



December 1, 2010

Dear Festival Supporter:

A couple of months ago, when the new Board of Directors of the Healdsburg Jazz Festival took office, we were facing some rather substantial challenges, organizationally and fiscally. These included insuring that there would be a 2011 Festival, and restoring the Festival to sound economic health.

To that end, among our first priorities was a comprehensive review of the organization's finances, to aid in determining the magnitude of the fund-raising effort that would be required.

This turned out to be an extremely involved and labor-intensive process, requiring the analysis of hundreds of transactions, recorded over a three-year period, and integrating data from cash-based and accrual-based accounting systems.

We're pleased to say that the review is now complete, and has enabled us to produce an up-to-date statement of the organization's finances. In keeping with our promise to Festival supporters to be as open and transparent as possible, we're publishing results of that review, including posting the statement to the Festival's website.

As you review these data, keep in mind that the Healdsburg Jazz Festival, Inc. is more than the ten-day concert series that has taken place in June for each of the past 12 years. There is an on-going, year-round Education Program which includes one-time concerts throughout the year, many that are part of the Jazz Masters series, and Operation Jazz Band, the Program's most visible component, which takes place just prior to the annual Festival.

FINANCIAL SUMMARY

As summarized below, the Festival's net deficit was \$20,258 for 2010, \$29,628 for 2009 and \$37,865 for 2008.

	<u>Fiscal Year Ended</u>		
	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2008</u>
Revenue	\$ 329,415	\$ 352,876	\$ 400,897
Expenses	\$ 349,674	\$ 382,504	\$ 438,763
<b>Net income/(deficit)</b>	<b>\$ (20,258)</b>	<b>\$ (29,628)</b>	<b>\$ (37,865)</b>

NOTE: Expenses incurred during the 2007-2008 (10th Anniversary) fiscal year were planned and approved by the Board, with the full knowledge that expenses would be higher than income. As shown in the attached "Statement of Financial Position," and summarized below, with a large surplus in the bank, these expenses were covered, still leaving net assets of \$28,799 at the end of the 2007-2008 fiscal year.

	<u>Fiscal Year Ended</u>		
	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>9/30/2008</u>
Net assets at beginning of year	\$ (829)	\$ 28,799	\$ 66,664
<b>Net assets at end of year</b>	<b>\$ (21,087)</b>	<b>\$ (829)</b>	<b>\$ 28,799</b>

We are committed to eliminating the organization's debt just as soon as possible, and to that end, we are making at least partial payments to all our creditors. However, the our ability to settle all of our outstanding financial obligations is entirely dependent upon the success of planned fund raising efforts.

The Board feels the challenge we're confronting, while certainly significant, is a manageable one. However, our ability to mount a 2011 Festival, as well as to carry on other core activities will require financial support from all those committed to seeing the Healdsburg Jazz Festival tradition continue. We hope we can count on you at this critical point in the Festival's history.

Sincerely,  
Gloria Hersch, Chair  
Board of Directors

Pamela Walton, Treasurer  
Board of Directors



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Healdsburg Jazz Festival, Inc.  
Statement of Financial Position  
September 30, 2010

	Unrestricted	Temporarily Restricted	Total 2010	Total 2009	Total 2008
<b>ASSETS</b>					
Cash and cash equivalents	\$ 15,624	\$ 11,756	\$ 27,380	\$ 34,714	\$ 28,799
<b>TOTAL ASSETS</b>	<b>\$ 15,624</b>	<b>\$ 11,756</b>	<b>\$ 27,380</b>	<b>\$ 34,714</b>	<b>\$ 28,799</b>
<b>LIABILITIES</b>					
Accounts payable	38,915	3,100	42,015	12,758	
Accrued liabilities	304		304	285	
Deferred revenue	6,150		6,150	22,500	
<b>TOTAL LIABILITIES</b>	<b>45,369</b>	<b>3,100</b>	<b>48,469</b>	<b>35,543</b>	
<b>NET ASSETS</b>					
Unrestricted net assets	(29,745)		(29,745)	(9,852)	28,799
Temporarily restricted-education program		8,656	8,656	9,023	
<b>TOTAL NET ASSETS</b>	<b>(29,745)</b>	<b>8,656</b>	<b>(21,087)</b>	<b>(829)</b>	<b>28,799</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 15,624</b>	<b>\$ 11,756</b>	<b>\$ 27,380</b>	<b>\$ 34,714</b>	<b>\$ 28,799</b>

Healdsburg Jazz Festival, Inc.  
Statement of Activities  
For the year ended September 30, 2010

	Unrestricted	Temporarily Restricted	Total 2010	Summarized 2009	Summarized 2008
<b>Revenue and Support</b>					
Donations	\$ 180,099	\$ 19,000	\$ 199,099	\$ 184,455	\$ 168,297
Grants and awards	15,417	6,500	21,917	9,500	13,500
Festival revenue	82,068		82,068	106,088	136,258
Gala revenue				45,759	64,589
Education program revenue				7,076	15,990
Special events	26,331		26,331		2,263
Net assets released from restrictions Purpose and time requirements met	24,899	(24,899)			
<b>Total revenue and support</b>	<b>328,814</b>	<b>601</b>	<b>329,415</b>	<b>352,878</b>	<b>400,897</b>
<b>Expenses</b>					
Program services					
Festival	239,553		239,553	258,167	330,415
Education program	14,899		14,899	63,013	64,587
Special Events	15,865		15,865	900	6,897
Support services					
Management and general administration	45,338		45,338	43,626	36,864
Development program	34,019		34,019	16,800	
<b>Total expenses</b>	<b>349,674</b>		<b>349,674</b>	<b>382,506</b>	<b>438,763</b>
<b>Increase/ (decrease) in net assets</b>	<b>(20,860)</b>	<b>601</b>	<b>(20,258)</b>	<b>(29,628)</b>	<b>(37,865)</b>
<b>Net assets at beginning of year</b>	<b>(11,985)</b>	<b>11,155</b>	<b>(829)</b>	<b>28,799</b>	<b>66,664</b>
<b>Net assets at end of year</b>	<b>\$ (32,845)</b>	<b>\$ 11,756</b>	<b>\$ (21,087)</b>	<b>\$ (829)</b>	<b>\$ 28,799</b>

Healdsburg Jazz Festival, Inc.  
Statement of Functional Expenses  
For the year ended September 30, 2010

	Program Services				Support Services			Total	Summarized	Summarized
	<u>Jazz Festival</u>	<u>Education Program</u>	<u>Special Events</u>	<u>Total Program</u>	<u>Development Program</u>	<u>Management &amp; General</u>	<u>Total Support</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Event expenses	\$ 44,227	\$ 745	\$ 4,415	\$ 49,387				\$ 49,387	\$ 87,554	\$ 102,736
Instructors		10,454	-	10,454				10,454	16,644	21,105
Performance artists	90,513	600	1,886	92,999				92,999	96,588	147,180
HJF staff	35,000	3,100	1,500	39,600		\$ 23,409	\$ 23,409	63,009	65,212	62,514
Employer payroll taxes						1,541	1,541	1,541	2,557	2,408
Grant writing					\$ 6,519		6,519	6,519	1,525	1,680
Development and fund raising	3,576		2,795	6,371	27,500		27,500	33,871	25,673	
Advertising	33,131			33,131				33,131	32,433	37,689
Direct mail	13,621		4,600	18,221				18,221	13,651	16,807
Marketing	14,790		218	15,008		486	486	15,494	19,745	21,210
Bank and merchant fees	2,799		451	3,250		834	834	4,084	4,924	5,498
Insurance	345			345		3,068	3,068	3,413	3,804	2,619
Office expense	1,550			1,550		15,678	15,678	17,228	11,728	17,315
Subtotal before other expenses	<u>239,552</u>	<u>14,899</u>	<u>15,865</u>	<u>270,316</u>	<u>34,019</u>	<u>45,016</u>	<u>79,034</u>	<u>349,350</u>	<u>382,038</u>	<u>438,762</u>
Loss on sale of stock						323	323	323		
Total expenses	<u><b>\$239,552</b></u>	<u><b>\$ 14,899</b></u>	<u><b>\$ 15,865</b></u>	<u><b>\$ 270,316</b></u>	<u><b>\$ 34,019</b></u>	<u><b>\$ 45,339</b></u>	<u><b>\$ 79,358</b></u>	<u><b>\$ 349,673</b></u>	<u><b>\$ 382,038</b></u>	<u><b>\$ 438,762</b></u>

Healdsburg Jazz Festival, Inc.  
Statement Of Cash Flows  
For the year ended September 30, 2010

	Total 2010	Summarized 2009	Summarized 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Decrease in net assets	<b>\$ (20,258)</b>	<b>\$ (29,629)</b>	<b>\$ (37,865)</b>
Adjustments to reconcile decrease in net assets to net cash provided by operations:			
(Increase) decrease in operating assets			
Pledges receivable			
Increase (decrease) in operating liabilities			
Accounts payable	29,414	12,760	
Payroll taxes payable	(139)	285	
Deferred revenue	(16,350)	22,500	
Net cash provided by Operating Activities	(7,333)	5,916	(37,865)
Net increase/(decrease) in cash and cash equivalents	(7,333)	5,916	(37,865)
Beginning cash and cash equivalents	34,714	28,799	66,664
Ending cash and cash equivalents	<b>\$ 27,380</b>	<b>\$ 34,714</b>	<b>\$ 28,799</b>

## **NOTE A - SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:**

### Summary of Activities

The Healdsburg Jazz Festival, Inc. (the Festival), is a community-based organization, founded in 1999. The Festival is committed to encourage, promote and educate the community about jazz music. As part of this effort, the Festival informs the community about current jazz music events, develops and organizes activities for community jazz musicians, conducts educational workshops and clinics for music students, as well as organizing jazz concerts for the community.

### Programs

Healdsburg Jazz Festival offers the following programs: 1) The Healdsburg Jazz Festival, held annually in June; 2) A Jazz Education Program, a year-round music education program offering aspiring young musicians and new listeners a range of programs designed for grades five through twelve, from jazz appreciation to advanced musical instruction and performance. This program includes Operation Jazz Band plus Percussion, Song, and Dance Workshops. In addition, the Festival presents ongoing yearly concerts including the Jazz Masters' Series.

## **Significant Accounting Policies**

### Financial Statement Presentation

The Festival prepares its financial statements in accordance with Generally Accepted Accounting Principles, reporting information, including its financial position, activities and functional expenses, according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Festival. Temporarily restricted net assets include those assets which are subject to a donor restriction and for which the applicable restriction was not met at the end of the current reporting period.

### Principles of Accounting

The Festival has prepared these financial statements on an accrual basis. Under this basis, revenue is recognized when earned, rather than when received, and expenses are recognized when the obligation(s) are incurred rather than when the cash is disbursed.

### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Festival considers all unrestricted cash and other liquid investments with maturities of three months or less to be cash equivalents.

### Pledges and Grants Receivable

Pledges and Grants Receivable consist of amounts due under award letters from various funding agencies. The Festival computes the allowance for doubtful accounts based on actual uncollectible amounts receivable. Uncollectible amounts over the history of the Organization have been considered immaterial. Therefore, no amounts have been included for an allowance for doubtful accounts.

### Deferred Revenue

Income from sponsorship agreements, donations, membership dues, and advance ticket sales are deferred and recognized over the periods to which the agreements, donations, dues, and ticket sales relate.

### Contributions

Healdsburg Jazz Festival accounts for contributions received as unrestricted or temporarily restricted. Temporarily restricted contributions are reclassified from temporarily unrestricted net assets when donor requirements are met.

### Income Taxes

The Festival is exempt from federal and state income taxes under section 501(c)3 of the Internal Revenue Code and Section 23701(d) of the California Code. Accordingly, income taxes are not provided for in the financials. The Festival is not classified as a private foundation.

### Revenue Recognition

The Festival recognizes revenue on the accrual basis of accounting. Grants and awards are recognized as revenue in the period in which they are awarded.

### Indirect Expense Allocations

The costs of operating the Festival's program and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, the Artistic Director fee has been allocated among the programs and supporting services benefited based on Management's estimates of time worked.

### Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires Management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Advertising

Advertising costs are expensed as incurred in accordance with Generally Accepted Accounting Principles.

### **NOTE B- TEMPORARILY RESTRICTED NET ASSETS:**

For the year ended September 30, 2010, the Festival's donor restricted funds consisted of:

	<u>Beginning</u>	<u>Additions</u>	<u>Released</u>	<u>Ending</u>
Education program	\$ 11,155	\$ 15,500	\$ (14,899)	\$ 11,756
Development and fundraising		\$ 10,000	\$ (10,000)	
Total	<u>\$ 11,155</u>	<u>\$ 25,500</u>	<u>\$ (24,899)</u>	<u>\$ 11,756</u>

### **NOTE C-DEFERRED REVENUE:**

For the year ended September 30, 2010, the Festival's deferred revenue consists for the following:

Individual contributions	<u>\$ 6,150</u>
Total	<u>\$ 6,150</u>

### **NOTE D-SPECIAL EVENTS:**

For the year ended September 30, 2010, the Festival participated in one special event :

Ticket sales-Oaks Gala	\$ 23,578
Less: Event expense	<u>\$ (15,286)</u>
Net Proceeds	<u>\$ 8,292</u>