of financial position approximates fair value.

Grants and pledges receivable - Grants and pledges receivable are either unconditional or conditional. Unconditional pledges receivable are pledges that depend only on the passage of time or the demand by the donor for performance. A conditional grant or pledge receivable is a pledge that depends on the occurrence of a specified future and uncertain event to bind the donor. Unconditional grants or pledges receivable represent the remaining grants or pledges due from the donors who have pledged funds to the Organization for use in its programs. There were no conditional grants or pledges for the years ended March 31, 2018 and 2017.

Contributions that are promised in one year but are expected to be received after the end of that year (or over a number of years) are considered grants or pledges depending on the agreement from the contributor. Grants and pledges are predominantly associated with amounts receivable for the Organization's festivals. Grants and pledges are discounted at a reasonable rate of interest based on the Organization's applicable borrowing rates. An allowance reserve for uncollectible pledges receivable is determined based on management's evaluation of each outstanding grants and pledges for collectability. For the year ended March 31, 2017 an allowance of approximately \$2,300 was recorded. Management believes all amounts to be fully collectible in the current year and therefore, no allowance has been recorded for the year ended March 31, 2018.

Accounts receivable and allowance for doubtful accounts - Accounts receivable amounts are those receivables deemed to be collectible within the next twelve-month period. Accounts receivable are predominately associated with program services. An allowance reserve for uncollectible accounts receivable is determined based on management's evaluation of each outstanding receivables for collectability. Management believes all amounts to be fully collectible and therefore, no allowance has been recorded for the years ended March 31, 2018 and 2017.

**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
 March 31, 2018

**Note 2 - Summary of significant accounting policies (continued):**

Property, equipment and depreciation - Purchased property and equipment are stated at cost. Significant donated property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years. The Organization capitalizes property and equipment with a value over \$1,000. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Deferred revenue - Deferred revenue predominantly represents membership dues that are deferred upon receipt and recognized as revenue ratably over the membership period, generally for the one-year period effective as of the month of receipt. Other deferred revenue components represent sponsorship, ticket, and booth fees received in advance for future festivals.

Advertising - Advertising costs are expensed as incurred. Advertising and marketing expense for the years ended March 31, 2018 and 2017 were approximately \$230,000 and \$194,000, respectively.

Concentration of credit risk - Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash and cash equivalents and receivables. The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. At times, such amounts might exceed Federal Deposit Insurance Corporation (FDIC) limits. In addition, cash equivalents primarily consisting of money market funds are not insured by FDIC. The Organization's receivables are from donors, contracts and grants which have been paid in accordance with agreed upon terms. The Organization has not experienced significant credit losses.

Other concentrations - Donor contributions comprising more than 10% of the Organization's combined receivables are as follows at March 31:

	<u>2018</u>	<u>2017</u>
Donor A	38%	Less than 10%
Donor B	30%	37%
Donor C	26%	22%
Donor D	Less than 10%	11%

**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
March 31, 2018

**Note 2 - Summary of significant accounting policies (continued):**

Fair value of financial instruments - Financial instruments included in the Organization's statements of financial position as of March 31, 2018 and 2017 include cash and cash equivalents, receivables, accounts payable and accrued expenses. The carrying amounts for these accounts represent a reasonable estimate of the corresponding fair values.

Accounting for uncertainty in income taxes - The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. For the years ended March 31, 2018 and 2017, management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is March 31, 2015 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years March 31, 2014 and forward.

Recent accounting pronouncements - In May 2014, the Financial Accounting Standards Board "FASB" issued Accounting Standard Update "ASU" No. 2014-09 "Revenue from Contracts with Customers (Topic 606)". The ASU provides guidance over the core principle of recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. ASU 2014-09 will supersede the revenue recognition requirements in FASB Accounting Standard Codification (ASC) 605, "Revenue Recognition", and most industry-specific guidance throughout the Industry Topics of the FASB ASC. The purpose of the new standard is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). In August 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" which will defer the effective date of ASU No. 2014-09 "Revenue from Contracts with Customers" for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08 "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations. The ASU improves operability and understandability of Topic 606 in principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10 "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing". The ASU expands on Topic 606 with clarification over identifying performance obligations and licensing. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted under several options, the earliest for a year

**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
March 31, 2018

**Note 2 - Summary of significant accounting policies (continued):**

Recent accounting pronouncements (continued) - beginning after December 15, 2016 and interim periods within that year. Various retrospective application methods are available. Management has not determined the impact on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02 “Leases.” The ASU is intended to increase transparency and comparability between organizations recognizing lease assets and liabilities by recognizing lease assets and lease liabilities on the balance sheet and increasing the related disclosures. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted. The adoption of this guidance is expected to have a material impact on the Organization’s financial statements. Management has not yet evaluated the impact of the guidance on the Organization’s financial statements.

In August 2016, the FASB issued ASU No. 2016-14 “Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities.” The ASU is intended to improve identified issues about the current financial reporting for Not-for-Profits. This ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted. Management has not determined the impact of this pronouncement.

In June 2018, the FASB issued ASU No. 2018-08 “Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” The new standard provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018. Early application is permitted. Management has not determined the impact of this pronouncement.

Subsequent events - Subsequent events are evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of March 31, 2018.

**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
 March 31, 2018

**Note 3 - Grants receivable:**

Grants receivable are recorded after discounting the future cash flows to present value using a discount rate of 3.75%. During the year ended March 31, 2018 and 2017, the Organization discounted the receivable by approximately \$2,700 and \$2,300, respectively.

The composition of grants receivable is as follows at March 31:

	2018		
Amounts due in:	Government	Foundation	Total
Less than one year	\$ 103,187	\$ 12,521	\$ 115,708
One to five years	-	75,000	75,000
	103,187	87,521	190,708
Total grants receivable			
Less:			
Present value discount	-	2,710	2,710
	103,187	84,811	187,998
Grants receivable, net	\$ 103,187	\$ 84,811	\$ 187,998
	2017		
Amounts due in:	Government	Foundation	Total
Less than one year	\$ 70,831	\$ 81,904	\$ 152,734
One to five years	-	60,000	60,000
	70,831	141,904	212,734
Total grants receivable			
Less:			
Allowance for doubtful accounts	-	2,250	2,250
Present value discount	-	2,169	2,169
	70,831	137,485	208,315
Grants receivable, net	\$ 70,831	\$ 137,485	\$ 208,315



**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
 March 31, 2018

**Note 4 - Property and equipment:**

Property and equipment consisted of the following at March 31:

	2018	2017
Truck	\$ 39,300	\$ 29,580
Computer software	38,590	33,116
Machinery and equipment	20,260	16,894
Office Furniture	4,789	4,789
Total	102,939	84,379
Less: accumulated depreciation	(77,680)	(60,689)
Total	\$ 25,259	\$ 23,690

Depreciation expense for the years ended March 31, 2018 and 2017 was approximately \$16,000 and \$19,000, respectively.

**Note 5 - Line of credit:**

The Organization entered into a line of credit agreement in January 2017, which will expire February 2019. Under the terms of the agreement, the Organization can borrow up to \$100,000, borrowings are secured by substantially all assets of the Organization and bears interest at the greater of 6.00% or the bank's prime rate plus 2.25% (6.75% at March 31, 2018). During the years ended March 31, 2018 and 2017, the Organization maintained a zero balance through the year on the line of credit.

**Note 6 - Deferred revenue:**

Deferred revenue consisted of the following at March 31:

	2018	2017
Festival ticket fees	\$ 66,264	\$ 51,393
Booth and summer camp fees	12,400	11,425
Booking fee	10,000	-
Membership dues	4,035	33,266
Total	\$ 100,199	\$ 96,084

**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
 March 31, 2018

**Note 7 - In-kind contributions:**

The Organization had the following in-kind contributions for the years ended March 31, 2018:

	<u>2018</u>	<u>2017</u>
Advertising	\$ 66,890	\$ 52,050
Supplies and equipment	28,920	44,000
Transportation, lodging and venue	28,150	25,850
Catering	15,000	-
Miscellaneous	3,600	3,600
Professional services	600	20,360
Total	<u>\$ 143,160</u>	<u>\$ 145,860</u>

**Note 8 - Temporarily restricted net assets:**

Temporarily restricted net assets were restricted and released for the following purposes at March 31, 2018:

	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Time restricted	\$ 180,000	\$ 144,000	\$ (134,000)	\$ 190,000
Progressions project	102,186	65,640	(152,586)	15,240
Operating	-	212,397	(175,705)	36,692
Festivals	18,000	364,920	(230,420)	152,500
Mobile music	67,362	20,000	(72,362)	15,000
Community outreach and education	34,788	42,325	(39,144)	37,969
Temporary net assets	<u>\$ 402,336</u>	<u>\$ 849,282</u>	<u>\$ (804,217)</u>	<u>\$ 447,401</u>

**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
 March 31, 2018

**Note 8 - Temporarily restricted net assets (continued):**

Temporarily restricted net assets were restricted and released for the following purposes at March 31, 2017:

	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Time restricted	\$ 85,000	\$ 200,000	\$ (105,000)	\$ 180,000
Progressions project	140,618	96,463	(134,895)	102,186
Operating	-	154,259	(154,259)	-
Festivals	-	156,158	(138,158)	18,000
Mobile music	14,334	126,112	(73,084)	67,362
Community outreach and education	-	174,370	(139,582)	34,788
Temporary net assets	<u>\$ 239,952</u>	<u>\$ 907,362</u>	<u>\$ (744,978)</u>	<u>\$ 402,336</u>

**Note 9 - Section 125 plan:**

The Organization has sponsored a Section 125 Plan in which employees who have met the eligibility requirement of three months of service may participate. Eligible employees may contribute to the plan.

**Note 10 - Fundraising expense:**

The Organization holds a special event every other year. The Organization had the following fundraising expenses for the years ended March 31:

	<u>2018</u>	<u>2017</u>
Special Events:		
Contract labor	\$ -	\$ 11,770
Miscellaneous	-	21,037
Equipment rental	-	4,449
Total special events	-	37,256
Other fundraising expenses	<u>111,477</u>	<u>88,549</u>
Total fundraising expenses	<u>\$ 111,477</u>	<u>\$ 125,805</u>

**SAN JOSE JAZZ**  
**Notes to Financial Statements**  
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**Note 11 - Commitment and contingencies:**

Lease commitment - The Organization leases office space on a month-to-month basis. Rental expense under these agreements was \$24,000, annually, for the years ended March 31, 2018 and 2017, respectively.

As of March 2018 the Organization leased office equipment under a five-year operating lease with total annual lease payments of approximately \$1,600. Lease expense for office equipment was approximately \$140 in 2018.

Contingencies - Conditions contained within the various contracts awarded to the Organization are subject to the funding agency's criteria and regulations under which expenditures may be charged against and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding in the amount of such costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

**Note 12 - Related-party transactions:**

The Organization's volunteer members of the Board of Directors are active in oversight of the festival and in making private contributions. Contributions received from the Board of Directors or from companies with which the Board of Directors is affiliated and members of management were approximately \$24,000 and \$55,000 for the years ended March 31, 2018 and 2017, respectively.