STANFORD JAZZ WORKSHOP

FINANCIAL STATEMENTS

December 31, 2014

(With Comparative totals as of December 31, 2013)

Crosby & Kaneda
Certified Public Accountants

Dedicated to Nonprofit Organizations

Stanford Jazz Workshop

Contents

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

1970 Broadway, Suite 930
Oakland, CA 94612
Tel: 510 · 835 · CPAS (2727)
Fax: 510 · 835 · 5711
e-mail: admin@ckcpa.biz

INDEPENDENT AUDITORS' REPORT

Board of Directors
Stanford Jazz Workshop
Stanford, California

Report on the Financial Statements

We have audited the accompanying financial statements of Stanford Jazz Workshop, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, cash flows and functional expenses for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stanford Jazz Workshop as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Stanford Jazz Workshop's December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby & Kaneda

Certified Public Accountants
Oakland, California
May 30, 2015

Stanford Jazz Workshop

Statement of Financial Position
December 31, 2014
(With Comparative Totals as of December 31, 2013)

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	$ 97,330	$ 94,888
Accounts receivable	2,319	1,088
Grants receivable	85,000	249,250
Investments (Note 3)	642,859	885,741
Inventory	1,792	2,747
Prepaid expenses	22,565	23,957
Total Current Assets	851,865	1,257,671
Cash and cash equivalents - permanently restricted (Note 10)	10,000	10,000
Investments-permanently restricted (Notes 3 and 10)	141,285	141,285
Property and equipment, net (Note 5)	3,919	2,627
Deposits	7,367	3,812
Total Assets	$ 1,014,436	$ 1,415,395
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 80,941	$ 29,922
Accrued vacation	140,446	116,255
Deferred revenue	11,240	11,320
Deferred compensation (Note 11)	133,759	121,597
Total Liabilities	366,386	279,094
Commitments and Contingencies (Notes 6 and 7)		
Net Assets		
Unrestricted		
Undesignated	220,760	525,646
Board designated (Note 9)	131,500	134,000
Total Unrestricted	352,260	659,646
Temporarily restricted (Note 8)	144,505	325,370
Permanently restricted (Note 10)	151,285	151,285
Total Net Assets	648,050	1,136,301
Total Liabilities and Net Assets	$ 1,014,436	$ 1,415,395

See Notes to the Financial Statements

Stanford Jazz Workshop

Statement of Activities
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
Support and Revenue					
Support					
Government awards	$ 30,000	$	$	$ 30,000	$ 40,000
Foundation and corporate grants	27,642	32,900		60,542	564,667
Contributions	299,549	2,500		302,049	367,232
In kind contributions (Note 12)	56,064			56,064	-
Total Support	413,255	35,400	-	448,655	971,899
Revenue					
Tuition and program fees	1,033,120			1,033,120	1,034,139
Concert income	361,509			361,509	334,648
Sales, net	51			51	4,740
Interest and dividends	22,333	5,301		27,634	17,434
Gain on investments	12,273	3,440		15,713	69,432
Other	5,277			5,277	21,213
Total Revenue	1,434,563	8,741	-	1,443,304	1,481,606
Net assets released from restrictions (Notes 8)	225,006	(225,006)		-	-
Total Support and Revenue	2,072,824	(180,865)	-	1,891,959	2,453,505
Expenses					
Program	1,821,752			1,821,752	1,523,809
Management and general	383,325			383,325	311,815
Fundraising	175,133			175,133	191,613
Total Expenses	2,380,210	-	-	2,380,210	2,027,237
Change in Net Assets	(307,386)	(180,865)	-	(488,251)	426,268
Net Assets, beginning of year	659,646	325,370	151,285	1,136,301	710,033
Net Assets, end of year	$ 352,260	$ 144,505	$ 151,285	$ 648,050	$ 1,136,301

Stanford Jazz Workshop

Statement of Cash Flows
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (488,251)	$ 426,268
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Depreciation	2,569	2,033
Gain on investments	(15,713)	(69,432)
Donated stock	(23,508)	-
Change in assets and liabilities:		
Accounts receivable	(1,231)	1,626
Pledges receivable	-	22,420
Grants receivable	164,250	(77,250)
Inventory	955	(2,173)
Prepaid expenses	1,392	(20,369)
Deposits	(3,555)	-
Accounts payable and accrued expenses	51,019	(46,377)
Accrued vacation	24,191	10,518
Deferred revenue	(80)	(2,775)
Net cash provided (used) by operating activities	(287,962)	244,489
Cash flows from investing activities:		
Purchase of property and equipment	(3,860)	-
Purchase of investments	(215,192)	(1,198,990)
Proceeds from the sale of investments	509,456	853,191
Net cash provided (used) by investing activities	290,404	(345,799)
Net change in cash and cash equivalents	2,442	(101,310)
Cash and cash equivalents, beginning of year	104,888	206,198
Cash and cash equivalents, end of year	$ 107,330	$ 104,888
	-	
Supplemental Disclosure:		
Stock donation	$ 23,508	$ -

See Notes to the Financial Statements

Stanford Jazz Workshop

Statement of Functional Expenses
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Programs			Total	Management		Total	
	Education	Concerts	Outreach	Program	and General	Fundraising	2014	2013
Salaries	$ 364,146	$ 129,928	$ 34,145	$ 528,219	$ 186,050	$ 123,488	$ 837,757	$ 663,612
Pension contributions	7,498	2,788	817	11,103	4,588	2,174	17,865	14,317
Employee benefits	24,460	9,093	2,663	36,216	14,967	7,093	58,276	51,544
Payroll taxes	25,638	7,890	2,315	35,843	13,529	8,872	58,244	46,379
Total Personnel	421,742	149,699	39,940	611,381	219,134	141,627	972,142	775,852
Accounting fees				-	10,240	-	10,240	17,178
Legal fees				-	56,064	-	56,064	1,050
Fee for service	245,866	305,772	12,106	563,744	10,616	12,504	586,864	552,828
Advertising and promotions	14,101	60,351		74,452	-	86	74,538	81,164
Supplies	12,003	19,716	68	31,787	3,127	1,629	36,543	49,636
Telephone	890	505	41	1,436	6,562	110	8,108	6,792
Postage	2,384	10,129	11	12,524	915	2,498	15,937	12,561
Bank fees				-	39,925	-	39,925	37,070
Copy and printing	14,688	22,212		36,900	-	6,892	43,792	27,724
Occupancy	209,624	64,563	1,881	276,068	15,316	5,010	296,394	263,136
Travel and meals	108,989	26,841	191	136,021	2,918	2,036	140,975	144,885
Conferences	476	1,237		1,713	1,289	428	3,430	4,267
Depreciation	1,078	401	117	1,596	660	313	2,569	2,033
Insurance	3,678	1,366	401	5,445	2,251	1,067	8,763	8,902
Dues, licenses, service fees	651	195		846	447	166	1,459	5,793
Box office fees		44,871		44,871	-	-	44,871	32,780
Equipment rental and maintenance	2,168	15,717		17,885	-	46	17,931	-
Information technology	2,734	2,078	271	5,083	4,715	721	10,519	-
Miscellaneous				-	9,146	-	9,146	3,586
Total Expenses	$ 1,041,072	$ 725,653	$ 55,027	$ 1,821,752	$ 383,325	$ 175,133	$ 2,380,210	$ 2,027,237

Notes to the Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

NOTE 1: NATURE OF ACTIVITIES

Stanford Jazz Workshop is a California nonprofit public benefit corporation, which was incorporated on March 9, 1987 to produce music education programs and performances. Our vision is to contribute, build, and support a community that appreciates and perpetuates jazz. We produce educational programs and performances by assembling a community of the best performers and teachers of jazz with students and listeners of all abilities and backgrounds.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets– consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets– represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Board in accordance with the Uniform Prudent Management of Institutional Funds Act of 2009 (UPMIFA).

Permanently restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounts, Pledges and Grants Receivable

The Organization considers all accounts, pledges and grants receivable to be fully collectible at December 31, 2014. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2014 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Inventory

The Organization reports inventory at cost, computed on the first-in, first-out basis.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over $2,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	3-5 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

Deferred Revenue

Deferred revenue represents tuition deposits.

Functional Allocation of Expenses

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

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of May 30, 2015 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: INVESTMENTS

Investments consist of the following at December 31:

	2014	2013
Annuities	$ 89,335	$ 126,822
Mutual funds and exchange traded funds	694,809	323,632
Fixed income	-	529,400
Other	-	47,172
Total	784,144	1,027,026
Less long-term portion	(141,285)	(141,285)
Current portion	$ 642,859	$ 885,741

The long-term portion of these investments is permanently restricted by board and donor stipulation.

NOTE 4: FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes the following levels of inputs that may be used to measure fair value.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the assets or liability. Unobservable inputs reflect the Organization’s own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization’s own data.

Fair values of assets measured on recurring basis are as follows:

	Level 1	Level 2	Total
Annuities	$ -	$ 89,335	$ 89,335
Mutual Funds and Exchange Traded Funds:			
Bond Funds	306,123	-	306,123
Domestic Large Blend Equity	281,484	-	281,484
Foreign Large Blend Equity	67,120	-	67,120
Global Real Estate Equity	26,943	-	26,943
Commodities Equity	13,139	-	13,139
Total	$ 694,809	$ 89,335	$ 784,144

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2014	2013
Furniture and equipment	$ 31,332	$ 27,472
Less accumulated depreciation	(27,413)	(24,845)
Total	$ 3,919	$ 2,627

NOTE 6: COMMITMENT

The Organization is party to a lease for office space in San Francisco, which expires December 2018. As of December 31, 2014, future lease obligations were as follows for the years ending December 31:

2015	$ 43,680
2016	43,680
2017	43,680
2018	43,680
Total	$ 174,720

NOTE 7: CONTINGENCIES

The Organization reimburses the State of California for unemployment insurance claims as they are paid and does not participate in the California Unemployment Insurance Program. Management is unaware of any known or probable claims. Given the lack of claims history no reasonable estimate of a contingent liability was possible. The Organization has board designated unrestricted net assets for the purpose of paying potential unemployment insurance claims as described in Note 9.

Grant awards require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of December 31:

	2014	2013
Future operations	$ 78,650	$ 128,000
Scholarships	40,855	62,370
Capacity building	25,000	50,000
Performances	-	85,000
Total	$ 144,505	$ 325,370

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes and time restrictions specified by donors as follows during the year ended December 31:

	2014	2013
Future operations	$ 61,750	$ 76,000
Scholarships	53,256	16,800
Capacity building	25,000	37,500
Performances	85,000	84,000
Total	$ 225,006	$ 214,300

NOTE 9: BOARD DESIGNATED NET ASSETS

The Board of Directors designated portions of unrestricted net assets for use as follows at December 31:

	2014	2013
Personnel funds (Note 7)	$ 81,500	$ 84,000
Endowment funds (Note 10)	50,000	50,000
Total	$ 131,500	$ 134,000

NOTE 10: ENDOWMENT

The Organization’s endowment consists of various individual funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowments funds, absent explicit donor stipulations to the contrary. Consequently, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's Board. In accordance with UPMIFA, the Organization considers the following factors in making determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Return Objectives and Risk Parameters

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a balanced portfolio comprised of cash, fixed income securities, and equities.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places more emphasis on fixed income securities than equity securities to achieve its long-term return objectives within prudent risk framework.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that current law requires the Organization to retain for a fund of perpetual duration in accordance with GAAP. Deficiencies of this nature are reported in unrestricted net assets. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in unrestricted net assets. There were no deficiencies of this nature reported in unrestricted net assets as of December 31, 2014.

Spending Policy

The Organization has a policy of appropriating for distribution up to 5 percent of its endowment per annum. In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to retain the original fair value of the gift.

The composition and changes in the endowment net assets as of December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year:				
Scholarship Fund	$ -	$ 21,206	$ 51,285	$ 72,491
Lorry Lokey Fund	-	41,164	100,000	141,164
Board-designated	50,000	-	-	50,000
Current year contributions:	-	-	-	-
Current year investment income:				
Dividends and interest	-	5,301	-	5,301
Net appreciation	-	3,440	-	3,440
Appropriations of earnings for use:	30,256	(30,256)	-	-
Used for purpose	(30,256)	-	-	(30,256)
Endowment net assets, end of year	$ 50,000	$ 40,855	$ 151,285	$ 242,140

NOTE 11: RETIREMENT PLANS AND DEFERRED COMPENSATION

403(b) Plan

Stanford Jazz Workshop has a defined contribution plan (the Plan) covering all regular full-time employees. Employees are eligible for the Plan immediately after hire, and are eligible for employer contributions and matching contributions after six months employment. The Organization contributes 2% of each employee's salary after six months employment. In addition, the Organization matches up to 1% of employees' contributions provided that the employee's voluntary contributions equal or exceed 2% of the employee's total compensation. Total annual contributions by the Organization are limited to the amounts specified under Code 415(d) of the Internal Revenue Service (IRS) regulations for the limitation year. Contributions are administered by an investment company. Employees are 100% vested in all contributions for which they are eligible. Employer contributions totaled $17,865 and $14,317 for the years ended December 31, 2014 and 2013, respectively.

457(b) Plan

Stanford Jazz Workshop formerly offered a 457(b) retirement plan. The only current employee with assets remaining in the plan is the Executive Director. Contributions are administered by an investment company and are invested in fixed and variable annuities. Contribution amounts were deferred from the participating employee's salary. The assets and liabilities related to the plan were $133,759 and $121,597 at December 31, 2014 and 2013, respectively.

NOTE 12: IN KIND CONTRIBUTIONS

During the year ended December 31, 2014, the Organization received the benefit of donated legal services valued at $56,064.