



2018
AUDITED FINANCIAL
STATEMENTS

JAZZ AT ASPEN - SNOWMASS

FINANCIAL STATEMENTS

December 31, 2018

JAZZ AT ASPEN - SNOWMASS

FINANCIAL STATEMENTS

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jazz at Aspen-Snowmass
Aspen, Colorado

We have audited the accompanying financial statements of Jazz at Aspen-Snowmass (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jazz at Aspen-Snowmass as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
August 29, 2019

JAZZ AT ASPEN-SNOWMASS
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Cash and Cash Equivalents	\$ 2,206,861
Accounts Receivable	5,975
Promises to Give	125,000
Prepaid Expenses	156,314
Inventory	53,018
Leasehold Improvements and Equipment, net	368,244
Deposits	259,503
Beneficial Interest at AVCF	<u>11,251</u>
TOTAL ASSETS	<u>\$ 3,186,166</u>

LIABILITIES & NET ASSETS

LIABILITIES

Accounts Payable	\$ 131,361
Accrued Expenses	11,336
Deferred Revenue	<u>1,190,212</u>
TOTAL LIABILITIES	<u>1,332,909</u>

NET ASSETS

Without Donor Restrictions	275,861
With Donor Restrictions	<u>1,577,395</u>
TOTAL NET ASSETS	<u>1,853,257</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 3,186,166</u>

See accompanying notes and independent auditor's report.

JAZZ AT ASPEN-SNOWMASS
STATEMENT OF ACTIVITIES
December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 2,671,799	\$ 1,577,395	\$ 4,249,194
In-Kind Contributions	969,901	-	969,901
Sponsorships	1,482,242	-	1,482,242
Grants	47,271	-	47,271
Patron and General Ticketing	2,957,043	-	2,957,043
Special Events	338,677	-	338,677
Concessions, Merchandise and Other Revenues	516,354	-	516,354
Net Assets Released From Restrictions: Satisfaction of Program & Time Restrictions	1,158,435	(1,158,435)	-
TOTAL REVENUES AND OTHER SUPPORT	<u>10,141,722</u>	<u>418,960</u>	<u>10,560,682</u>
EXPENSES			
Program Expenses:			
Educational Programs	474,036	-	474,036
June Festival	981,611	-	981,611
Labor Day Festival	6,647,843	-	6,647,843
JAS Café	933,454	-	933,454
Free Series	11,500	-	11,500
Total Program Expenses	<u>9,048,444</u>	<u>-</u>	<u>9,048,444</u>
Supporting Services			
Management and General	606,005	-	606,005
Fundraising	809,892	-	809,892
Total Supporting Services	<u>1,415,897</u>	<u>-</u>	<u>1,415,897</u>
TOTAL EXPENSES	<u>10,464,341</u>	<u>-</u>	<u>10,464,341</u>
CHANGE IN NET ASSETS	(322,619)	418,960	96,342
NET ASSETS, January 1, 2018	<u>598,480</u>	<u>1,158,435</u>	<u>1,756,915</u>
NET ASSETS, December 31, 2018	<u>\$ 275,861</u>	<u>\$ 1,577,395</u>	<u>\$ 1,853,257</u>

See accompanying notes and independent auditor's report.

JAZZ AT ASPEN-SNOWMASS
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2018

	Program Expenses						Management		
	Educational	June	Labor Day		Free		& General	Fundraising	Total
	Programs	Festival	Festival	JAS Café	Series	Total			
Productions & Operations	\$ 150	\$ 335,538	\$ 2,529,612	\$ 218,302	\$ -	\$ 3,083,602	\$ 39	\$ -	\$ 3,083,641
Programming Costs	333,110	433,898	3,245,204	634,924	11,500	4,658,636	-	438	4,659,074
Ticketing Fees	-	9,124	101,611	14,542	-	125,277	12,111	23,902	161,290
Marketing & Development	9,111	93,526	615,777	54,820	-	773,234	17,391	569,270	1,359,895
Professional Services & Licenses	-	-	4,293	142	-	4,435	110,592	-	115,027
Insurance	-	-	4,500	8,256	-	12,756	112,587	-	125,343
Office Expenses	-	-	728	-	-	728	121,890	-	122,618
Payroll Expenses	132,414	107,277	154,977	1,568	-	396,236	180,233	217,282	793,751
Depreciation	-	-	-	-	-	-	42,821	-	42,821
Other Expenses	(749)	2,248	(8,859)	900	-	(6,460)	8,341	(1,000)	881
Total Expenses Included in the									
expense section on the									
Statement of Activities	\$ 474,036	\$ 981,611	\$ 6,647,843	\$ 933,454	\$11,500	\$ 9,048,444	\$ 606,005	\$ 809,892	\$ 10,464,341

See accompanying notes and independent auditor's report.

JAZZ AT ASPEN-SNOWMASS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 96,342
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	42,484
Non-Cash Donations	(1,002)
Realized Loss on Investment Sales	34
(Increase) Decrease in Accounts Receivable	34,645
(Increase) Decreased in Promises to Give	(125,000)
(Increase) Decrease in Prepaid Expenses	(73,150)
(Increase) Decrease in Inventory	12,937
(Increase) Decrease in Deposits	(255,000)
(Increase) Decrease in Beneficial Interests	(1,666)
Increase (Decrease) in Accounts Payable	29,430
Increase (Decrease) in Accrued Expenses	(11,491)
Increase (Decrease) in Deferred Revenue	276,870
Total Adjustments	(70,909)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	25,433

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Investments	968
Purchase of Equipment	(157,206)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(156,238)

NET DECREASE IN CASH AND CASH EQUIVALENTS **(130,805)**

CASH AND CASH EQUIVALENTS, January 1, 2018 **2,337,665**

CASH AND CASH EQUIVALENTS, December 31, 2018 **\$ 2,206,861**

SUPPLEMENTAL CASH FLOW DISCLOSURES:

Non-Cash Investing and Financing Activities:

In-Kind Contributions and Trade Transactions	\$ 969,901
Stock Contributions	\$ 1,002

See accompanying notes and independent auditor's report.

JAZZ AT ASPEN-SNOWMASS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION & NATURE OF ACTIVITIES

Jazz at Aspen-Snowmass (JAS) was incorporated October 26, 1992 as a Colorado nonprofit corporation. It is dedicated to the preservation and presentation of jazz, American and popular music through world class festivals, performances and education programs.

JAS is a not-for-profit public organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is considered a public foundation. JAS fulfills its mission by focusing efforts in the following program areas.

Educational

Educational programs provides direct financial support to local public schools in the Roaring Fork Valley by complementing existing public school music programs. The goal is to ensure that these schools maintain band and music programs in their curriculum. JAS supports these programs through providing the following: instrument donations; In-Schools Faculty Assistance; scholarships; Pay to Play private lesson support; Tickets for Teachers; Beat Lab; summer jazz camps; alliance with Berklee College of Music and summer scholarships, and sponsorship of the JAS Honor Jazz Program.

June & Labor Day

June and Labor Day expose and educate audiences through world-class artist performances of a wide variety of genres including jazz, pop, soul, r 'n b, funk and world music. The June JAS Experience, presented at the 2,000 seat Benedict Music Tent since 2009; the JAS Labor Day Experience, presented at Snowmass Town Park with its daily capacity of 10,000 since 1996.

JAS Café

The JAS Café program includes world-renowned artists who perform jazz in a wide variety of instrumental and vocal settings across three different intimate venues in downtown Aspen. This Mission program of JAS helps insure we build a future audience for jazz and related forms of music, ensuring the survival of this American music form. Through the support of the JAS National Council JAS can provide extremely affordable tickets, often as inexpensive as \$35 - \$45, to assure a diverse audience is able to attend. The world class Artists, a combination of Grammy winning veterans and up and coming stars, routinely perform to sold out houses. The intimate setting and high quality of the JAS Café performances has helped develop a new group of JAS National Council members, whose support is critical to the ongoing JAS Café series.

Free Series

The Snowmass Village Summer of Free Music Series, which JAS has programmed for over twenty years, offers the widest cross section of residents and visitors to the Roaring Fork Valley (RFV) a chance to enjoy great music in a family friendly setting that attracts all segments of the community. JAS' knowledge of and expertise in the negotiation of artist agreements has helped this series attract a huge following over the years, and is one of JAS' many contributions to the RFV.

ACCOUNTING POLICIES

The financial statements of JAS have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

For cash flow statement purposes, JAS considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. As of December 31, 2018 JAS had no cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable represent amounts billed for sponsorship agreements, fundraising events and ticket fees that were already recognized as revenues but have not yet been collected.

PREPAID EXPENSES

Prepaid expenses represent amounts paid in connection with performances and special events that are to be held subsequent to year end.

PROMISES TO GIVE

Written and documented promises to give, less an allowance for uncollectible amounts, are recognized when a donor makes an unconditional promise to give to JAS. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, or is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. The Organization had \$125,000 of outstanding promises to give as of December 31, 2018, all which is expected to be collected in 2019.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

An allowance for uncollectible promises to give and accounts receivable is provided based on management's evaluation of potential uncollectible promises and accounts receivable at year end. Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts. At December 31, 2018, no allowance for uncollectible accounts was considered necessary as all promises to give and accounts receivable are considered collectible.

INVENTORY

Inventories, which consist primarily of left over festival concessions, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

INVESTMENTS

Investments consist of marketable securities carried at fair value based on quoted prices in active markets (all Level 1 measurements). JAS maintains one brokerage account to accept noncash investment donations. The policy of JAS is to liquidate the investments within one month of receipt and transfer to proceeds to operating accounts.

LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value at the time of the donation. They are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Purchased equipment is recorded at cost. Depreciation is provided over the

estimated useful lives of the assets using the straight-line method. Useful lives range from three to ten years. The capitalization policy of JAS is to capitalize asset purchases of \$5,000 and greater.

Leasehold improvements are depreciated over the estimated useful lives of the improvements of 39 years as opposed to the lease term as it is reasonably expected that JAS will remain in the current office space as that space is owned by the City of Aspen and dedicated for use by local not for profit organizations.

FAIR VALUE MEASUREMENTS

JAS is subject to the provisions of *Fair Value Measurements and Disclosures* Topic of FASB ASC. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

COMPENSATED ABSENCES

Compensated absences have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

DEFERRED REVENUE

Deferred revenue consists of sponsorships, tickets and other earned revenues received in advance.

NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net Assets With Donor Restrictions: JAS reports contributions restricted by donors and grantors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

REVENUE AND REVENUE RECOGNITION

Revenue is recognized when earned. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

DONATED SERVICES AND IN-KIND CONTRIBUTIONS

In-kind contributions are recorded in the statement of activities if the transaction meets measurement requirements as defined by FASC 925-605-30. JAS primarily receives in-kind contributions that consist of donated services, contributed beverages, travel and lodging, and equipment leases. Donated services that create or enhance nonfinancial assets or that require specialized skills, that are provided by individuals

possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received. Donated services received by JAS primarily consist of marketing. Contributed beverages, travel and lodging, and equipment leases are recorded at fair value at the date of the donations. JAS received in-kind donations in the amount of \$514,641 during the year ended December 31, 2018.

JAS receives marketing services, lodging, food and beverage, and other volunteer services in exchange for program tickets. For the year ended December 31, 2018, JAS recognized \$455,260 of revenues and expenses related to these ticket trade transactions. JAS uses the face value of tickets exchanged for determining the fair value of these transactions to be recorded in the financial statements.

INCOME TAXES

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2018.

The Organization files forms 990 in the U.S. federal jurisdiction and information filings in the State of Colorado.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject JAS to concentrations of credit risk consist primarily of cash and cash equivalents and promises to give.

JAS maintains its cash balances primarily with one financial institution located in Aspen, Colorado. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, the Organization's uninsured cash balances totaled \$2,043,043. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

The full balance of promises to give is concentrated with one donor.

CONCENTRATIONS OF REVENUE SOURCES

Over 79% of JAS total revenue (both contributed and earned) was related to its two main festivals (the June Festival and the Labor Day Festival). This signifies a concentration that may adversely affect JAS if events were to occur that affected the viability of any of these two festivals. As a local not for profit organization, JAS primary purpose and source of revenues are concentrated in the Aspen-Snowmass area.

Approximately 44% of sponsorship revenue was received from four sources. JAS relies on large sponsors to support future performances. Without this type of support there would be limited resources to produce the shows.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

ADVERTISING/MARKETING COSTS

JAS expenses all marketing and advertising costs as incurred. Total marketing and advertising costs for the year ended December 31, 2018 was \$299,663.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates, and those differences could be material.

RECENT ACCOUNTING GUIDANCE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. JAS has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

2. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consist of the following:

Leasehold Improvements	\$ 95,911
Software	35,826
Office Equipment	61,315
Festival Equipment	372,637
	<hr/> 565,689
Less Accumulated Depreciation	(197,445)
	<hr/> <hr/> \$ 368,244

3. BENEFICIAL INTEREST

Aspen Valley Community Foundation (AVCF)

JAS has contributed a total of \$67,090 to the Aspen Valley Community Foundation to create two funds for the benefit of JAS. As part of the agreement, JAS conveyed variance power over these funds to the Board of Directors of AVCF. Since inception, a total of \$61,500 has been distributed from these funds for scholarships and grants benefiting various recipients.

In accordance with FASC 958-605, JAS records contributions to this fund as Beneficial Interest held at AVCF. The value of the fund as of December 31, 2018 (including earnings and fees) was \$11,251.

4. FAIR VALUE MEASUREMENT

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

Financial instruments measured on a recurring basis and reported at fair value are classified and disclosed in one of the three hierarchy categories. The following table summarizes the valuation of these financial instruments using the fair value hierarchy levels as of December 31, 2018 as well as a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3):

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Beneficial Interest at AVCF
Beginning Balance	\$ 9,585
Net Investment Return Included in Changes in Net Assets	1,666
Ending Balance - Fair Value	<u>\$ 11,251</u>

JAS measures its beneficial interest at the Aspen Valley Community Foundation based on statements provided by the organization.

5. LIQUIDITY AND AVAILABILITY

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

Cash and Cash Equivalents	\$ 2,206,861
Accounts Receivable	<u>5,975</u>
	<u>2,212,836</u>

6. DEFERRED REVENUE

At December 31, 2018, deferred revenue consisted of advanced ticket sales in the amount of \$1,190,212.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions primarily consist of patrons' contributed portion related to JAS National Council memberships and tickets which were restricted until the next fiscal year; the fair market value of

the “earned” portion were booked as deferred revenue. At December 31, 2018, \$1,452,395 of net assets were restricted for the next year’s activities. Net assets with donor restrictions also includes \$125,000 of promises to give, which have been restricted by donors for capital campaign purposes.

8. IN-KIND CONTRIBUTIONS AND TRADE TRANSACTIONS

During the year ended December 31, 2018 JAS’ in-kind contributions and ticket trade transactions consisted of the following:

	In-Kind	Ticket Trades	Total
Marketing Services	\$ 373,791	\$ 304,725	\$ 678,516
Liquor & Beverage	31,000	-	31,000
Equipment Leases	59,850	150,535	210,385
Other Donations	50,000	-	50,000
	<u>\$ 514,641</u>	<u>\$ 455,260</u>	<u>\$ 969,901</u>

9. RETIREMENT PLAN (SEP IRA):

Employees are generally eligible to participate in a retirement and savings plan that qualifies under Section 408(k) of the Internal Revenue Code, a simplified employee pension individual retirement arrangement (SEP IRA). Generally, JAS contributes the equivalent of 2% of each employee’s earnings. JAS’s contribution is 100% vested at time of contribution. JAS made plan contributions of \$7,860 for the year ended December 31, 2018.

10. OPERATING LEASES

JAS held a lease with the Music Associates of Aspen for use of their facility for musical productions to be held in June 2018. For the year ended December 31, 2018, JAS paid guaranteed lease payments of \$68,000 for facility use during the June 2018 musical productions. JAS did not renew the Facility Lease with Music Associates of Aspen for the June Experience in 2019. The 2019 June Experience format was changed and includes seven new venues in downtown Aspen.

For the 2018 calendar year, JAS rented administrative office space from the Red Bricks Art Center on a month to month basis. Total payments for the year ended December 31, 2018 were \$35,481. On November 5, 2018, JAS entered into a twelve-month lease with the Red Bricks Arts Center for administrative office space for the 2019 calendar year. The lease calls for monthly payments of \$2,262, and additional amounts are due for prorated utility, trash costs, and parking spaces.

JAS renewed a facility lease with The Aspen Art Museum to host summer programs in June through August of 2019. The lease agreement calls for a total of \$82,500 in rental fees for eleven events at \$7,500 each. For the year ended December 31, 2018, JAS paid guaranteed lease payments of \$75,000 for ten events.

JAS renewed a facility lease with The Little Nell to host summer programs in June through September of 2019. The lease calls for total estimated lease payments of \$37,614 for six events at \$6,269 each. In 2018, a total of eight events were covered under a similar agreement and each event was billed based on actual labor requirements and food and beverage consumed. For the year ended December 31, 2018, JAS paid lease payments of approximately \$75,000 for the eight events.

On August 31, 2018, Jazz at Aspen Snowmass's two-year lease agreement with Circle E Property Management Company expired. The lease was for use of a storage facility and will be continued on a month-to-month basis for \$2,459. Total rental payments for the storage facility were \$29,508 for the year ended December 31, 2018.

JAS has other various office equipment leases and service contract agreements with monthly payments of approximately \$196 and \$308. The terms of these agreements expire between September 30, 2018 and December 16, 2020.

Estimated minimum future lease obligations over the next five years are as follows:

<u>Year Ending December 31,</u>	<u>Minimum Payments</u>
2019	\$ 295,793
2020	\$ 2,348
2021	-
2022	-
2023	-
Total	<u>\$ 298,142</u>

11. OPERATING AND OTHER AGREEMENTS

Real Estate Purchase Agreement

In July 2018, JAS entered into an agreement to purchase a commercial unit in Aspen Colorado for \$12.5 million, which would be used for a new building for JAS Café events. The contract was most recently amended in May 2019 extending the due diligence period to July 2019. In 2018, a \$250,000 deposit was held in escrow by the Land Title Company in relation to the building purchase agreement and is included in deposits in the accompanying statement of financial position.

Town of Snowmass Village

On April 8, 2018, JAS entered into an agreement with the Town of Snowmass Village to produce the 2018 – 2020 three-day concert festival and club concerts over the Labor Day weekend. Pursuant to the agreement, the Town of Snowmass Village will contribute \$150,000 per year to JAS. Unless extended, the agreement will terminate on September 15, 2020.

Consulting and Production Services Agreement

On December 1, 2016, JAS renewed a consulting agreement with a production and promotion company (the Promoter) to provide consulting and other related services for the Labor Day festival that JAS produces. The terms of the agreement shall continue for six years through December 1, 2022 and the Promoter may extended the initial term for one additional five-year option at its sole discretion.

Services to be provided by the Promoter include assisting in the procurement of headlining talent and sponsorships, review and advising on the annual budgets, obtaining the best pricing for production elements, marketing, food and beverage consulting and providing ticketing and production services. In consideration for the services, JAS is required to pay the Promoter each year an amount equal to \$250,000 increasing by 3.5% starting with the 2018 festival (fixed fee), as well as the Promoter's profit share. The profit share consists of 50% of the first \$100,000 of net profits and 33% of the net profits over \$325,000.

The net profits between \$100,000 and \$325,000 is retained entirely by JAS. As defined in the agreement, the term net profit excludes most patron donations and other contributions to JAS. The Promoter is also entitled to 20% commission on the gross sponsorship fees secured through the Promoter's efforts.

For the year ended December 31, 2018 JAS paid the Promoter \$268,751 related to this agreement.

12. COLLABORATIVE ARRANGEMENT

JAS entered into a collaborative arrangement with Aspen Music Festival and School (AMFS) to co-produce a concert and patron tent dinner held in July 2018. As part of the agreement, AMFS and JAS each provide payment investment toward artist guarantee and expenses as required. AMFS will provide \$30,000 towards artist guarantee and expenses as required. JAS is responsible for paying any additional expenses beyond \$30,000 independently from AFMS. When ticket revenue surpasses \$30,000, all revenues will be retained by JAS to cover expenses and AMFS will receive expense reimbursements. Because JAS is considered the principal participant of this collaborative arrangement the activity of this event has been recorded in the accompanying financial statements on a gross basis.

The following table presents the gross activity of this collaborative arrangement included in the statement of activities for the year ended December 31, 2018:

REVENUES	
Gross Revenues	\$ 193,005
EXPENSES	
Gross Show Expenses	(94,362)
Gross VIP Tent Expenses	(21,043)
Revenue Split - AMFS	(38,800)
JAS Share of Event Net Income	<u>\$ 38,800</u>

This collaborative arrangement was renewed for the June/July 2019 season under similar terms.

13. RELATED PARTY TRANSACTIONS

Throughout the year, members of the Board of Directors of JAS have various transactions with JAS. These transactions represent pledges, contributions, BOD member dues, ticket purchases and other transactions that are consistent with transactions with other donors/patrons of JAS. These transactions represent a concentration that may adversely affect JAS if events were to occur that caused a significant decline in BOD member financial support.

14. LIFE INSURANCE POLICY

JAS maintains \$500,000 of term life insurance on a key employee. As of December 31, 2018 there was no cash surrender value on this policy.

15. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include marketing and development, payroll salaries, wages, taxes, benefits, professional services, office expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

16. SUBSEQUENT EVENTS

JAS has evaluated subsequent events through August 29, 2019, which is the date the financial statements were available to be issued. There following is a subsequent event that occurred during such period that would requires disclosure in the financial statements as of and for the year ended December 31, 2018. No other subsequent events were noted that require adjustments to the financials and/or disclosures in the financial statements.

Building Purchase Update:

JAS has spent the last six months working closely with the Developer of the property to finalize its preliminary design and layout of the proposed JAS Center. JAS and the Developer have agreed and signed off on these plans, and the formal application for Development approval and Construction permit have been submitted to the City of Aspen (CoA) on June 11, 2019. These plans received preliminary review from the CoA planning department and Historic Preservation Committee. JAS hopes to receive a preliminary positive administrative review on the plan in the summer of 2019. Assuming there are no issues which arise in the final review process, the Developer anticipates starting construction in April of 2020 with the JAS Center scheduled to open in summer of 2021.