**Financial Statements**
**March 31, 2024 and 2023**

**Together with**
**Independent Auditors' Report**

# SAN JOSE JAZZ

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March 31, 2024


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Robert Lee & Associates, LLP

# INDEPENDENT AUDITORS' REPORT

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

## Opinion

We have audited the financial statements of San Jose Jazz (the "Organization"), a California nonprofit public benefit corporation, which comprise the statements of financial position as of March 31, 2024 and 2023, 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.

In our opinion, the accompanying financial statements referred to above presents fairly, in all material respects, the financial position of the Organization as of March 31, 2024 and 2023, 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 ("GAAS"). 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 Organization 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

**Auditors' 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 GAAS 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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.

San Jose, California
July 31, 2024

# SAN JOSE JAZZ
## Statements of Financial Position

| | As of March 31, 2024 | As of March 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 706,120 | $ 583,907 |
| Investments | 1,308,640 | 1,002,441 |
| Grants receivable | 147,927 | 264,986 |
| Pledges receivable | 70,000 | 52,900 |
| Accounts receivable | 48,381 | 94,134 |
| Employee Retention Credit receivable | 84,333 | 79,329 |
| Other receivables | 23,746 | 10,445 |
| Prepaid expenses and deposits | 44,029 | 44,308 |
| Total current assets | 2,433,176 | 2,132,450 |
| Pledges receivable, net | 68,735 | - |
| Property and equipment, net | 87,263 | 54,513 |
| Total assets | $ 2,589,174 | $ 2,186,963 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Accounts payable | $ 11,715 | $ 8,257 |
| Accrued expenses | 71,130 | 56,564 |
| Deferred revenue | 247,398 | 15,805 |
| Total current liabilities | 330,243 | 80,626 |
| Commitment and contingencies | | |
| Net assets: | | |
| Without donor restrictions | 1,437,268 | 1,387,504 |
| Without donor restrictions - board designated | 500,000 | 500,000 |
| With donor restrictions | 321,663 | 218,833 |
| Total net assets | 2,258,931 | 2,106,337 |
| Total liabilities and net assets | $ 2,589,174 | $ 2,186,963 |

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, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | | 2023 | | |
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| **REVENUE** | | | | | | |
| Festival revenue | $ 1,388,462 | $ - | $ 1,388,462 | $ 1,299,450 | $ - | $ 1,299,450 |
| Government grants | 151,575 | 312,088 | 463,663 | 519,151 | 487,298 | 1,006,449 |
| Foundation grants | 51,008 | 520,535 | 571,543 | 20,658 | 154,748 | 175,406 |
| Program fees | 241,345 | - | 241,345 | 162,680 | - | 162,680 |
| Contributions | 153,174 | 44,699 | 197,873 | 82,051 | 155,950 | 238,001 |
| In-kind contributions | 124,238 | - | 124,238 | 109,980 | - | 109,980 |
| Membership dues | 94,580 | - | 94,580 | 50,250 | - | 50,250 |
| Investment income | 55,282 | - | 55,282 | 3,158 | - | 3,158 |
| Other income | 3,654 | - | 3,654 | - | - | - |
| Employee Retention Credit | 84,333 | - | 84,333 | 79,329 | - | 79,329 |
| | 2,347,651 | 877,322 | 3,224,973 | 2,326,707 | 797,996 | 3,124,703 |
| Special event revenue | 77,216 | - | 77,216 | 71,435 | - | 71,435 |
| Less cost of direct benefit to donors | (27,723) | - | (27,723) | (28,100) | - | (28,100) |
| Total special event revenue, net | 49,493 | - | 49,493 | 43,335 | - | 43,335 |
| Concessions revenue | 141,606 | - | 141,606 | 114,437 | - | 114,437 |
| Less cost of goods sold | (60,515) | - | (60,515) | (33,162) | - | (33,162) |
| Total concessions revenue, net | 81,091 | - | 81,091 | 81,275 | - | 81,275 |
| Net assets released from restriction | 774,492 | (774,492) | - | 938,396 | (938,396) | - |
| Total revenue and support | 3,252,727 | 102,830 | 3,355,557 | 3,389,713 | (140,400) | 3,249,313 |
| **EXPENSES** | | | | | | |
| Program services: | | | | | | |
| Concert series | 457,948 | - | 457,948 | 573,605 | - | 573,605 |
| Education and outreach | 549,334 | - | 549,334 | 376,116 | - | 376,116 |
| Festival | 1,767,926 | - | 1,767,926 | 1,793,082 | - | 1,793,082 |
| Supporting services: | | | | | | |
| Management and general | 236,883 | - | 236,883 | 249,995 | - | 249,995 |
| Fundraising | 190,872 | - | 190,872 | 217,605 | - | 217,605 |
| Total expenses | 3,202,963 | - | 3,202,963 | 3,210,403 | - | 3,210,403 |
| Change in net assets | 49,764 | 102,830 | 152,594 | 179,310 | (140,400) | 38,910 |
| Net assets, beginning of year | 1,887,504 | 218,833 | 2,106,337 | 1,708,194 | 359,233 | 2,067,427 |
| Net assets, end of year | $ 1,937,268 | $ 321,663 | $ 2,258,931 | $ 1,887,504 | $ 218,833 | $ 2,106,337 |

The accompanying notes are an integral part of these financial statements

# SAN JOSE JAZZ

## Statements of Functional Expense

For the Year Ended March 31, 2024

| | Program services | | | | Supporting services | | | |
|---|---|---|---|---|---|---|---|---|
| | Concert series | Education and outreach | Festival | Total program services | Management and general | Fundraising | Cost of direct benefit to donors | Total |
| Personnel expenses: | | | | | | | | |
| Salaries and wages | $ 191,495 | $ 406,632 | $ 272,253 | $ 870,380 | $ 139,465 | $ 130,076 | $ 315 | $ 1,140,236 |
| Payroll taxes | 14,610 | 35,368 | 19,977 | 69,955 | 9,896 | 9,524 | - | 89,375 |
| Employee benefits | 15,518 | 23,520 | 18,491 | 57,529 | 15,518 | 14,168 | - | 87,215 |
| Total personnel expenses | 221,623 | 465,520 | 310,721 | 997,864 | 164,879 | 153,768 | 315 | 1,316,826 |
| Musicians | 104,582 | 5,600 | 580,290 | 690,472 | - | - | 1,400 | 691,872 |
| Other production cost | 48,310 | 55,650 | 207,909 | 311,869 | - | - | 22,739 | 334,608 |
| Equipment rental | 5,690 | - | 240,887 | 246,577 | - | - | 2,496 | 249,073 |
| Advertising and marketing | 30,138 | 3,437 | 186,954 | 220,529 | 6,774 | 5,158 | 685 | 233,146 |
| Contract labor | 12,595 | - | 195,557 | 208,152 | - | - | 88 | 208,240 |
| Concession cost of goods sold | 399 | - | 60,116 | 60,515 | - | - | - | 60,515 |
| Professional fee | 104 | 10,027 | 4,657 | 14,788 | 30,304 | 95 | - | 45,187 |
| Occupancy | 8,680 | 2,264 | 10,190 | 21,134 | 8,680 | 7,926 | - | 37,740 |
| Bank fee | 7,771 | 2,027 | 9,122 | 18,920 | 7,771 | 7,095 | - | 33,786 |
| Other operating expenses | 6,031 | 1,568 | 7,055 | 14,654 | 6,004 | 5,487 | - | 26,145 |
| Depreciation expense | 5,965 | 1,556 | 7,002 | 14,523 | 5,964 | 5,446 | - | 25,933 |
| Office expense | 3,243 | 846 | 3,807 | 7,896 | 3,243 | 2,961 | - | 14,100 |
| Insurance | 3,216 | 839 | 3,775 | 7,830 | 3,216 | 2,936 | - | 13,982 |
| Interest expense | - | - | - | - | 48 | - | - | 48 |
| | 458,347 | 549,334 | 1,828,042 | 2,835,723 | 236,883 | 190,872 | 27,723 | 3,291,201 |
| Less expenses included with revenues on the statement of activities | | | | | | | | |
| Concessions cost of goods sold | (399) | - | (60,116) | (60,515) | - | - | - | (60,515) |
| Special event expenses with direct benefit to donors | - | - | - | - | - | - | (27,723) | (27,723) |
| Total expenses | $ 457,948 | $ 549,334 | $ 1,767,926 | $ 2,775,208 | $ 236,883 | $ 190,872 | $ - | $ 3,202,963 |

The accompanying notes are an integral part of these financial statements

# SAN JOSE JAZZ

## Statements of Functional Expense (continued)

For the Year Ended March 31, 2023

| | Program services | | | | Supporting services | | | |
|---|---|---|---|---|---|---|---|---|
| | Concert series | Education and outreach | Festival | Total program services | Management and general | Fundraising | Cost of direct benefit to donors | Total |
| Personnel expenses: | | | | | | | | |
| Salaries and wages | $ 141,219 | $ 295,436 | $ 262,254 | $ 698,909 | $ 159,514 | $ 125,634 | 640 | $ 984,697 |
| Payroll taxes | 11,583 | 25,342 | 19,737 | 56,662 | 11,429 | 8,980 | - | 77,071 |
| Employee benefits | 12,490 | 3,706 | 21,546 | 37,742 | 19,952 | 15,376 | - | 73,070 |
| Total personnel expenses | 165,292 | 324,484 | 303,537 | 793,313 | 190,895 | 149,990 | 640 | 1,134,838 |
| Musicians | 145,778 | 2,100 | 607,668 | 755,546 | - | - | 1,600 | 757,146 |
| Other production cost | 50,461 | 27,088 | 284,437 | 361,986 | - | - | 20,664 | 382,650 |
| Advertising and marketing | 64,438 | 1,989 | 190,395 | 256,822 | 8,652 | 7,949 | 2,037 | 275,460 |
| Contract labor | 85,543 | 9,226 | 125,663 | 220,432 | - | 16,137 | 750 | 237,319 |
| Equipment rental | 12,811 | 829 | 217,711 | 231,351 | - | - | 2,153 | 233,504 |
| Professional fee | 22,462 | 2,365 | 26,081 | 50,908 | 10,099 | 11,827 | - | 72,834 |
| Occupancy | 5,886 | 1,378 | 9,989 | 17,253 | 9,645 | 7,578 | - | 34,476 |
| Concession cost of goods sold | 1,450 | - | 31,712 | 33,162 | - | - | - | 33,162 |
| Other operating expenses | 6,203 | 3,507 | 4,627 | 14,337 | 8,951 | 7,387 | 256 | 30,931 |
| Bank fee | 5,818 | 1,164 | 8,437 | 15,419 | 7,855 | 5,818 | - | 29,092 |
| Depreciation expense | 4,091 | 963 | 6,979 | 12,033 | 6,740 | 5,294 | - | 24,067 |
| Insurance | 2,523 | 594 | 4,305 | 7,422 | 4,156 | 3,266 | - | 14,844 |
| Office expense | 2,299 | 429 | 3,253 | 5,981 | 3,002 | 2,359 | - | 11,342 |
| | 575,055 | 376,116 | 1,824,794 | 2,775,965 | 249,995 | 217,605 | 28,100 | 3,271,665 |
| Less expenses included with revenues on the statement of activities | | | | | | | | |
| Concessions cost of goods sold | (1,450) | - | (31,712) | (33,162) | - | - | - | (33,162) |
| Special event expenses with direct benefit to donors | - | - | - | - | - | - | (28,100) | (28,100) |
| Total expenses | $ 573,605 | $ 376,116 | $ 1,793,082 | $ 2,742,803 | $ 249,995 | $ 217,605 | $ - | 3,210,403 |

The accompanying notes are an integral part of these financial statements

# SAN JOSE JAZZ
## Statements of Cash Flows

| | For the Years Ended March 31, 2024 | 2023 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 152,594 | $ 38,910 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Realized and unrealized losses on investments | 1,201 | 5,609 |
| Discount on grants and pledges receivable | 3,465 | (3,750) |
| Depreciation | 25,933 | 24,067 |
| Changes in operating assets and liabilities: | | |
| Grants receivable | 117,059 | (199,254) |
| Pledges receivable | (89,300) | 126,275 |
| Accounts receivable | 45,753 | 17,247 |
| Employee Retention Credit receivable | (5,004) | (2,989) |
| Other receivables | (13,301) | - |
| Prepaid expenses and deposits | 279 | (14,356) |
| Accounts payable | 3,458 | (10,258) |
| Accrued expenses | 14,566 | 11,096 |
| Deferred revenue | 231,593 | (446,592) |
| Net cash provided (used) by operating activities | 488,296 | (453,995) |
| Cash flows from investing activities: | | |
| Purchases of investments | (900,000) | (1,171,050) |
| Proceeds from sales of investments | 592,600 | 163,000 |
| Purchase of property and equipment | (58,683) | (15,664) |
| Net cash used in investing activities | (366,083) | (1,023,714) |
| Increase (decrease) in cash and cash equivalents | 122,213 | (1,477,709) |
| Cash and cash equivalents, beginning of year | 583,907 | 2,061,616 |
| Cash and cash equivalents, end of year | $ 706,120 | $ 583,907 |

The accompanying notes are an integral part of these financial statements

# SAN JOSE JAZZ
**Notes to Financial Statements**
March 31, 2024

## 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 information regarding its financial position and activities according to two classes of net assets:

- *Without donor restrictions* - net assets which are available to support all activities of the Organization without restrictions and include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation.

- *With donor restrictions* - net assets which represent contributions whose use is limited to donor-imposed stipulations that expire by the passage of time, or other restrictions and for which the applicable restriction was not met as of the end of the current reporting period. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as assets released from restriction.

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

Reclassification - Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements.

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 and pledges receivable, depreciation, functional expense allocation, and in-kind contributions.

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.

Investments - The Organization's investments are valued in accordance with Fair Value Measurements. The Organization may have risk associated with its concentration of investments in one geographic region and in certain industries.

Grants and pledges receivable - Grants and pledges receivable are either unconditional or conditional. Unconditional grants or 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 at March 31, 2024 and 2023.

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 grant and pledge for collectability. Management believes all amounts to be fully collectible and therefore, no allowance has been recorded for the years ended March 31, 2024 and 2023.

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

Accounts receivable and allowance for credit losses - Accounts receivable amounts and discounts 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 receivable for collectability. Management believes all amounts to be fully collectible and therefore, no allowance has been recorded for the years ended March 31, 2024 and 2023. Accounts and grants receivable consisting of amounts due from service contracts totaled approximately $41,000, $177,000, and $93,000 as of March 31, 2024, 2023, and 2022, respectively.

Employee Retention Credit receivable - Under section 2301 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the Organization has elected to claim the Employee Retention Credit ("ERC") which is a refundable tax credit against certain employment taxes. During the year ended March 31, 2023 management determined approximately $79,000 would be refunded back based on qualified wages incurred from January 1, 2021 through March 31, 2021. As the conditions for the credit existed as of March 31, 2023, management recognized the benefit as a receivable on the balance sheet for the year ended March 31, 2023. During the year ended March 31, 2024, management determined approximately $84,000 would be refunded back based on qualified wages incurred from April 1, 2021 through June 30, 2021. As the conditions for this credit existed as of March 31, 2024, management recognized the benefit as a receivable on the statement of financial position for the year ended March 31, 2024. As of the date of this letter, management believes that the remaining receivable will be collected during the fiscal year ended March 31, 2025.

Property and equipment, net - 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 sponsorships, ticket sales, and booth fees received in advance for future festivals.

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

Revenue recognition - Revenue from exchange transactions: In accordance with Accounting Standards Codification ("ASC") 606, the Organization recognizes revenue upon the transfer of goods or services to a customer at an amount that reflects the expected consideration to be received in exchange for those goods or services. The principles in ASC 606 are applied using the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Organization satisfies its performance obligation(s). The Organization recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services.

*Festival revenue* - Festival ticket sales, event related revenues, sponsorships, and contributions are recognized in the period in which the event occurs. The Organization establishes the transaction price for tickets and event related revenues. As each type of ticket or service is individually priced, no allocation of the transaction price is necessary. The performance obligation is the delivery of the related festival. Festival ticket sales, event related revenues, and sponsorships that are collected by the Organization in advance of the festival occurring are initially recognized as deferred revenue and recognized as revenue upon the delivery of the festival.

*Grants and Program fees* - The Organization conducts educational and outreach programs. Fees for these programs include supplies, staffing, and facility costs. These items are not separately priced and are therefore considered to be one performance obligation and are recognized in the period in which the conditions are met, or the service is provided.

*Membership dues* - The Organization offers memberships at various levels which are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total dues paid and the exchange element. The Organization recognizes the exchange portion of membership dues over the membership period, and the contribution portion when received.

Payments received for membership dues in advance of the Organization satisfying its performance obligation are recorded within deferred revenues in the accompanying statements of financial position. The changes in deferred membership dues were caused by normal timing differences between the satisfaction of performance obligations and customer payments.

*Special events* - The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

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

Contributions - 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.

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. Salaries and fringe benefits are allocated on a percentage basis between functional categories based on job description or time estimates. Salary allocation percentages are also used to allocate certain indirect costs, including but not limited to facilities expenses, office supplies and equipment, information technology expenses, and depreciation.

Advertising - Advertising costs are expensed as incurred. Advertising and marketing expense for the years ended March 31, 2024 and 2023 were approximately $233,000 and $275,000, 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.

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

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

| | 2024 | 2023 |
|---|---|---|
| Donor A | 31% | 34% |
| Donor B | 29% | Less than 10% |
| Donor C | 19% | Less than 10% |
| Donor D | Less than 10% | 29% |
| Donor E | Less than 10% | 18% |

Fair value of financial instruments - Unless otherwise indicated, the fair values of all reported assets and liabilities approximate the carrying values of such amounts.

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, 2024 and 2023, management did not identify any uncertain tax positions.

Recently adopted accounting principles - In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instruments* to improve financial reporting related to anticipated credit losses. ASU 2016-13 involves several aspects of the accounting for credit losses related to certain financial instruments including assets measured at amortized cost, trade and other receivables, loans, and certain off-balance sheet commitments. ASU 2016-13, and subsequent updates, broadens the information that an entity must consider in developing its estimated credit losses expected to occur over the remaining life of assets measured either collectively or individually to include historical experience, current conditions, and reasonable and supportable forecasts, replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses model. The ASU was adopted April 1, 2023 and did not have a material impact on the Organization's balance sheets or statements of income and expense.

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, 2024.

**Note 3 - Liquidity and availability of funds:**

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, are as follows as of March 31:

| | 2024 | 2023 |
|---|---|---|
| Financial assets at year end: | | |
| Cash and cash equivalents | $ 706,120 | $ 583,907 |
| Investments | 1,308,640 | 1,002,441 |
| Grants receivable | 147,927 | 264,986 |
| Pledges receivable | 138,735 | 52,900 |
| Accounts receivable | 48,381 | 94,134 |
| Employee Retention Credit receivable | 84,333 | 79,329 |
| Other receivables | 23,746 | 10,445 |
| Total financial assets | 2,457,882 | 2,088,142 |
| Less amounts unavailable for general expenditures within one year, due to: | | |
| Board designations | (500,000) | (500,000) |
| Net assets with donor restrictions | (321,663) | (218,833) |
| Financial assets available to meet general expenditures over the next twelve months | $ 1,636,219 | $ 1,369,309 |

As part of the Organization's liquidity management, it regularly monitors liquidity in order to meet its operating needs and has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Although the Organization does not intend to spend from its board designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board designated net assets could be made available if necessary.

## Note 4 - Investments:

The Organization follows the provisions of the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

At March 31, 2024 and 2023, the Organization was invested in Level 1 and Level 2 investments and had no investment in Level 3 inputs. The Organization's investments were as follows:

| | March 31, 2024 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| Investment cash and cash equivalents | $ 11,451 | $ - | $ 11,451 |
| Certificates of deposit | - | 1,297,189 | 1,297,189 |
| Total investments | $ 11,451 | $ 1,297,189 | $ 1,308,640 |

| | March 31, 2023 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| Investment cash and cash equivalents | $ 8,050 | $ - | $ 8,050 |
| Certificates of deposit | - | 994,391 | 994,391 |
| Total investments | $ 8,050 | $ 994,391 | $ 1,002,441 |

**Note 4 - Investments (continued):**

The following schedule summarizes total investment returns as of March 31:

| | 2024 | 2023 |
|---|---|---|
| Realized and unrealized losses | $ (1,201) | $ (5,609) |
| Interest income | 56,483 | 8,767 |
| | $ 55,282 | $ 3,158 |

**Note 5 - Grants, pledges, and accounts receivable:**

Receivables are recorded after discounting the future cash flows to present value. As of March 31, 2024, the Organization discounted receivables by approximately $3,000 using a discount rate of 5.50%. For the year ended March 31, 2023 all receivables are short-term and as such, future cash flows from receivables were not discounted to present value.

| | 2024 | 2023 |
|---|---|---|
| Receivables in less than one year: | | |
| Government | $ 128,560 | $ 139,521 |
| Foundation | 125,000 | 62,550 |
| Employee Retention Credit receivable | 84,333 | 79,329 |
| Other receivables | 36,494 | 220,394 |
| Receivables in one to five years: | | |
| Long term pledge receivable | 72,200 | - |
| Less: discount to net present value | (3,465) | - |
| | 443,122 | 501,794 |
| Less: current portion | (374,387) | (501,794) |
| Non-current portion | $ 68,735 | $ - |

## Note 6 - Property and equipment:

Property and equipment consisted of the following at March 31:

| | 2024 | 2023 |
|---|---|---|
| Truck | $ 56,134 | $ 78,662 |
| Computer software | 43,623 | 45,245 |
| Breakroom | 64,145 | 32,880 |
| Total property and equipment | 163,902 | 156,787 |
| Less: accumulated depreciation | (76,639) | (102,274) |
| Total property and equipment, net | $ 87,263 | $ 54,513 |

Depreciation expense was approximately $26,000 and $24,000 for the years ended March 31, 2024 and 2023, respectively.

## Note 7 - Line of credit:

The Organization has a line of credit agreement, which expires June 2025. 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 bank's prime rate plus 2.25% (10.75% at March 31, 2024). During the years ended March 31, 2024 and 2023, there were no borrowings through the year on the line of credit.

## Note 8 - Deferred revenue:

The activity and balances for deferred revenue from contracts with customers are shown in the following table:

| | Festival ticket fees | Booth and camp fees | Operating Grant | Total |
|---|---|---|---|---|
| Balance at March 31, 2022 | $ 93,328 | $ 43,320 | $ 325,749 | $ 462,397 |
| Revenue recognized that was included at the beginning of the year | (93,328) | (43,320) | (325,749) | (462,397) |
| Payments received for future obligations | 10,805 | 5,000 | - | 15,805 |
| Balance at March 31, 2023 | 10,805 | 5,000 | - | 15,805 |
| Revenue recognized that was included at the beginning of the year | (10,805) | (5,000) | - | (15,805) |
| Payments received for future obligations | 241,973 | 5,425 | - | 247,398 |
| Balance at March 31, 2024 | $ 241,973 | $ 5,425 | $ - | $ 247,398 |

**Note 9 - In-kind contributions:**

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

| | 2024 | 2023 |
|---|---|---|
| Advertising | $ 57,395 | $ 47,945 |
| Breakroom | 29,323 | - |
| Equipment Rental | 18,000 | - |
| Catering | 15,000 | 23,000 |
| Transportation, lodging, and venue | 2,546 | 23,668 |
| Supplies and equipment | 1,974 | 12,917 |
| Professional services | - | 2,450 |
| Total | $ 124,238 | $ 109,980 |

In-kind contributions were utilized for supporting the Organizations programmatic events and are recorded at their fair value based on industry rates. The in-kind contribution of the breakroom is recorded in the Concerts program. Additionally, the equipment rental contribution is recorded in the Education program. All other in-kind contributions received are recorded in the Festival program. There were no donor restrictions on in-kind contributions for the years ended March 31, 2024 and 2023. For the years ended March 31, 2024 and 2023, donated assets that were sold at the Organization's programmatic events were approximately $15,000 and $23,000, respectively.

**Note 10 - Net assets with donor restrictions:**

Net assets with donor restrictions were restricted and released for the following purposes at March 31, 2024:

| | Beginning | Additions | Releases | Ending |
|---|---|---|---|---|
| Subject to expenditure through passage of time | $ 10,000 | $ 191,535 | $ (75,000) | $ 126,535 |
| Subject to expenditure for a specific purpose: | | | | |
| Festivals | 102,797 | 107,719 | (185,518) | 24,998 |
| Community outreach and education | 12,686 | 8,699 | (20,255) | 1,130 |
| Mobile music | - | 60,000 | (42,000) | 18,000 |
| Operating | - | 391,369 | (290,369) | 101,000 |
| Progressions project | 93,350 | 118,000 | (161,350) | 50,000 |
| Total net assets with donor restrictions | $ 218,833 | $ 877,322 | $ (774,492) | $ 321,663 |

Net assets with donor restrictions were restricted and released for the following purposes at March 31, 2023:

| | Beginning | Additions | Releases | Ending |
|---|---|---|---|---|
| Subject to expenditure through passage of time | $ 167,000 | $ 22,000 | $ (179,000) | $ 10,000 |
| Subject to expenditure for a specific purpose: | | | | |
| Festivals | 164,250 | 229,814 | (291,267) | 102,797 |
| Community outreach and education | 16,119 | 2,916 | (6,349) | 12,686 |
| Mobile music | 11,864 | 57,221 | (69,085) | - |
| Operating | - | 295,345 | (295,345) | - |
| Progressions project | - | 190,700 | (97,350) | 93,350 |
| Total net assets with donor restrictions | $ 359,233 | $ 797,996 | $ (938,396) | $ 218,833 |

**Note 11 - Special events:**

Special event revenues and expenses for the year ended March 31, 2024 and 2023 are shown in the following table:

| | 2024 | 2023 |
|---|---|---|
| Contributions-individual | $ 14,525 | $ 23,025 |
| Contributions-board | 21,000 | - |
| Ticket sales | 16,071 | 21,750 |
| Auction | 20,620 | 19,160 |
| Sponsorship | 5,000 | 7,500 |
| Less special event expenses | (27,723) | (28,100) |
| Total special events, net | $ 49,493 | $ 43,335 |

**Note 12 - 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 13 - 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 $28,000 and $7,000 for the years ended March 31, 2024 and 2023, respectively.

**Note 14 - Retirement plan:**

The Organization is enrolled in a 403(b) defined contribution plan ("403(b) plan") in which employees who have met certain service and eligibility requirements may participate. Each eligible employee may elect to contribute to the 403(b) plan. There were no employer contributions to the plan for the years ended March 31, 2024 and 2023.

## Note 15 - Commitment and contingencies:

Lease commitment - The Organization has an office space leased on a month-to-month basis. Monthly rental expense under the agreement is $2,000, with the expiration date being upon 30 days written notice by either party. Office rental expense under the lease for the years ended March 31, 2024 and 2023 were approximately $28,000 and $26,000, respectively.

Contingency: Grant compliance - 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.

Contingency: Legal - From time to time and in the normal course of the entity's nature, the Organization is subject to claims or potential lawsuits relating to its operations and events. In management's opinion, the outcome of any such matters will not have material adverse effect on the Organization's financial positions, results of operations, or cash flows for the current fiscal year. Management has not yet been able to determine the future outcome for the subsequent fiscal year.