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# STANFORD JAZZ WORKSHOP

## FINANCIAL STATEMENTS

December 31, 2016

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

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**CROSBY & KANEDA**  
Certified Public Accountants

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Dedicated to Nonprofit Organizations

# STANFORD JAZZ WORKSHOP

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## **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, 2016, 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.

### **Auditors' 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.

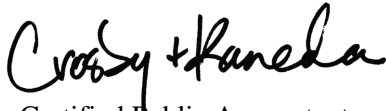
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants  
Oakland, California  
May 22, 2017

**STANFORD JAZZ WORKSHOP**

**Statement of Financial Position  
December 31, 2016  
(With Comparative Totals as of December 31, 2015)**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 541,790	\$ 282,320
Accounts receivable	605	21,645
Grants receivable	120,000	-
Investments (Note 3)	438,992	417,361
Inventory	2,572	1,513
Prepaid expenses	410	1,650
Total Current Assets	<u>1,104,369</u>	<u>724,489</u>
Investments (Note 3)	292,369	264,690
Property and equipment, net (Note 5)	751	2,038
Deposits	3,812	4,887
Total Assets	<u>\$ 1,401,301</u>	<u>\$ 996,104</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 215,419	\$ 39,133
Accrued vacation	52,108	142,602
Deferred revenue	14,671	36,493
Deferred compensation (Note 12)	147,508	123,405
Total Liabilities	<u>429,706</u>	<u>341,633</u>
Commitment and Contingencies (Notes 6 and 7)		
Net Assets		
Unrestricted		
Undesignated	486,011	348,375
Board designated (Note 9)	64,000	64,000
Total Unrestricted	<u>550,011</u>	<u>412,375</u>
Temporarily restricted (Note 8)	276,723	100,811
Permanently restricted (Note 10)	144,861	141,285
Total Net Assets	<u>971,595</u>	<u>654,471</u>
Total Liabilities and Net Assets	<u>\$ 1,401,301</u>	<u>\$ 996,104</u>

See Notes to the Financial Statements

**STANFORD JAZZ WORKSHOP**

**Statement of Activities  
For the Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2016	2015
<b>Support and Revenue</b>					
Support					
Government awards	\$ 20,000	\$	\$	\$ 20,000	\$ -
Foundation and corporate grants	125,841	287,900		413,741	227,957
Contributions	263,468	69,232		332,700	567,370
In kind contributions				-	38,056
Total Support	409,309	357,132	-	766,441	833,383
Revenue					
Tuition and program fees, net (Note 11)	1,310,183			1,310,183	1,243,242
Concert income	262,780			262,780	328,564
Sales, net	3,972			3,972	2,265
Investment activity (Note 3)	957	6,417	3,576	10,950	(3,591)
Other	9,829			9,829	8,936
Total Revenue	1,587,721	6,417	3,576	1,597,714	1,579,416
Net assets released from donor restrictions (Note 8)	192,349	(192,349)		-	-
Total Support and Revenue	2,189,379	171,200	3,576	2,364,155	2,412,799
<b>Expenses</b>					
Program	1,472,828			1,472,828	1,864,579
Management and general	317,788			317,788	380,233
Fundraising	256,415			256,415	161,566
Total Expenses	2,047,031	-	-	2,047,031	2,406,378
Redesignated net assets (Note 10)	(4,712)	4,712	-	-	-
Change in Net Assets	137,636	175,912	3,576	317,124	6,421
Net Assets, beginning of year	412,375	100,811	141,285	654,471	648,050
Net Assets, end of year	\$ 550,011	\$ 276,723	\$ 144,861	\$ 971,595	\$ 654,471

See Notes to the Financial Statements

**STANFORD JAZZ WORKSHOP**

**Statement of Cash Flows  
For the Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)**

	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 317,124	\$ 6,421
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	1,286	1,881
Investment activity	(10,950)	3,591
Donated stock	(14,256)	(25,418)
Change in assets and liabilities:		
Accounts receivable	21,040	(19,326)
Grants receivable	(120,000)	85,000
Inventory	(1,059)	279
Prepaid expenses	1,240	20,915
Deposits	1,075	2,480
Accounts payable and accrued expenses	176,286	(41,808)
Accrued vacation	(90,494)	2,156
Deferred revenue	(21,822)	25,253
Net cash provided (used) by operating activities	259,470	61,424
<b>Cash flows from investing activities:</b>		
Proceeds from the sale of investments	-	142,025
Net cash provided (used) by investing activities	-	142,025
Net change in cash and cash equivalents	259,470	203,449
Cash and cash equivalents, beginning of year	282,320	78,871
Cash and cash equivalents, end of year	\$ 541,790	\$ 282,320
Supplemental Disclosure:		
Stock donation	\$ 14,256	\$ 25,418

See Notes to the Financial Statements

**STANFORD JAZZ WORKSHOP**

**Statement of Functional Expenses  
For the Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)**

	Programs		Total Program	Management and General	Fundraising	Total	
	Education	Concerts				2016	2015
Salaries	\$ 352,782	\$ 90,907	\$ 443,689	\$ 133,660	\$ 188,813	\$ 766,162	\$ 765,753
Retirement contributions	8,108	2,371	10,479	3,464	5,421	19,364	16,350
Employee benefits	4,841	1,251	6,092	1,841	2,598	10,531	7,519
Payroll taxes	24,842	6,320	31,162	9,329	12,965	53,456	53,892
Total Personnel	<u>390,573</u>	<u>100,849</u>	<u>491,422</u>	<u>148,294</u>	<u>209,797</u>	<u>849,513</u>	<u>843,514</u>
Accounting fees			-	10,474	-	10,474	11,826
In-kind legal fees			-	-	-	-	38,055
Fee for service	294,387	154,353	448,740	71,089	5,482	525,311	763,933
Advertising and promotions	25,533	46,303	71,836	-	628	72,464	83,771
Supplies	8,363	1,359	9,722	912	1,149	11,783	18,790
Telephone	1,140	343	1,483	5,074	587	7,144	10,894
Postage	3,322	7,266	10,588	263	2,898	13,749	18,844
Bank fees		12,147	12,147	48,523	2,381	63,051	60,334
Copy and printing	8,072	17,228	25,300	97	6,840	32,237	41,562
Occupancy	221,589	33,716	255,305	10,116	14,337	279,758	289,125
Travel and meals	98,122	16,834	114,956	1,663	2,729	119,348	140,362
Conferences	441	405	846	1,162	158	2,166	2,508
Depreciation	591	153	744	225	317	1,286	1,881
Insurance	4,346	1,123	5,469	1,677	2,332	9,478	8,626
Dues, licenses, service fees	999	1,290	2,289	8,259	405	10,953	2,434
Box office fees		12,223	12,223	-	3,358	15,581	29,472
Equipment rental and maintenance	3,036	231	3,267	-	123	3,390	14,078
Information technology	5,002	1,489	6,491	1,937	2,894	11,322	4,234
Miscellaneous			-	8,023	-	8,023	22,135
Total Expenses	<u>\$ 1,065,516</u>	<u>\$ 407,312</u>	<u>\$ 1,472,828</u>	<u>\$ 317,788</u>	<u>\$ 256,415</u>	<u>\$ 2,047,031</u>	<u>\$ 2,406,378</u>

See Notes to the Financial Statements



## STANFORD JAZZ WORKSHOP

### Notes to the Financial Statements For the Year Ended December 31, 2016 (With Comparative Totals for the Year Ended December 31, 2015)

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#### NOTE 1: NATURE OF ACTIVITIES

Stanford Jazz Workshop (SJW) is a California nonprofit public benefit corporation, which was incorporated on March 9, 1987 to produce music education programs and performances. Our mission is to educate, entertain, and inspire a community of artists, students, and audience members through the study, performance, and appreciation of jazz - an original American musical form. SJW's activities include presentation of jazz concerts and jazz education programs for students of all ages. We assemble a community of the best performers and teachers of jazz with students and listeners of all abilities and backgrounds.

SJW presents four weeks of immersive jazz education in the summer: Giant Steps Jazz Day Camp for students ages 11-14; two separate weeks of Jazz Camp for students ages 12-17; and Jazz Institute for adult students and advanced teens. Concurrently, SJW also presents the Stanford Jazz Festival, an annual summer series of more than 25 jazz concerts. During the rest of the year, SJW offers three after-school jazz ensemble programs for middle school students. Approximately 750 students attend the education programs. Awards of financial aid help keep the programs accessible to all deserving students.

#### 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 and other inflows of assets 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 may also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Organization.

*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

## STANFORD JAZZ WORKSHOP

### Notes to the Financial Statements For the Year Ended December 31, 2016 (With Comparative Totals for the Year Ended December 31, 2015)

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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 and Grants Receivable**

The Organization considers all accounts and grants receivable to be fully collectible at December 31, 2016. 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, 2016 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.

## STANFORD JAZZ WORKSHOP

### Notes to the Financial Statements For the Year Ended December 31, 2016 (With Comparative Totals for the Year Ended December 31, 2015)

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#### **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
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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.

STANFORD JAZZ WORKSHOP

Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)

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**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, 2015, 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 22, 2017 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:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 432,804	\$ 419,995
Variable annuities	147,508	123,405
Mutual funds and exchange traded funds	<u>151,049</u>	<u>138,651</u>
Total	731,361	682,051
Less non-current portion	<u>(292,369)</u>	<u>(264,690)</u>
Current portion	<u>\$ 438,992</u>	<u>\$ 417,361</u>

The non-current portion of these investments is permanently restricted by donor stipulation (Note 10) or held on behalf of an employee's 457(b) Plan (Note 12).

Investment activity consisted of the following during the years ended December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 3,973	\$ 9,591
Gains and losses	<u>6,977</u>	<u>(13,182)</u>
Total	<u>\$ 10,950</u>	<u>\$ (3,591)</u>

**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.

**STANFORD JAZZ WORKSHOP**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)**

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Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

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

	<u>Level 1</u>
Mutual Funds and Exchange Traded Funds:	
Fixed Income	\$ 35,695
Domestic Large Blend Equity	80,299
International Equity	35,055
Annuities:	
Multi-Asset	20,313
Equities	<u>127,195</u>
Total	<u>\$ 298,557</u>

**NOTE 5: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 28,683	\$ 28,683
Less accumulated depreciation	<u>(27,932)</u>	<u>(26,645)</u>
Total	<u>\$ 751</u>	<u>\$ 2,038</u>

**NOTE 6: COMMITMENT**

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

2017	\$ 43,680
2018	<u>43,680</u>
Total	<u>\$ 87,360</u>

**NOTE 7: CONTINGENCIES**

**Unemployment Claims**

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.

## STANFORD JAZZ WORKSHOP

### Notes to the Financial Statements For the Year Ended December 31, 2016 (With Comparative Totals for the Year Ended December 31, 2015)

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#### Compliance with Donor Restrictions

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:

	<u>2016</u>	<u>2015</u>
Future operations	\$ 120,000	\$ 13,750
Scholarships	54,225	37,061
Capacity building	97,498	50,000
Mentor fellowship program	<u>5,000</u>	<u>-</u>
Total	<u>\$ 276,723</u>	<u>\$ 100,811</u>

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 years ended December 31:

	<u>2016</u>	<u>2015</u>
Future operations	\$ 73,750	\$ 149,900
Scholarships	12,290	17,950
Capacity building	47,902	75,000
Jazz Women's Initiative	9,550	-
Performances	<u>48,857</u>	<u>15,000</u>
Total	<u>\$ 192,349</u>	<u>\$ 257,850</u>

#### NOTE 9: BOARD DESIGNATED NET ASSETS

As of December 31, 2016 and 2015, the Board of Directors designated \$64,000 for potential unemployment claims (Note 7).

#### 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

## STANFORD JAZZ WORKSHOP

### Notes to the Financial Statements For the Year Ended December 31, 2016 (With Comparative Totals for the Year Ended December 31, 2015)

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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, 2016.

**STANFORD JAZZ WORKSHOP**

**Notes to the Financial Statements  
For the Year Ended December 31, 2016  
(With Comparative Totals for the Year Ended December 31, 2015)**

**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 of endowment net assets as of December 31, 2016 are as follows:

	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Ruth Davies and Thomas McGuire Scholarship Fund	\$ 747	\$ 10,000	\$ 10,747
Eli Thomas Moawad Jr. Scholarship Fund	10,553	30,000	40,553
Lorry Lokey Scholarship Fund	<u>36,890</u>	<u>104,861</u>	<u>141,751</u>
Endowment net assets, end of year	<u>\$ 48,190</u>	<u>\$ 144,861</u>	<u>\$ 193,051</u>

The changes in the endowment net assets during the year ended December 31, 2016 were as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 37,061	\$ 141,285	\$ 178,346
Current year contributions	-	-	-	-
Current year investment income:				
Dividends and interest	-	2,331	1,293	3,624
Net appreciation	-	4,086	2,283	6,369
Redesignated net assets	<u>-</u>	<u>4,712</u>	<u>-</u>	<u>4,712</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 48,190</u>	<u>\$ 144,861</u>	<u>\$ 193,051</u>

**NOTE 11: TUITION AND PROGRAM FEES**

The Organization presents tuition and program fees net of financial aid and scholarships. Tuition and program fees consisted of the following during the years ending December 31:

	<u>2016</u>	<u>2015</u>
Tuition and program fees	\$ 1,394,618	\$ 1,336,277
Less: Financial aid and scholarships	<u>(84,435)</u>	<u>(93,035)</u>
Total	<u>\$ 1,310,183</u>	<u>\$ 1,243,242</u>



## STANFORD JAZZ WORKSHOP

### Notes to the Financial Statements For the Year Ended December 31, 2016 (With Comparative Totals for the Year Ended December 31, 2015)

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#### NOTE 12: 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 \$19,364 and \$16,350 for the years ended December 31, 2016 and 2015, 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 \$147,508 and \$123,405 at December 31, 2016 and 2015, respectively.