

**JAZZ ST. LOUIS**

**AUDITED FINANCIAL STATEMENTS**

**Year Ended May 31, 2009  
(With Comparative Totals for 2008)**

# JAZZ ST. LOUIS

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Jazz St. Louis

We have audited the accompanying statement of financial position of Jazz St. Louis (a not-for-profit organization) as of May 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's financial statements for the year ended May 31, 2008 and, in our report dated January 21, 2009 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jazz St. Louis as of May 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*UHY* LLP

St. Louis, Missouri  
October 26, 2009

**JAZZ ST. LOUIS**  
**STATEMENT OF FINANCIAL POSITION**

	May 31,	
	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,068	\$ 14,999
Unconditional promises-to-give	165,600	61,292
Accounts receivable	10,526	26,441
Inventory	4,310	3,450
Prepaid expenses	16,038	25,705
Total current assets	<u>213,542</u>	<u>131,887</u>
UNCONDITIONAL PROMISES-TO-GIVE	40,000	-
PROPERTY AND EQUIPMENT	<u>44,552</u>	<u>46,266</u>
Total assets	<u>\$ 298,094</u>	<u>\$ 178,153</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES		
Note payable to bank	\$ 50,000	\$ 20,125
Credit card balances payable	13,600	4,863
Accounts payable	143,413	50,087
Accrued expenses	25,999	14,606
Deferred revenues	9,964	6,406
Total liabilities	<u>242,976</u>	<u>96,087</u>
NET ASSETS		
Unrestricted net assets	(47,382)	26,386
Temporarily restricted net assets	102,500	55,680
Total net assets	<u>55,118</u>	<u>82,066</u>
Total liabilities and net assets	<u>\$ 298,094</u>	<u>\$ 178,153</u>

See notes to financial statements.

**JAZZ ST. LOUIS**  
**STATEMENT OF ACTIVITIES**

	Year Ended May 31, 2009			(Memorandum Total Only) Year Ended May 31, 2008
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions and grants				
Foundations	\$ 115,148	\$ 63,680	\$ 178,828	\$ 243,470
Individuals	117,621	-	117,621	117,357
Corporations	67,500	172,500	240,000	115,932
Noncash contributions	28,140	-	28,140	27,887
Governmental	31,662	-	31,662	31,726
Young Friends	3,935	-	3,935	-
	<u>364,006</u>	<u>236,180</u>	<u>600,186</u>	<u>536,372</u>
Special event, including contributions of \$121,045 and net of expenses of \$36,148	129,552	-	129,552	134,232
Fees from Jazz events				
Subscriptions	86,202	-	86,202	85,254
Tickets	248,367	-	248,367	283,094
Other	12,306	-	12,306	24,230
Commission on compact disc sales	916	-	916	1,756
Miscellaneous	2,265	-	2,265	829
	<u>843,614</u>	<u>236,180</u>	<u>1,079,794</u>	<u>1,065,767</u>
Net assets released from restrictions - program expenditures	189,360	(189,360)	-	-
Total revenues and other support	<u>1,032,974</u>	<u>46,820</u>	<u>1,079,794</u>	<u>1,065,767</u>
<b>EXPENSES</b>				
Program services				
Jazz events	624,502	-	624,502	498,016
Educational outreach	235,952	-	235,952	241,067
Total program services	<u>860,454</u>	<u>-</u>	<u>860,454</u>	<u>739,083</u>
Supporting services				
Management and general	146,994	-	146,994	169,871
Promotion and fund raising	99,294	-	99,294	98,374
Total supporting services	<u>246,288</u>	<u>-</u>	<u>246,288</u>	<u>268,245</u>
Total expenses	<u>1,106,742</u>	<u>-</u>	<u>1,106,742</u>	<u>1,007,328</u>
CHANGES IN NET ASSETS	(73,768)	46,820	(26,948)	58,439
NET ASSETS, Beginning	<u>26,386</u>	<u>55,680</u>	<u>82,066</u>	<u>23,627</u>
NET ASSETS, Ending	<u>\$ (47,382)</u>	<u>\$ 102,500</u>	<u>\$ 55,118</u>	<u>\$ 82,066</u>

See notes to financial statements.

**JAZZ ST. LOUIS**  
**STATEMENT OF FUNCTIONAL EXPENSES**

	Year Ended May 31, 2009					(Memorandum Total Only) Year Ended May 31, 2008
	Program Services		Supporting Services		Total	
	Jazz Events	Educational Outreach	Management and General	Promotion and Fund Raising		
ADVERTISING	\$ 73,160	\$ 8,710	\$ -	\$ 5,225	\$ 87,095	\$ 71,005
ANNUAL APPEAL MAILING	-	-	-	5,447	5,447	5,060
ARTIST HOUSING	37,712	30,856	-	-	68,568	95,978
BAD DEBTS	-	-	10,950	-	10,950	7,670
COMPACT DISCS	-	-	-	-	-	675
CONTRIBUTIONS	-	-	2,340	-	2,340	-
CULTIVATION	-	-	-	16,579	16,579	29,204
DEPRECIATION	11,279	1,504	2,255	-	15,038	12,506
EDUCATIONAL CONCERTS	1,058	46	1,151	46	2,301	2,348
DUES AND SUBSCRIPTIONS	3,885	169	4,223	168	8,445	5,134
EMPLOYEE BENEFITS	7,611	1,880	2,383	1,880	13,754	16,889
ENTERTAINMENT - NONCASH	2,775	1,429	-	-	4,204	4,020
EQUIPMENT RENTAL	10,049	1,116	-	-	11,165	11,067
INSURANCE	4,338	4,338	8,676	-	17,352	15,120
INTEREST	-	-	4,915	-	4,915	7,300
MISCELLANEOUS	1,417	62	1,540	62	3,081	1,138
MUSIC ROYALTIES	2,752	1,417	-	-	4,169	3,012
PARKING AND VALET	11,408	-	-	353	11,761	11,195
PAYROLL TAXES	16,234	4,009	5,085	4,009	29,337	25,602
PIANO TUNING AND REPAIRS	8,457	445	-	-	8,902	7,347
POSTAGE AND SUPPLIES	2,941	3,286	7,957	3,113	17,297	14,706
PROFESSIONAL FEES	12,263	12,482	19,333	10,073	54,151	24,629
RENT	8,932	388	9,708	388	19,416	22,059
RENT - NONCASH	5,306	7,236	6,754	4,824	24,120	21,120
SALARIES	181,970	44,944	57,002	44,944	328,860	291,829
TALENT FEES	186,910	96,287	-	-	283,197	238,142
TICKET PROCESSING FEES	12,343	-	-	-	12,343	13,743
TELEPHONE	908	604	1,210	303	3,025	2,831
YOUNG FRIENDS CULTIVATION	20,794	14,744	1,512	756	37,806	45,999
TRAVEL	-	-	-	1,124	1,124	-
Total - 2009	<u>\$ 624,502</u>	<u>\$ 235,952</u>	<u>\$ 146,994</u>	<u>\$ 99,294</u>	<u>\$ 1,106,742</u>	
Percentage - 2009	<u>56.4 %</u>	<u>21.3 %</u>	<u>13.3 %</u>	<u>9.0 %</u>	<u>100.0 %</u>	
Total - 2008	<u>\$ 498,016</u>	<u>\$ 241,067</u>	<u>\$ 169,871</u>	<u>\$ 98,374</u>		<u>\$ 1,007,328</u>
Percentage - 2008	<u>49.4 %</u>	<u>23.9 %</u>	<u>16.9 %</u>	<u>9.8 %</u>		<u>100.0 %</u>

See notes to financial statements.

**JAZZ ST. LOUIS**  
**STATEMENT OF CASH FLOWS**

	<u>Years Ended May 31,</u>	
	<u>2009</u>	<u>2008</u>
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (26,948)	\$ 58,439
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	15,038	12,506
Bad debts	10,950	7,670
Changes in		
Unconditional promises-to-give	(155,258)	(39,257)
Accounts receivable	15,915	(16,051)
Inventory	(860)	(2,490)
Prepaid expenses	9,667	(12,110)
Credit card balances payable	8,737	2,137
Accounts payable	93,326	27,984
Accrued expenses	11,393	(8,352)
Deferred revenues	3,558	1,218
Net cash provided (used) by operating activities	<u>(14,482)</u>	<u>31,694</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(13,324)</u>	<u>(20,937)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from note payable to bank	50,000	50,000
Repayments of note payable to bank	<u>(20,125)</u>	<u>(79,875)</u>
Net cash provided (used) by financing activities	<u>29,875</u>	<u>(29,875)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,069</b>	<b>(19,118)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<b><u>14,999</u></b>	<b><u>34,117</u></b>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<b><u>\$ 17,068</u></b>	<b><u>\$ 14,999</u></b>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	<u>\$ 4,915</u>	<u>\$ 7,300</u>

See notes to financial statements.

**JAZZ ST. LOUIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2009 (With Comparative Totals for 2008)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**History and Not-for-Profit Activity**

The Organization was incorporated in Missouri on September 9, 1996. It is committed to the presentation and perpetuation of live jazz music (Jazz events program) and the continuing education of its audience and the area's youngsters (Educational outreach program).

Prior to June 1, 1998, the Organization was a division of Grand Center, Inc. (Grand Center). Grand Center and the Organization have three common board members.

**Financial Statement Presentation**

The Organization's resources are classified for accounting and reporting purposes into three asset categories according to externally (donor) imposed restrictions.

A description of the three net asset categories follows:

**Unrestricted Net Assets** - Includes resources available for the support of operations, which have no donor imposed restrictions.

**Temporarily Restricted Net Assets** - Includes resources received or receivable, for which donor imposed restrictions have not been met.

**Permanently Restricted Net Assets** - Includes resources received or receivable, for which donor imposed restrictions are permanent (this category is not applicable).

**Comparative Totals**

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2008, from which the summarized information was derived.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**JAZZ ST. LOUIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2009 (With Comparative Totals for 2008)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and money market funds.

The Organization's cash deposits in financial institutions are insured by FDIC insurance which is subject to certain limitations and conditions.

**Unconditional Promises-to-Give**

Unconditional promises-to-give are recognized as revenues in the period the promises are received. Promises-to-give expected to be received in future years are discounted to their present value of future cash flows. The Organization provides an allowance for doubtful unconditional promises-to-give equal to the estimated collection losses that will be incurred in collection of all unconditional promises-to-give. The estimated losses are based on a review of the current status of the existing promises-to-give. The allowance for doubtful unconditional promises-to-give was \$5,100 and \$-0- at May 31, 2009 and 2008, respectively.

**Accounts Receivable**

Accounts receivable are carried net of allowance for doubtful accounts. The allowance for doubtful accounts is increased by provisions charged to expense and reduced by accounts charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. There was no allowance at May 31, 2009 and 2008.

**Inventory**

Inventory consists of souvenir and novelty items. Inventory is recorded at cost on the first-in, first-out (FIFO) method.

**Prepaid Expenses**

Prepaid expenses consist primarily of cash advances to performers for future performances and to advertisers for future promotional advertising.

**Property and Equipment**

Purchased property and equipment is stated at cost less accumulated depreciation. Donated property and equipment is recorded at the estimated fair value at the time of donation. Depreciation of property and equipment is provided on the accelerated method over the following estimated useful lives:

	<u>Years</u>
Computer Equipment	5
Furniture and Fixtures	7
Leasehold Improvement	Term of Lease

**JAZZ ST. LOUIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2009 (With Comparative Totals for 2008)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising Costs**

Advertising costs are charged to operations when incurred.

**Asset Impairment Assessments**

The Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is recognized to the extent that the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value.

**Revenue Recognition**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash, grants and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. Donor restricted contributions and grants are recorded in the temporarily restricted class for restrictions expiring during the fiscal year, and then transferred to the unrestricted class.

The Organization recognizes revenues from jazz events as the events occur. Deferred revenues represent unearned revenues related to jazz performances to be held in future periods.

**Grants**

Grants are generally recognized as revenue in the period that specific services are performed. However, certain grants may qualify as contributions and, accordingly, they are recognized as support when made.

**Donated Services and Materials**

The Organization records the value of donated materials when there is an objective basis available to measure their value. Donated materials are reflected as contributions in the accompanying statements at their estimated values at date of receipt. The value of donated services is reflected in the accompanying financial statements at their estimated value at time of service as noncash contributions.

**Functional Allocation of Expenses**

Functional expenses have been allocated between program services and supporting services based on an analysis of employee time spent and space utilized for the related activities. In addition, certain costs have been directly allocated among the programs and supporting services benefited.

**JAZZ ST. LOUIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2009 (With Comparative Totals for 2008)**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management has elected to defer the application of Statement of Financial Accounting Standards Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, in accordance with Statement of Financial Accounting Standards Staff Position No. 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Companies*. The Organization will continue to evaluate uncertain tax positions in accordance with Statement of Financial Accounting Standards Statement No. 5, *Accounting for Contingencies*.

**Reclassifications**

Certain reclassifications have been made to the comparative information for the year ended May 31, 2008 to conform to the presentation of the financial statements for the year ended May 31, 2009.

**NOTE 2 — CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	May 31,	
	2009	2008
Checking	\$ 12,009	\$ 9,917
Money Market	5,059	5,082
Total cash and cash equivalents	<u>\$ 17,068</u>	<u>\$ 14,999</u>

**NOTE 3 — UNCONDITIONAL PROMISES-TO-GIVE**

Unconditional promises-to-give consist of the following:

	May 31,	
	2009	2008
Amounts Due		
Less than one year	\$ 170,700	\$ 61,292
One to five years	40,000	-
Subtotal before discount and allowance	210,700	61,292
Discount	-	-
Allowance for Doubtful Collections	(5,100)	-
Net Contributions Receivable	205,600	61,292
Less Current Portion	165,600	61,292
Long-Term Portion	<u>\$ 40,000</u>	<u>\$ -</u>

**JAZZ ST. LOUIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2009 (With Comparative Totals for 2008)**

**NOTE 4 — PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	May 31,	
	2009	2008
Computer Equipment	\$ 23,710	\$ 23,710
Furniture and Fixtures	124,590	115,066
Leasehold Improvements	<u>7,250</u>	<u>3,450</u>
	155,550	142,226
Less Accumulated Depreciation	<u>110,998</u>	<u>95,960</u>
	<u>\$ 44,552</u>	<u>\$ 46,266</u>

**NOTE 5 — NOTE PAYABLE TO BANK**

The Organization has a \$100,000 line of credit with a bank bearing interest at prime rate plus 1% payable monthly. The line of credit is collateralized by all assets and has been guaranteed by Grand Center, Inc.

The prime rate was 3.25% and 5.00% at May 31, 2009 and 2008, respectively.

**NOTE 6 — TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets and amounts released from restrictions consist of the following:

	May 31,	
	2009	2008
Time Restricted Net Assets for Expenditures for the Following Programs		
Educational outreach	\$ 50,000	\$ 55,680
Jazz events	<u>52,500</u>	<u>-</u>
	<u>\$ 102,500</u>	<u>\$ 55,680</u>
	Years Ended May 31,	
	2009	2008
Restricted Expenditures Released from Restrictions		
Educational outreach	\$ 125,860	\$ 90,900
Jazz events	<u>63,500</u>	<u>-</u>
	<u>\$ 189,360</u>	<u>\$ 90,900</u>

**JAZZ ST. LOUIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**May 31, 2009 (With Comparative Totals for 2008)**

**NOTE 7 — RELATED PARTY TRANSACTIONS**

The Organization is a beneficiary to a lease agreement between Grand Center and The Grand Bistro, LLC (Grand Bistro) that provides the Organization with free space for its jazz performances. The Grand Bistro is located at 3635 Washington Avenue. The estimated fair value of this rent was \$24,120 and \$21,120 for the years ended May 31, 2009 and 2008, respectively, which is based on an estimated rate of \$180 per day. In addition, the Organization receives donated food and beverages from Grand Bistro. The estimated value of donated food and beverages for jazz events was \$4,020 for each of the years ended May 31, 2009 and 2008.

Accounts payable included \$13,635 and \$13,678 due to related parties at May 31, 2009 and 2008, respectively.

Members of the Board of Directors contributed \$93,620 and \$59,360 for the years ended May 31, 2009 and 2008, respectively. These amounts are included in revenues and other support on the accompanying statement of activities.

**NOTE 8 — LEASE COMMITMENTS**

The Organization leases office space under an operating lease agreement.

At May 31, 2009, future minimum lease payments under this noncancelable operating lease are as follows:

Year Ending May 31,	
2010	\$ 19,452
2011	19,452
2012	19,452
2013	<u>9,726</u>
	<u>\$ 68,082</u>

Rent expense under operating leases was \$19,416 and \$22,059 for the years ended May 31, 2009 and 2008, respectively.