

JAZZ ST. LOUIS AND SUBSIDIARY
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
Year Ended May 31, 2020
(With Comparative Totals for 2019)

JAZZ ST. LOUIS AND SUBSIDIARY

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Consolidated Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jazz St. Louis

We have audited the accompanying consolidated financial statements of Jazz St. Louis (a Missouri not-for-profit corporation) and Subsidiary (collectively the Organization), which comprise the consolidated statement of financial position as of May 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of May 31, 2020, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Jazz St. Louis' consolidated financial statements for the year ended May 31, 2019, and our report dated September 18, 2019 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are stylized and cursive.

St. Louis, Missouri
October 15, 2020

JAZZ ST. LOUIS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
May 31, 2020 (With Comparative Totals for 2019)

	May 31,	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 875,714	\$ 283,915
Unconditional promises-to-give	861,671	1,242,033
Accounts receivable	9,674	12,767
Prepaid expenses	<u>28,684</u>	<u>30,069</u>
Total current assets	1,775,743	1,568,784
INVESTMENTS	188,924	181,307
UNCONDITIONAL PROMISES-TO-GIVE	-	263,296
PROPERTY AND EQUIPMENT	6,445,251	6,778,307
NOTE RECEIVABLE	<u>3,409,225</u>	<u>3,409,225</u>
Total assets	<u>\$ 11,819,143</u>	<u>\$ 12,200,919</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable to bank	\$ 330,000	\$ 165,000
Current portion of long-term debt	747,289	256,772
Current portion of long-term debt - Paycheck Protection Program	84,489	-
Accounts payable	74,413	134,373
Construction payable	40,000	80,000
Accrued expenses	68,012	72,548
Contract liabilities	<u>129,956</u>	<u>44,443</u>
Total current liabilities	<u>1,474,159</u>	<u>753,136</u>
LONG-TERM LIABILITIES		
Long-term debt	4,362,327	5,033,498
Long-term debt - Paycheck Protection Program	<u>105,611</u>	<u>-</u>
Total long-term liabilities	<u>4,467,938</u>	<u>5,033,498</u>
Total liabilities	<u>5,942,097</u>	<u>5,786,634</u>
NET ASSETS		
Without donor restrictions		
Undesignated, available for operations	162,675	(94,901)
Board designated - operating and building reserve funds	15,983	18,770
Net investment in property and equipment	<u>4,730,970</u>	<u>5,578,274</u>
	4,909,628	5,502,143
With donor restrictions		
	<u>967,418</u>	<u>912,142</u>
Total net assets	<u>5,877,046</u>	<u>6,414,285</u>
Total liabilities and net assets	<u>\$ 11,819,143</u>	<u>\$ 12,200,919</u>

See notes to consolidated financial statements.

JAZZ ST. LOUIS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended May 31, 2020 (With Comparative Totals for 2019)

	Years Ended May 31,			2019
	2020		Total	
	Without Donor Restrictions	With Donor Restrictions		
REVENUES AND OTHER SUPPORT				
Contributions and grants				
Foundations	\$ 241,572	\$ 507,974	\$ 749,546	\$ 603,667
Individuals	361,840	92,119	453,959	462,469
Corporations	8,790	265,650	274,440	713,582
Governmental	22,207	20,000	42,207	47,568
Young Friends	5,471	-	5,471	6,927
Capital campaign	60,346	-	60,346	532,194
	<u>700,226</u>	<u>885,743</u>	<u>1,585,969</u>	<u>2,366,407</u>
Special event				
Contributions	-	-	-	311,431
Revenue	-	-	-	35,080
Direct expenses	-	-	-	(154,548)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,963</u>
Fees from jazz events and other				
Subscriptions	420,467	-	420,467	682,179
Tickets	259,979	-	259,979	569,366
Restaurant lease income	31,278	-	31,278	48,687
Venue rental income	27,121	-	27,121	7,725
Net investment income (loss)	-	4,709	4,709	(7,368)
Interest and other	49,003	-	49,003	73,151
	<u>787,848</u>	<u>4,709</u>	<u>792,557</u>	<u>1,373,740</u>
	<u>1,488,074</u>	<u>890,452</u>	<u>2,378,526</u>	<u>3,932,110</u>
Net assets released from restrictions	835,176	(835,176)	-	-
Total revenues and other support	<u>2,323,250</u>	<u>55,276</u>	<u>2,378,526</u>	<u>3,932,110</u>
EXPENSES				
Program services				
Jazz events	1,408,922	-	1,408,922	2,002,059
Educational outreach	662,476	-	662,476	942,467
Total program services	<u>2,071,398</u>	<u>-</u>	<u>2,071,398</u>	<u>2,944,526</u>
Supporting services				
Management and general	624,115	-	624,115	619,625
Promotion and fund raising	220,252	-	220,252	297,602
Total supporting services	<u>844,367</u>	<u>-</u>	<u>844,367</u>	<u>917,227</u>
Total expenses	<u>2,915,765</u>	<u>-</u>	<u>2,915,765</u>	<u>3,861,753</u>
CHANGES IN NET ASSETS	(592,515)	55,276	(537,239)	70,357
NET ASSETS, Beginning	<u>5,502,143</u>	<u>912,142</u>	<u>6,414,285</u>	<u>6,343,928</u>
NET ASSETS, Ending	<u>\$ 4,909,628</u>	<u>\$ 967,418</u>	<u>\$ 5,877,046</u>	<u>\$ 6,414,285</u>

See notes to consolidated financial statements.

JAZZ ST. LOUIS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended May 31, 2020 (With Comparative Totals for 2019)

	Years Ended May 31,					2019
	2020					
	Program Services		Supporting Services		Total	
Jazz Events	Educational Outreach	Management and General	Promotion and Fund Raising			
ADVERTISING	\$ 40,546	\$ 14,809	\$ -	\$ 2,742	\$ 58,097	\$ 181,084
ANNUAL APPEAL MAILING	-	-	-	3,669	3,669	4,844
ARTIST HOUSING	41,969	47,252	-	-	89,221	140,559
CONTRIBUTION	-	-	-	-	-	250
CULTIVATION	-	3,814	-	18,816	22,630	36,332
DEPRECIATION	270,691	66,459	58,902	-	396,052	396,211
DUES AND SUBSCRIPTIONS	2,480	108	2,696	108	5,392	5,778
INSURANCE	11,552	11,552	23,104	-	46,208	55,190
INTEREST	72,206	18,407	27,754	-	118,367	149,768
MISCELLANEOUS	-	-	2,421	156	2,577	2,654
MUSIC ROYALTIES	4,265	1,422	-	-	5,687	5,865
PARKING AND VALET	39,308	-	-	1,216	40,524	49,882
PAYROLL PROCESSING FEE	-	-	-	-	-	1,234
PIANO TUNING AND REPAIRS	6,745	448	423	17	7,633	16,787
POSTAGE AND SUPPLIES	36,518	3,607	41,846	1,903	83,874	46,428
PROFESSIONAL FEES	19,119	24,230	60,742	13,297	117,388	123,710
PROGRAM FEES	-	280	-	-	280	320
PROVISION FOR UNCOLLECTIBLE PLEDGES	-	-	32,813	-	32,813	4,940
RENT - EQUIPMENT AND VENUE	25,338	11,320	2,169	263	39,090	53,131
RENT - FACILITIES	3,112	711	4,676	499	8,998	11,300
REPAIRS AND MAINTENANCE	44,541	4,173	11,747	1,284	61,745	88,064
SALARIES AND BENEFITS (#)	377,289	183,087	339,842	163,837	1,064,055	1,241,455
SCHOLARSHIP AWARDS	-	-	-	-	-	4,912
TALENT FEES	326,827	203,049	-	-	529,876	997,568
TELEPHONE	5,358	3,572	7,144	1,786	17,860	15,165
TICKET PROCESSING FEES	32,622	3,625	-	-	36,247	49,341
TRAVEL	10,007	51,428	163	8,834	70,432	114,725
UTILITIES	38,429	9,123	7,673	1,825	57,050	64,256
Total - 2020	<u>\$ 1,408,922</u>	<u>\$ 662,476</u>	<u>\$ 624,115</u>	<u>\$ 220,252</u>	<u>\$ 2,915,765</u>	
Percentage - 2020	<u>48.3 %</u>	<u>22.7 %</u>	<u>21.4 %</u>	<u>7.6 %</u>	<u>100.0 %</u>	
Total - 2019	<u>\$ 2,002,059</u>	<u>\$ 942,467</u>	<u>\$ 619,625</u>	<u>\$ 297,602</u>		<u>\$ 3,861,753</u>
Percentage - 2019	<u>51.9 %</u>	<u>24.4 %</u>	<u>16.0 %</u>	<u>7.7 %</u>		<u>100.0 %</u>

(#) Salaries and benefits includes payroll taxes and employee benefit expense due to the change to Insperity, a Professional Employer Organization.

See notes to consolidated financial statements.

JAZZ ST. LOUIS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended May 31, 2020 (With Comparative Totals for 2019)

	Years Ended May 31,	
	2020	2019
OPERATING ACTIVITIES		
Changes in net assets	\$ (537,239)	\$ 70,357
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation	396,052	396,211
Amortization of debt issuance costs	16,115	28,001
Gain on sale of property and equipment	-	(1,196)
(Gain) loss on investments	(1,673)	10,612
Provision for uncollectable pledges	32,813	4,940
Revenues restricted for purchase of capital improvements	(60,346)	(532,194)
Restricted contributions for endowments	-	(10,902)
Changes in		
Unconditional promises-to-give	30,975	85,167
Accounts receivable	3,093	(5,625)
Prepaid expenses	1,385	53,841
Accounts payable and accrued expenses	(64,496)	43,622
Contract liabilities	85,513	(210,389)
Net cash used by operating activities	<u>(97,808)</u>	<u>(67,555)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(62,996)	(116,290)
Proceeds from sale of property and equipment	-	1,305
Purchase of investments	(8,444)	(191,919)
Proceeds from sale of investments	2,500	-
Net cash used by investing activities	<u>(68,940)</u>	<u>(306,904)</u>
FINANCING ACTIVITIES		
Net borrowings (payments) on note payable to bank	165,000	165,000
Proceeds from long-term liabilities	200,100	-
Payments on long-term liabilities	(206,769)	(709,359)
Net payments on construction payable financing	(40,000)	-
Collections of revenues restricted for capital improvements	640,216	906,724
Proceeds from contributions restricted for endowments	-	10,902
Net cash provided by financing activities	<u>758,547</u>	<u>373,267</u>
NET INCREASE (DECREASE) IN CASH	591,799	(1,192)
CASH, Beginning	<u>283,915</u>	<u>285,107</u>
CASH, Ending	<u>\$ 875,714</u>	<u>\$ 283,915</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 83,765</u>	<u>\$ 122,764</u>

See notes to consolidated financial statements.

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Organization's consolidated 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 consolidated financial statements.

History and Not-for-Profit Activity

Jazz St. Louis (JSL) was incorporated in Missouri on September 9, 1996. It is committed to the presentation, promotion, and preservation of live jazz music (Jazz events program) and the continuing education of the community and the area's youth (Educational outreach program). The educational/engagement programs consist of: master classes, clinics, workshops, in-school performances, student ensembles, curriculum partnerships, lectures, book club, and music therapy. Prior to June 1, 1998, the JSL was a division of Grand Center, Inc. (Grand Center).

Friends of Jazz St. Louis (FJSL), a supporting organization of JSL, was incorporated on December 19, 2013 to act as the Leverage Lender in the New Market Tax Credit financing for the acquisition and renovation of the Organization's new facilities (i.e., the Bistro and Greenberg Van Doren buildings) and to serve as the fund raising arm of JSL for the related capital campaign. JSL is the sole member of FJSL, appoints the Board of Directors and is the beneficiary of the net assets of FJSL.

In October 2014, the renovation and construction of the Organization's new facility was completed and opened for operation as *The Harold & Dorothy Steward Center for Jazz*. The new facility houses expanded performance space of *The Ferring Jazz Bistro*, *Nancy's Jazz Lounge*, *The Centene Jazz Education Center*, and the administrative offices.

Covid-19 Pandemic Program Impact

As a result of Covid-19, jazz events and operations were curtailed during the period March to May 2020, which resulted in a significant reduction of revenues and other support. JSL created a streaming program whereby prior recorded shows were streamed on a weekly basis. In an effort to support local musicians who have lost income, JSL has created a series of concerts where these local musicians are recorded, and the show is streamed on Facebook and YouTube. This program has generated some contributions. JazzU and Jazz Academy created online content for students and created weekly online teaching experiences. JSL applied and was successful in securing a Paycheck Protection Program loan for \$190,100 in April 2020. JSL now uses local rather than national acts for jazz event, which resulted significant savings in expenses related to events. In addition, JSL placed a hiring freeze on open positions and reduce some employees as cost cutting measures. JSL has been in constant contact with donors to allow the repurposing gifts and sponsorships to less expensive online presentations and educational activities. This has been met with overwhelming success. JSL continues to evaluate and monitor its programming and operations.

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidated Financial Statement Presentation

The Organization's resources are classified for accounting and reporting purposes into two asset categories according to externally (donor) imposed restrictions as follows:

Net Assets without Donor Restrictions - Includes resources available for the support of operations, which have no donor imposed restrictions. Included in net assets without donor restrictions are Board Designated net assets for which the governing board, rather than a donor, has designated net assets to be reserved for future use. Designated amounts represent those resources that the Board has set aside for the following purposes:

Operating and building reserve funds - These reserve funds are intended to provide an internal source of funds for repair and maintenance needs for the facility. The target minimum transfer to the operating and building reserve funds is \$7,000 per month (Note 3).

Net investment in property and equipment - Includes property equipment, note receivable, and unconditional promises-to-give for capital campaign netted with notes payable to bank, debt, and construction payable.

Net Assets with Donor Restrictions - Includes resources received or receivable for which donor imposed restrictions have not been met, and resources received or receivable for which donor imposed restrictions are permanent.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of JSL and FJSL (the Organization). All significant intercompany transactions and account balances have been eliminated in consolidation.

Comparative Totals

The consolidated 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 consolidated financial statements for the year ended May 31, 2019, from which the summarized information was derived.

Use of Estimates

The preparation of consolidated 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. In particular, the novel coronavirus ("COVID-19") pandemic and the resulting adverse impacts it may have to global economic conditions, as well as operations, may affect future estimates including, but not limited to, fair value measurements and downward adjustments to investments in equity securities.

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash consists of checking and money market accounts. 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.

Conditional Promises-to-Give

A major contributor has pledged to contribute \$43,675 to the Organization, conditional upon the Organization achieving certain objectives as outlined in the agreement with the contributor.

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, 2020 and 2019.

Prepaid Expenses

Prepaid expenses consist primarily of prepaid talent deposits and insurance premiums.

Investments

Investments consist of equity securities, fixed income securities, and money market funds. Investments are presented in the financial statements at fair value. The fair value of substantially all securities is determined by quoted market prices. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market. Gains or losses on securities are based on the average cost method.

Net investment income (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: financial instruments are valued based on quoted prices in active markets for identical assets or liabilities.

Level 2: financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities.

Level 3: financial instruments are valued using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Declines in the fair value of individual investments below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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 straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and Improvements	7 - 39
Computer Equipment	3 - 5
Equipment	7
Furniture and Fixtures	7

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. There was no impairment at May 31, 2020 and 2019.

Debt Issuance Costs (Presented as a Reduction of Long-Term Debt)

Debt issuance costs associated with obtaining financing for the renovation and construction of the new facilities are amortized over the terms of the associated notes payable using the interest yield method.

Contract Liabilities

Contract liabilities represent cash received from exchange transactions such as jazz events related to jazz performances to be held in future periods, prior to the Organization meeting its performance obligation.

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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions and grants are recorded in the net assets with donor restrictions class for restrictions expiring during the fiscal year, and then transferred to the net assets without restrictions class.

The Organization's grants revenue stream is considered contribution revenue. Contribution and grant revenues are either recognized upon receipt if there are no conditions or recognized as conditions are satisfied.

Revenue Recognition for Contracts with Customers

The Organization recognizes revenues from jazz events when the performance obligation is met, typically as the events occur. Other revenues consist of restaurant lease income and equipment rental. The Organization recognizes revenue at the point in time when services are rendered to the customer.

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated financial statements at their estimated values at date of receipt. The value of donated services is reflected in the accompanying consolidated 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.

Advertising Costs

Advertising costs are charged to operations when incurred.

Income Taxes

JSL is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. As such, JSL and related funds can only be taxed on the income from any activities unrelated to its charitable purposes. JSL files a Form 990 for its exempt activities and a Form 990-T for its unrelated activity of venue rental income to for-profit entities.

FJSL is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code having received its IRS determination letter on August 29, 2014. FJSL files a separate Form 990.

Accounting Standards Adopted

Effective June 1, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09 Revenue Recognition (Topic 606): Revenue from Contracts with Customers and ASU 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASUs were applied to all contracts, grants and contributions (nonreciprocal transactions) entered into during 2020 using the modified retrospective approach. The cumulative effect of initially applying the guidance had no impact on the opening balance of net assets as of June 1, 2019.

Subsequent Events

The Organization has performed a review of events subsequent to the consolidated statement of financial position date through October 15, 2020, the date the consolidated financial statements were available to be issued.

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 2 – LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>May 31, 2020</u>
Cash	\$ 222,725
Unconditional Promises-to-Give	528,053
Accounts Receivable	<u>9,674</u>
	<u>\$ 760,452</u>

The Organization’s endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowments funds are not available for general expenditure.

To manage unanticipated liquidity needs, the Organization maintains a \$350,000 line of credit with a commercial bank. There was \$330,000 outstanding on the line of credit at May 31, 2020 (Note 9).

NOTE 3 — CASH

Cash consists of the following:

	<u>May 31,</u>	
	<u>2020</u>	<u>2019</u>
Without Restrictions		
Checking accounts		
Operating	\$ 366,619	\$ 203,698
Operating and building reserve funds (*)	15,983	18,785
Capital campaign	<u>169,832</u>	<u>47,770</u>
	552,434	270,253
Money market accounts	<u>305,900</u>	<u>4,635</u>
	<u>858,334</u>	<u>274,888</u>
With Restrictions - Checking		
Interest reserve and disbursement funds (**)	<u>17,380</u>	<u>9,027</u>
	<u>\$ 875,714</u>	<u>\$ 283,915</u>

(*) Effective June 2013, the Board of Directors approved a policy to establish an operating reserve fund. The policy requires the Organization to transfer a minimum of \$5,000 each month to its operating reserve fund held in a separate bank account. Effective May 2015, the Board of Directors approved a policy to establish a building reserve fund. The policy requires the Organization to transfer a minimum of \$2,000 each month to its building reserve fund held in a separate bank account. There are certain limitations on the use of this fund and required Board approval on draws from the fund. During the years ended May 31, 2020 and 2019, the Board authorized draws from these funds of \$2,801 and \$159,000, respectively.

(**) The loan agreements with Busey Bank and St. Louis New Markets Tax Credit Fund-XXXIII, LLC required the Organization to set up and fund these interest reserve and disbursement accounts.

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 4 — UNCONDITIONAL PROMISES-TO-GIVE

Unconditional promises-to-give consist of the following:

	May 31,	
	2020	2019
Amounts Due		
Less than one year		
Capital campaign (#) (*)	\$ 365,682	\$ 662,716
Other	<u>547,879</u>	<u>586,548</u>
	913,561	1,249,264
One to five years		
Capital campaign (#)	<u>-</u>	<u>347,500</u>
Subtotal before discount and allowance	913,561	1,596,764
Discount at 0.67% (2.51% in 2019)	(1,990)	(62,304)
Allowance for Doubtful Collections	<u>(49,900)</u>	<u>(29,131)</u>
	861,671	1,505,329
Less Current Portion	<u>861,671</u>	<u>1,242,033</u>
Non-Current Portion	<u>\$ -</u>	<u>\$ 263,296</u>

(#) Certain pledges are collateral to loan agreement with a bank.

(*) Capital campaign contributions are recorded as those without donor restrictions since the capital improvements had previously been completed.

Changes in the allowance for uncollectable promises-to-give are as follows:

	As of and for the Years Ended May 31,	
	2020	2019
Balance, Beginning	\$ 29,131	\$ 44,066
Provision for uncollectable promises-to-give	32,813	4,940
Less promises-to-give written off	<u>(12,044)</u>	<u>(19,875)</u>
Balance, Ending	<u>\$ 49,900</u>	<u>\$ 29,131</u>

NOTE 5 — INVESTMENTS

Investments consist of the following:

	May 31,	
	2020	2019
Fixed Income Securities -		
DFA Diversified Fixed Income Portfolio	\$ 55,946	\$ 51,614
Equity Securities - DFA Global Equity Institutional	130,730	121,259
Money Market Funds	<u>2,248</u>	<u>8,434</u>
	<u>\$ 188,924</u>	<u>\$ 181,307</u>

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 5 — INVESTMENTS (Continued)

Gains (losses) included in net investment income (loss) were \$1,673 and \$(10,612) for the years ended May 31, 2020 and 2019, respectively.

Investment advisory fees of \$1,420 and \$1,016 are included in net investment income (loss) on the statement of activities for the years ended May 31, 2020 and 2019, respectively.

NOTE 6 — FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at May 31, 2020 and 2019.

- *Equity securities and fixed income securities:* Valued at the daily closing price reported by the fund, which is the quoted publicly traded net asset value (NAV) of shares.
- *Money market funds:* Valued at quoted prices in markets that are active which the individual securities are traded.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Fair Value	Fair Value
	May 31, 2020			May 31, 2019	
Equity Securities	\$ 130,730	\$ -	\$ -	\$ 130,730	\$ 121,259
Fixed Income	55,946	-	-	55,946	51,614
Money Market Funds	<u>2,248</u>	-	-	<u>2,248</u>	<u>8,434</u>
2020 Totals	<u>\$ 188,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,924</u>	
2019 Totals	<u>\$ 181,307</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 181,307</u>

NOTE 7 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	May 31,	
	2020	2019
Land	\$ 54,222	\$ 54,222
Building and Improvements	7,848,419	7,848,419
Computer Equipment	179,345	93,248
Equipment	360,004	356,089
Furniture and Fixtures	271,018	271,018
Construction in Progress	<u>45,736</u>	<u>72,754</u>
	8,758,744	8,695,750
Less Accumulated Depreciation	<u>2,313,493</u>	<u>1,917,443</u>
	<u>\$ 6,445,251</u>	<u>\$ 6,778,307</u>

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 8 — NOTE RECEIVABLE

Note receivable consists of a \$3,409,225 note receivable from USBCDC Investment Fund 48, LLC (the Investment Fund) with an origination date of November 21, 2014 (Notes 10 and 16). The note accrues interest at 1% with interest payment starting December 2014 and principal payment beginning December 2020. Interest income was \$34,092 for the years ended May 31, 2020 and 2019. Accrued interest receivable was \$5,682 at May 31, 2020 and 2019, respectively.

NOTE 9 — NOTE PAYABLE TO BANK

The Organization has a demand note payable issued under a \$350,000 line of credit, bearing interest at the bank's prime rate. The unpaid interest and principal is due at maturity in December 2020. The line of credit is collateralized by all assets of the Organization. There was \$330,000 and \$165,000 outstanding as of May 31, 2020 and 2019, respectively. The prime rate was 3.25% and 5.5% at May 31, 2020 and 2019, respectively.

NOTE 10 — LONG-TERM DEBT

Long-term debt consists of the following:

	May 31,	
	2020	2019
\$2,100,000 note payable to bank, due September 2020, principal payable annually in accordance with principal payment schedule in the agreement and interest payable monthly at 5.25%, personal guarantee by certain donor, subject to the rights of St. Louis New Markets Tax Credit Fund-XXXIII, LLC under a subordination agreement (Note 16) - Principal	\$ 525,000	\$ 725,000
Unamortized debt issuance cost	-	(1,750)
Notes payable in the amount of \$3,406,000 (aka Note A) and \$1,394,000 (aka Note B) dated November 21, 2014, to St. Louis New Markets Tax Credit Fund-XXXIII, LLC. The notes bear interest at 1.28340%. Interest-only payments are due quarterly until December 2020. Commencing on March 2021, quarterly principal and interest payments are due in an amount sufficient to fully amortize the principal balance of the notes by the maturity date of November 21, 2044, secured by deed of trust (Note 16) - Principal	4,800,000	4,800,000
Unamortized debt issuance cost	(269,309)	(283,674)
\$72,049 note payable to bank, due November 2020, principal payable monthly in accordance with principal payment schedule in the agreement and interest payable monthly at 5.00%, secured by equipment	43,925	50,694
\$190,100 note payable to bank, due April 2022, payable in monthly installments of \$10,645 starting October 2020, including interest payable at 1.00%, secured by equipment. SBA PPP note, subject to forgiveness after approval by bank and the SBA of application for forgiveness. Repayment terms of unforgiven principal will be subject to the provisions of the CARES Act	190,100	-

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 10 — LONG-TERM DEBT (Continued)

	May 31,	
	2020	2019
\$10,000 advance payable to bank, due June 2050, principal payable monthly in accordance with principal payment schedule in the agreement and interest payable monthly at 2.75%. Economic Injury Disaster Loan subject to forgiveness after approval by bank and the SBA of application for forgiveness. Repayment terms of unforgiven principal will be subject to the provisions of the CARES Act	\$ 10,000	\$ -
Total long-term debt, net of unamortized debt issuance costs	5,299,716	5,290,270
Less current portion of long-term debt	831,778	256,772
	<u>\$ 4,467,938</u>	<u>\$ 5,033,498</u>

Unamortized debt issuance costs were \$269,309 and \$285,424 at May 31, 2020 and 2019, respectively. Amortization of debt issuance costs of \$16,115 and \$28,001 are included in interest expense for the years ended May 31, 2020 and 2019, respectively.

Maturities of long-term debt are as follows:

Year Ending May 31,	Paycheck Program Note	Long-term Debt
2021	\$ 84,489	\$ 747,289
2022	105,611	180,664
2023	-	182,995
2024	-	185,354
2025	-	187,744
Thereafter	-	3,894,879
	190,100	5,378,925
Unamortized debt issuance costs	-	(269,309)
	<u>\$ 190,100</u>	<u>\$ 5,109,616</u>

NOTE 11 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	May 31,	
	2020	2019
Subject to Expenditure for Specific Purpose		
Educational outreach	\$ 224,810	\$ 163,908
Jazz events	553,684	559,821
	<u>778,494</u>	<u>723,729</u>
Endowment Funds - Subject to appropriation and expenditure when a specified event occurs:		
Arthur H. Harper "Jazz Forever" Endowment Scholarship Fund	130,379	127,514
Rich McDonnell Memorial Scholarship Fund	28,433	28,503
Tom McMahon "Jazz Lives" Endowed Scholarship Fund	30,112	32,396
	<u>188,924</u>	<u>188,413</u>
	<u>\$ 967,418</u>	<u>\$ 912,142</u>

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 11 — NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from restrictions during the year ended May 31, 2020 consist of the following:

Restricted Expenditures Released from Restrictions	
Educational outreach	\$ 246,331
Jazz events	584,387
Endowment appropriations	<u>4,458</u>
	<u>\$ 835,176</u>

NOTE 12 — ENDOWMENT

The Organization's endowment consists of various funds established for program purposes (Note 11). Its endowment includes donor restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (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 at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds.

- (1) The duration and preservation of the fund
- (2) The purposes 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

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 12 — ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the appropriate index while assuring a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return 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 a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The spending policy calculates the amount of money annually distributed from the Organization's various endowed funds, for scholarship awards. Each distribution may be made from income, principal, or both.

Endowment net asset composition by type of fund is as follows:

	With Donor Restrictions	Total
Donor Restricted Funds - Managed by the Organization		
May 31, 2020	\$ 188,924	\$ 188,924
May 31, 2019	\$ 188,413	\$ 188,413

Changes in endowment net assets are as follows:

	As of and for the Years Ended May 31,	
	2020	2019
Endowment Net Assets		
Beginning of year	\$ 188,413	\$ 139,094
Contributions	260	61,503
Net investment gain (loss)	4,709	(7,368)
Appropriated for expenditure	(4,458)	(4,813)
End of year	\$ 188,924	\$ 188,413

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 13 — RELATED PARTY TRANSACTIONS

Members of the Board of Directors (including their related organizations) contributed \$381,611 and \$1,307,842 for the years ended May 31, 2020 and 2019, respectively. These amounts are included in revenues and other support on the accompanying consolidated statement of activities.

Unconditional promises-to-give from these related parties was \$292,500 and \$770,896 at May 31, 2020 and 2019, respectively.

NOTE 14 — CONCENTRATIONS OF REVENUE SOURCE

The Organization received 16% and 33% of its total revenue from related parties (Note 13) during the years ended May 31, 2020 and 2019, respectively.

The Organization received 13% of its total revenue from a single donor during the year ended May 31, 2020.

NOTE 15 — COMMITMENTS

Leases and Operating Agreements

The Organization rents space and equipment at various venues for jazz events at contracted rates. Equipment and venue rental expense was \$29,910 and \$46,355 for the years ended May 31, 2020 and 2019, respectively.

JSL leases a parking lot from 3526 Washington, LLC (a related party through common Board member) under an operating lease agreement that expires in December 2020. Lease expense under operating lease was \$30,250 and \$25,000 for the years ended May 31, 2020 and 2019, respectively, and is included in parking and valet expenses on the consolidated statement of functional expenses.

JSL leases office space to Ferring Family Foundation (a related party through common Board member) pursuant to the terms of an agreement through December 2024. The lease specifies rent of \$12,000 per year (\$9,000 per year in 2019) with two five-year renewal terms and an option on first right of refusal to purchase the building. Rent income was \$10,720 and \$9,720 for the years ended May 31, 2020 and 2019.

Effective January 2017, JSL entered into a lease and license agreement with G. Maggi Culinary Services, LLC pursuant to the terms of an agreement through July 2020 to rent certain restaurant space. G. Maggi Culinary Services, LLC is to pay monthly rent as a percentage of certain level of income as specified in the lease agreement.

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 16 — NEW MARKETS TAX CREDIT AGREEMENT

On January 30, 2014, the Organization signed an agreement with the St. Louis Development Corporation (SLDC) based on a resolution that authorized and approved \$5,000,000 in New Markets Tax Credits (NMTC) for the acquisition and renovation of the Jazz St. Louis Project (the Project). The Project allowed for the expansion of the Organization's facilities, teaching capacity, community engagement and performances. The new facility is designed to increase seating capacity from 150 to 200 seats and increase the number of visitors to 38,000 per year.

Under the NMTC structure, FJSL is the leverage lender, whose purpose is to lend to USBCDC Investment Fund 48, LLC (Note 8). The investment fund entity also receives capital contribution equity from private investors. The private investor receives NMTCs in return for its contribution into the investment fund. The investment fund uses the loan from the leverage lender and the equity from the investors to make an investment in a community development entity, St. Louis New Markets Tax Credit Fund-XXXIII, LLC (the CDE). Substantially all of the proceeds received by the CDE are then loaned to JSL.

FJSL loaned funds of \$3,409,225 to the Investment Fund, which made an investment in the CDE. The CDE then made loans to JSL for the construction and renovation of the Organization's new facility. FJSL received the funds it loaned to the Investment Fund from the following sources:

Loan - Pulaski Bank	\$ 2,750,000
Cash - JSL	<u>659,225</u>
	<u>\$ 3,409,225</u>

The loan from FJSL was a prerequisite for JSL to acquire and renovate its new facility as described in Note 1. This new facility allows JSL to achieve its goal of expanding jazz performances, education, and engagement activities that build youths and adults in the greater St. Louis area.

According to the Investment Put and Call agreement, U.S. Bancorp Community Development Corporation (USBCDC), who owns all of the membership interest in USBCDC Investment Fund 48, LLC (the Investment Fund), which is the 99.99% owner of St. Louis New Markets Tax Credit Fund-XXXIII, LLC (the CDE), has an option to sell its ownership interest in the Investment Fund to FJSL. The put option may be exercised by USBCDC upon the occurrence of the first day following the end of the Tax Credit investment period (Recapture Expiration Date) or NMTC Recapture Event. If USBCDC does not exercise the put option, FJSL has the option to purchase (call), at any time during the 180 calendar days following the expiration of the Put Exercise Period, USBCDC's ownership interest.

Interest income earned from the note receivable and interest expense incurred from the loans is as follows:

	Years Ended May 31,	
	2020	2019
Interest Income	\$ 34,092	\$ 34,092
Interest Expense	<u>(61,603)</u>	<u>(61,603)</u>
Net Interest	<u>\$ (27,511)</u>	<u>\$ (27,511)</u>

JAZZ ST. LOUIS AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2020 (With Comparative Totals for 2019)

NOTE 17 — YOUTH OPPORTUNITY PROGRAM (YOP)

During fiscal year 2018, the Organization entered into a YOP agreement with the Missouri Department of Economic Development and were awarded \$93,626 in YOP state tax credits to award to eligible donors who make qualifying donations to the Organization for educational outreach. The agreement was effective from July 1, 2017 to June 30, 2019. The tax credit may equal no more than 50% of the value of any eligible donations as defined in the agreement as such the total amount of contributions eligible to receive the tax credit total \$187,253. The Organization recognized YOP contributions of \$-0- and \$108,797 for the years ended May 31, 2020 and 2019, respectively.

NOTE 18 — SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus disease (COVID-19) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's finances. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on the Organization's activities, results of operations, financial condition, and cash flow.

In June 2020, the Organization entered into a 2.75% promissory note payable to a bank for \$150,000 as part of the Small Business Administration Economic Injury Disaster Loan (EIDL). The note is due in June 2050, payable in accordance with the principal payment schedule in the agreement.