JAZZ ST. LOUIS AND SUBSIDIARY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year Ended May 31, 2019
(With Comparative Totals for 2018)

JAZZ ST. LOUIS AND SUBSIDIARY

TABLE OF CONTENTS

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, 2019, 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, 2019, 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, 2018, and our report dated September 17, 2018 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, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

UHY LLP

St. Louis, Missouri
September 18, 2019

JAZZ ST. LOUIS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
May 31, 2019 (With Comparative Totals for 2018)

	May 31, 2019	May 31, 2018
ASSETS		
CURRENT ASSETS		
Cash	**$ 283,915**	$ 285,107
Unconditional promises-to-give	**1,242,033**	1,512,443
Accounts receivable	**12,767**	7,142
Prepaid expenses	**30,069**	83,910
Total current assets	**1,568,784**	1,888,602
INVESTMENTS	**181,307**	-
UNCONDITIONAL PROMISES-TO-GIVE	**263,296**	457,523
PROPERTY AND EQUIPMENT	**6,778,307**	7,058,337
NOTE RECEIVABLE	**3,409,225**	3,409,225
Total assets	**$ 12,200,919**	$ 12,813,687
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable to bank	**$ 165,000**	$ -
Current portion of long-term debt	**256,772**	656,484
Accounts payable	**134,373**	105,562
Construction payable	**80,000**	80,000
Accrued expenses	**72,548**	57,737
Deferred revenues	**44,443**	254,832
Total current liabilities	**753,136**	1,154,615
LONG-TERM DEBT	**5,033,498**	5,315,144
Total liabilities	**5,786,634**	6,469,759
NET ASSETS		
Without donor restrictions		
Undesignated, available for operations	**(94,901)**	(154,841)
Board designated - operating and building reserve funds	**18,770**	10,633
Net investment in property and equipment	**5,578,274**	5,715,226
	5,502,143	5,571,018
With donor restrictions	**912,142**	772,910
Total net assets	**6,414,285**	6,343,928
Total liabilities and net assets	**$ 12,200,919**	$ 12,813,687

See notes to consolidated financial statements.

JAZZ ST. LOUIS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended May 31, 2019 (With Comparative Totals for 2018)

	Years Ended May 31,			
	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES AND OTHER SUPPORT				
Contributions and grants				
Foundations	$ 229,217	$ 374,450	$ 603,667	$ 497,758
Individuals	317,351	145,118	462,469	586,498
Corporations	17,265	696,317	713,582	800,390
Governmental	22,568	25,000	47,568	27,955
Young Friends	6,927	-	6,927	7,293
Capital campaign	532,194	-	532,194	106,397
	1,125,522	1,240,885	2,366,407	2,026,291
Special event				
Contributions	311,431	-	311,431	-
Revenue	35,080	-	35,080	-
Direct expenses	(154,548)	-	(154,548)	-
	191,963	-	191,963	-
Fees from jazz events and other				
Subscriptions	682,179	-	682,179	617,112
Tickets	569,366	-	569,366	474,495
Restaurant lease income	48,687	-	48,687	45,859
Venue rental income	7,725	-	7,725	45,515
Net investment loss	-	(7,368)	(7,368)	-
Interest and other	73,151	-	73,151	56,215
	1,381,108	(7,368)	1,373,740	1,239,196
	2,698,593	1,233,517	3,932,110	3,265,487
Net assets released from restrictions	1,094,285	(1,094,285)	-	-
Total revenues and other support	3,792,878	139,232	3,932,110	3,265,487
EXPENSES				
Program services				
Jazz events	2,002,059	-	2,002,059	1,801,098
Educational outreach	942,467	-	942,467	1,089,337
Total program services	2,944,526	-	2,944,526	2,890,435
Supporting services				
Management and general	619,625	-	619,625	441,501
Promotion and fund raising	297,602	-	297,602	258,463
Total supporting services	917,227	-	917,227	699,964
Total expenses	3,861,753	-	3,861,753	3,590,399
CHANGES IN NET ASSETS	(68,875)	139,232	70,357	(324,912)
NET ASSETS, Beginning	5,571,018	772,910	6,343,928	6,668,840
NET ASSETS, Ending	$ 5,502,143	$ 912,142	$ 6,414,285	$ 6,343,928

See notes to consolidated financial statements.

JAZZ ST. LOUIS AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended May 31, 2019 (With Comparative Totals for 2018)

	Years Ended May 31,					
	2019					2018
	Program Services		Supporting Services			
	Jazz Events	Educational Outreach	Management and General	Promotion and Fund Raising	Total	
ADVERTISING	$ 137,356	$ 36,020	$ -	$ 7,708	$ 181,084	$ 190,222
ANNUAL APPEAL MAILING	-	-	-	4,844	4,844	4,482
ARTIST HOUSING	57,714	82,845	-	-	140,559	138,504
CONTRIBUTION	-	250	-	-	250	150
CULTIVATION	-	5,334	-	30,998	36,332	27,759
DEPRECIATION	266,105	66,096	64,010	-	396,211	385,798
DUES AND SUBSCRIPTIONS	2,657	116	2,889	116	5,778	5,031
INSURANCE	13,797	13,798	27,595	-	55,190	49,704
INTEREST	96,332	24,481	28,955	-	149,768	197,498
MISCELLANEOUS	23	22	1,207	1,402	2,654	4,261
MUSIC ROYALTIES	4,399	1,466	-	-	5,865	6,209
PARKING AND VALET	48,386	-	-	1,496	49,882	47,528
PAYROLL PROCESSING FEE	567	25	617	25	1,234	4,457
PIANO TUNING AND REPAIRS	15,599	988	192	8	16,787	12,217
POSTAGE AND SUPPLIES	18,369	3,880	22,476	1,703	46,428	48,122
PROFESSIONAL FEES	19,360	40,442	51,634	12,274	123,710	61,395
PROGRAM FEES	-	320	-	-	320	5,000
PROVISION FOR UNCOLLECTIBLE PLEDGES	-	-	4,940	-	4,940	-
REAL ESTATE TAXES	-	-	-	-	-	39,387
RENT - EQUIPMENT AND VENUE	34,321	15,752	2,529	529	53,131	95,223
RENT - FACILITIES	3,408	1,152	5,959	781	11,300	10,365
REPAIRS AND MAINTENANCE	58,938	5,655	21,593	1,878	88,064	77,695
SALARIES AND BENEFITS (#)	402,497	258,050	368,419	212,489	1,241,455	1,139,864
SCHOLARSHIP AWARDS	-	4,912	-	-	4,912	6,009
TALENT FEES	696,472	301,096	-	-	997,568	826,698
TELEPHONE	4,550	3,033	6,066	1,516	15,165	19,153
TICKET PROCESSING FEES	44,407	4,934	-	-	49,341	35,262
TRAVEL	33,517	61,526	1,902	17,780	114,725	96,502
UTILITIES	43,285	10,274	8,642	2,055	64,256	55,904
Total - 2019	$ 2,002,059	$ 942,467	$ 619,625	$ 297,602	$ 3,861,753	
Percentage - 2019	51.9 %	24.4 %	16.0 %	7.7 %	100.0 %	
Total - 2018	$ 1,801,098	$ 1,089,337	$ 441,501	$ 258,463		$ 3,590,399
Percentage - 2018	50.2 %	30.3 %	12.3 %	7.2 %		100.0 %

(#) 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, 2019 (With Comparative Totals for 2018)

	Years Ended May 31, 2019	Years Ended May 31, 2018
OPERATING ACTIVITIES		
Changes in net assets	**$ 70,357**	$ (324,912)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation	**396,211**	385,798
Amortization of debt issuance costs	**28,001**	27,168
Gain on sale of property and equipment	**(1,196)**	-
Loss on investments	**10,612**	-
Provision for uncollectable pledges	**4,940**	-
Revenues restricted for purchase of capital improvements	**(532,194)**	(106,397)
Restricted contributions for endowments	**(10,902)**	(189,695)
Changes in		
Unconditional promises-to-give	**85,167**	(129,681)
Accounts receivable	**(5,625)**	1,889
Prepaid expenses	**53,841**	(37,932)
Accounts payable and accrued expenses	**43,622**	12,742
Deferred revenues	**(210,389)**	114,076
Net cash used by operating activities	**(67,555)**	(246,944)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(116,290)**	(41,175)
Proceeds from sale of property and equipment	**1,305**	-
Purchase of investments	**(191,919)**	-
Net cash used by investing activities	**(306,904)**	(41,175)
FINANCING ACTIVITIES		
Net borrowings (payments) on note payable to bank	**165,000**	-
Payments on long-term debt	**(709,359)**	(992,385)
Net payments on construction payable financing	**-**	(30,000)
Collections of revenues restricted for capital improvements	**906,724**	1,080,609
Proceeds from contributions restricted for endowments	**10,902**	139,094
Net cash provided by financing activities	**373,267**	197,318
NET DECREASE IN CASH	**(1,192)**	(90,801)
CASH, Beginning	**285,107**	375,908
CASH, Ending	**$ 283,915**	$ 285,107
SUPPLEMENTAL DISCLOSURES		
Interest paid	**$ 122,764**	$ 175,786
Noncash financing activities		
Unconditional promises-to-give restricted for endowments	**$ -**	$ 50,000

See notes to consolidated financial statements.

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.

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 payables.
>
> **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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, 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.

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 $122,050 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, 2019 and 2018.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 return (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.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	Years
Building and Improvements	7 - 39
Computer Equipment	3 - 5
Equipment	7
Furniture and Fixtures	7
Leasehold Improvements	Term of Lease

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, 2019 and 2018.

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.

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 recognizes revenues from jazz events as the events occur. Deferred revenues represent unearned revenues related to jazz performances to be held in future periods. Other revenues consist of restaurant lease income, equipment rental, commissions on compact disc sales, interest income and gain on sale of equipment.

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.

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

In 2019, the Organization adopted Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. The purpose of the standard is to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The standard has been applied to all periods presented resulting in no change to total net assets.

Reclassifications

Certain reclassifications have been made to the comparative totals as of and for the year ended May 31, 2018 to conform to the presentation for the year ended May 31, 2019.

Subsequent Events

The Organization has performed a review of events subsequent to the consolidated statement of financial position date through September 18, 2019, the date the consolidated financial statements were available to be issued.

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:

	May 31, 2019
Cash	$ 132,257
Unconditional Promises-to-Give	573,633
Accounts Receivable	5,682
	$ 711,572

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 $175,000 line of credit with a commercial bank. There was $165,000 outstanding on the line of credit at May 31, 2019 (Note 9).

NOTE 3 — CASH

Cash consists of the following:

	May 31,	
	2019	2018
Without Restrictions		
Checking accounts		
Operating	$ 212,725	$ 113,254
Operating and building reserve funds (*)	18,785	10,633
Capital campaign	47,770	987
	279,280	124,874
Money market accounts	4,635	4,624
	283,915	129,498
With Restrictions - Checking		
Interest reserve and disbursement funds (**)	-	16,515
Endowments - scholarship funds	-	139,094
	-	155,609
	$ 283,915	$ 285,107

(*) 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, 2019 and 2018, the Board authorized draws from these funds of $159,000 and $110,000, respectively.

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

NOTE 4 — UNCONDITIONAL PROMISES-TO-GIVE

Unconditional promises-to-give consist of the following:

	May 31, 2019	May 31, 2018
Amounts Due		
Less than one year		
Capital campaign (#) (*)	$ 662,716	$ 841,769
Endowment scholarship funds	-	50,000
Other	586,548	637,840
	1,249,264	1,529,609
One to five years		
Capital campaign (#)	347,500	603,671
Subtotal before discount and allowance	1,596,764	2,133,280
Discount at 2.51% (2.72% in 2018)	(62,304)	(119,248)
Allowance for Doubtful Collections	(29,131)	(44,066)
	1,505,329	1,969,966
Less Current Portion	1,242,033	1,512,443
Long-Term Portion	$ 263,296	$ 457,523

(#) 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 pledges are as follows:

	As of and for the Years Ended May 31, 2019	2018
Balance, Beginning	$ 44,066	$ 44,416
Provision for uncollectable pledges	4,940	-
Less pledges written off	(19,875)	(350)
Balance, Ending	$ 29,131	$ 44,066

NOTE 5 – INVESTMENTS

Investments consist of the following:

	May 31, 2019	May 31, 2018
Fixed Income Securities -		
DFA Diversified Fixed Income Portfolio	$ 51,614	$ -
Equity Securities - DFA Global Equity Institutional	121,259	-
Money Market Funds	8,434	-
	$ 181,307	$ -

NOTE 5 – INVESTMENTS (Continued)

Losses included in earnings on investments and restricted funds were $10,612 for the year ended May 31, 2019.

Investment advisory fees of $1,016 are included in net investment return on the statement of activities for the year ended May 31, 2019.

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, 2019 and 2018.

- *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, 2019				May 31, 2018
Equity Securities	$ 121,259	$ -	$ -	$ 121,259	$ -
Fixed Income	51,614	-	-	51,614	-
Money Market Funds	8,434	-	-	8,434	-
2019 Totals	$ 181,307	$ -	$ -	$ 181,307	
2018 Totals	$ -	$ -	$ -		$ -

NOTE 7 — PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	May 31, 2019	May 31, 2018
Land	$ 54,222	$ 54,222
Building and Improvements	7,848,419	7,848,419
Computer Equipment	93,248	97,085
Equipment	356,089	344,652
Furniture and Fixtures	271,018	273,592
Construction in Progress	72,754	-
	8,695,750	8,617,970
Less Accumulated Depreciation	1,917,443	1,559,633
	$ 6,778,307	$ 7,058,337

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, 2019 and 2018. Accrued interest receivable was 5,682 at May 31, 2019 and 2018, respectively.

NOTE 9 — NOTE PAYABLE TO BANK

The Organization has a demand note payable issued under a $175,000 line of credit, bearing interest at the bank's prime rate (2018 at prime plus 0.50%). 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 $165,000 and $-0- outstanding as of May 31, 2019 and 2018, respectively. The prime rate was 5.50% and 4.75% at May 31, 2019 and 2018, respectively.

NOTE 10 — LONG-TERM DEBT

Long-term debt consists of the following:

	May 31, 2019	May 31, 2018
$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	$ 725,000	$ 1,200,000
Unamortized debt issuance cost	(1,750)	(5,950)
$2,750,000 note payable to bank, due November 2019, principal payable in annual installments of $550,000 beginning November 2015, interest payable monthly at 5.25%, secured by certain pledges, principal amount to be utilized to make loan to USBCDC Investment Fund 48, LLC (Note 8 and 16). The Organization paid the remaining balance during the year ended May 31, 2019 - Principal	-	227,873
Unamortized debt issuance cost	-	(2,833)
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	(283,674)	(304,642)

NOTE 10 — LONG-TERM DEBT (Continued)

	May 31, 2019	May 31, 2018
$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	$ 50,694	$ 57,180
Total long-term debt, net of unamortized debt issuance costs	5,290,270	5,971,628
Less current portion of long-term debt	256,772	656,484
	$ 5,033,498	$ 5,315,144

Unamortized debt issuance costs were $285,424 and $313,425 at May 31, 2019 and 2018, respectively. Amortization of debt issuance costs of $28,001 and $27,168 are included in interest expense for the years ended May 31, 2019 and 2018, respectively.

Maturities of long-term debt are as follows:

Year Ending May 31,	
2020	$ 256,772
2021	697,286
2022	180,664
2023	182,995
2024	185,354
Thereafter	4,072,623
	5,575,694
Unamortized debt issuance costs	(285,424)
	$ 5,290,270

NOTE 11 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	May 31, 2019	May 31, 2018
Subject to Expenditure for Specific Purpose		
Educational outreach	$ 163,908	$ 128,915
Jazz events	559,821	406,500
	723,729	535,415
Subject to the Passage of Time	-	47,800
Endowment Funds - Subject to appropriation and expenditure when a specified event occurs:		
Arthur H. Harper "Jazz Forever" Endowment Scholarship Fund	127,514	84,709
Rich McDonnell Memorial Scholarship Fund	28,503	23,881
Tom McMahon "Jazz Lives" Endowed Scholarship Fund	32,396	30,504
	188,413	139,094
Unconditional Promises-to-Give and Other	-	50,601
	188,413	189,695
	$ 912,142	$ 772,910

NOTE 11 — NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets released from restrictions during the year ended May 31, 2019 consist of the following:

Restricted Expenditures Released from Restrictions	
Educational outreach	$ 436,631
Jazz events	605,038
Time restricted operations	47,800
Endowment appropriations	4,816
	$ 1,094,285

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

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, 2019	$ 188,413	$ 188,413
May 31, 2018	$ 139,094	$ 139,094

Changes in endowment net assets are as follows:

	As of and for the Years Ended May 31,	
	2019	2018
Endowment Net Assets		
Beginning of year	$ 139,094	$ -
Contributions	61,503	144,094
Net investment loss	(7,368)	-
Appropriated for expenditure	(4,816)	(5,000)
End of year	$ 188,413	$ 139,094

NOTE 13 — RELATED PARTY TRANSACTIONS

Members of the Board of Directors (including their related organizations) contributed $1,307,842 and $684,880 for the years ended May 31, 2019 and 2018, 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 $770,896 and $347,644 at May 31, 2019 and 2018, respectively.

NOTE 14 — CONCENTRATIONS OF REVENUE SOURCE

The Organization received 33% and 21% of its total revenue from related parties (Note 13) during the years ended May 31, 2019 and 2018, respectively.

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 $46,355 and $68,338 for the years ended May 31, 2019 and 2018, 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 2019. Lease expense under operating lease was $25,000 for the years ended May 31, 2019 and 2018, 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 2020. The lease specifies rent of $9,000 per year with three five year renewal terms and an option on first right of refusal to purchase the building. Rent income was $9,720 for the years ended May 31, 2019 and 2018.

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.

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.

NOTE 16 — NEW MARKETS TAX CREDIT AGREEMENT (Continued)

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	659,225
	$ 3,409,225

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,	
	2019	2018
Interest Income	$ 34,092	$ 34,092
Interest Expense	(61,603)	(61,603)
Net Interest	$ (27,511)	$ (27,511)

NOTE 17 — YOUTH OPPORTUNITY PROGARM (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 is 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's recognized YOP contributions of $108,797 and $74,964 for the years ended May 31, 2019 and 2018, respectively.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Jazz St. Louis

We have audited the consolidated financial statements of Jazz St. Louis and Subsidiary as of and for the year ended May 31, 2019, and have issued our report thereon dated September 18, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information on pages 23 and 24 is presented for purposes of supplementary analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

UHY LLP

St. Louis, Missouri
September 18, 2019

JAZZ ST. LOUIS AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
May 31, 2019

	Jazz St. Louis (JSL)	Friends of Jazz St. Louis (FJSL)	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash	$ 178,899	$ 105,016	$ -	$ 283,915
Unconditional promises-to-give	579,317	662,716	-	1,242,033
Accounts receivable	7,085	5,682	-	12,767
Prepaid expenses	30,069	-	-	30,069
Total current assets	795,370	773,414	-	1,568,784
INVESTMENTS	181,307	-	-	181,307
UNCONDITIONAL PROMISES-TO-GIVE	-	263,296	-	263,296
PROPERTY AND EQUIPMENT	6,778,307	-	-	6,778,307
NOTE RECEIVABLE	-	3,409,225	-	3,409,225
INTEREST IN NET ASSETS OF FJSL	4,445,935	-	(4,445,935)	-
Total assets	$ 12,200,919	$ 4,445,935	$ (4,445,935)	$ 12,200,919
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Notes payable to bank	$ 165,000	$ -	$ -	$ 165,000
Current portion of long-term debt	256,772	-	-	256,772
Accounts payable	134,373	-	-	134,373
Construction payable	80,000	-	-	80,000
Accrued expenses	72,548	-	-	72,548
Deferred revenues	44,443	-	-	44,443
Total current liabilities	753,136	-	-	753,136
LONG-TERM DEBT	5,033,498	-	-	5,033,498
Total liabilities	5,786,634	-	-	5,786,634
NET ASSETS				
Without donor restrictions	5,502,143	4,445,935	(4,445,935)	5,502,143
With donor restrictions	912,142	-	-	912,142
Total net assets	6,414,285	4,445,935	(4,445,935)	6,414,285
Total liabilities and net assets	$ 12,200,919	$ 4,445,935	$ (4,445,935)	$ 12,200,919

See independent auditor's report on supplementary information.

JAZZ ST. LOUIS AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended May 31, 2019

	Without Donor Restrictions				With Donor Restrictions				
	JSL	FJSL	Eliminations	Consolidated	JSL	FJSL	Eliminations	Consolidated	Total
REVENUES AND OTHER SUPPORT									
Contributions and grants									
Foundations	$ 229,217	$ -	$ -	$ 229,217	$ 374,450	$ -	$ -	$ 374,450	$ 603,667
Individuals	317,351	-	-	317,351	145,118	-	-	145,118	462,469
Corporations	17,265	-	-	17,265	696,317	-	-	696,317	713,582
Governmental	22,568	-	-	22,568	25,000	-	-	25,000	47,568
Young Friends	6,927	-	-	6,927	-	-	-	-	6,927
Capital Campaign	624,885	532,194	(624,885)	532,194	-	-	-	-	532,194
	1,218,213	532,194	(624,885)	1,125,522	1,240,885	-	-	1,240,885	2,366,407
Special event									
Contributions	311,431	-	-	311,431	-	-	-	-	311,431
Revenue	35,080	-	-	35,080	-	-	-	-	35,080
Direct expenses	(154,548)	-	-	(154,548)	-	-	-	-	(154,548)
	191,963	-	-	191,963	-	-	-	-	191,963
Fees from Jazz events and other									
Subscriptions	682,179	-	-	682,179	-	-	-	-	682,179
Tickets	569,366	-	-	569,366	-	-	-	-	569,366
Restaurant lease income	48,687	-	-	48,687	-	-	-	-	48,687
Venue rental income	7,725	-	-	7,725	-	-	-	-	7,725
Net investment loss	-	-	-	-	(7,368)	-	-	(7,368)	(7,368)
Interest and other	44,059	34,092	(5,000)	73,151	-	-	-	-	73,151
	1,352,016	34,092	(5,000)	1,381,108	(7,368)	-	-	(7,368)	1,373,740
	2,762,192	566,286	(629,885)	2,698,593	1,233,517	-	-	1,233,517	3,932,110
Interest in net assets of FJSL	(70,755)	-	70,755	-	-	-	-	-	-
Net assets released from restrictions	1,094,285	-	-	1,094,285	(1,094,285)	-	-	(1,094,285)	-
Total revenues and other support	3,785,722	566,286	(559,130)	3,792,878	139,232	-	-	139,232	3,932,110
EXPENSES									
Program services									
Jazz events	1,997,511	629,433	(624,885)	2,002,059	-	-	-	-	2,002,059
Educational outreach	941,381	1,086	-	942,467	-	-	-	-	942,467
Total program services	2,938,892	630,519	(624,885)	2,944,526	-	-	-	-	2,944,526
Supporting services									
Management and general	618,471	1,154	-	619,625	-	-	-	-	619,625
Promotion and fund raising	297,234	5,368	(5,000)	297,602	-	-	-	-	297,602
Total supporting services	915,705	6,522	(5,000)	917,227	-	-	-	-	917,227
Total expenses	3,854,597	637,041	(629,885)	3,861,753	-	-	-	-	3,861,753
CHANGES IN NET ASSETS	(68,875)	(70,755)	70,755	(68,875)	139,232	-	-	139,232	70,357
NET ASSETS, Beginning	5,571,018	4,516,690	(4,516,690)	5,571,018	772,910	-	-	772,910	6,343,928
NET ASSETS, Ending	$ 5,502,143	$ 4,445,935	$ (4,445,935)	$ 5,502,143	$ 912,142	$ -	$ -	$ 912,142	$ 6,414,285

See independent auditor's report on supplementary information.