

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)

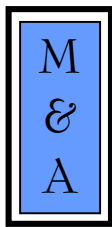
December 31, 2019



**Jazz at Aspen - Snowmass
(Colorado Non-Profit Corporations)
December 31, 2019**

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McMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Jazz at Aspen - Snowmass
Aspen, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Jazz at Aspen - Snowmass, which comprise the statement of financial position as of December 31, 2019, 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 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 of 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.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees
Jazz at Aspen - Snowmass
Aspen, Colorado**

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jazz at Aspen - Snowmass as of December 31, 2019, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Jazz at Aspen - Snowmass for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on August 29, 2019.

McMahan and Associates, L.L.C.
**McMahan and Associates, L.L.C.
November 7, 2020**

Jazz at Aspen - Snowmass
(Colorado Non-Profit Corporations)
Consolidated Statement of Financial Position
December 31, 2019

	<u>2019</u>
Assets:	
Current Assets	
Cash and cash equivalents	2,112,425
Prepaid expenses	617,805
Inventory	65,628
Deposits	259,503
Total Current Assets	<u>3,055,361</u>
Other Assets	
Beneficial interest in AVCF	<u>13,120</u>
Fixed Assets	
Construction in progress	6,750
Leasehold improvements	95,911
Furniture, fixtures and equipment	498,622
Less: accumulated depreciation	<u>(271,428)</u>
Net Fixed Assets	<u>329,855</u>
Total Assets	<u><u>3,398,336</u></u>
Liabilities and Net Assets:	
Current Liabilities	
Accounts payable	416,359
Accrued expenses	703
Deferred revenue	1,161,563
Total Current Liabilities	<u>1,578,625</u>
Total Liabilities	<u>1,578,625</u>
Non-Current Liabilities	
Without donor restrictions	1,611,546
With donor restrictions	208,165
Total Net Assets	<u>1,819,711</u>
Total Liabilities and Net Assets	<u><u>3,398,336</u></u>

The accompanying notes are an integral part of these financial statements.

Jazz at Aspen - Snowmass
(Colorado Non-Profit Corporations)
Statement of Activities
For the Year Ended December 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	5,721,699	266,000	5,987,699
In-Kind contributions	707,660	-	707,660
Sponsorships	487,500	-	487,500
Grants	43,166	-	43,166
Ticketing	2,418,334	-	2,418,334
Special events	7,923	-	7,923
Concessions, Merchandise & Other	578,141	-	578,141
Investment income (loss)	(152)	-	(152)
Net assets released from restrictions	191,674	(191,674)	-
Total Revenues, Gains and Other Support	10,155,945	74,326	10,230,271
Expenses			
Educational programs expenses	602,362	-	602,362
June festival expenses	937,082	-	937,082
Labor day festival expenses	6,883,781	-	6,883,781
JAS café expenses	653,382	-	653,382
Management and general expenses	814,900	-	814,900
Fundraising expenses	372,310	-	372,310
Total Expenses	10,263,817	-	10,263,817
Change in Net Assets (Deficit)	(107,872)	74,326	(33,546)
Net Assets - Beginning of Year	1,719,418	133,839	1,853,257
Net Assets - End of Year	1,611,546	208,165	1,819,711

The accompanying notes are an integral part of these financial statements.

Jazz at Aspen - Snowmass
(Colorado Non-Profit Corporations)
Statement of Functional Expenses
For the Year Ended December 31, 2019

2019

	Program Services							
	Educational Programs	June Festival	Labor Day Festival	JAS Café	Total Program Services	Management & General	Fundraising	Total
Productions & Operations	5,970	335,464	2,414,823	168,333	2,924,590	-	-	2,924,590
Programming Costs	443,700	396,346	3,256,681	428,238	4,524,965	17,015	-	4,541,980
Ticketing Fees	9,800	951	112,498	12,386	135,635	9,262	-	144,897
Marketing & Development	14,573	91,128	722,766	43,027	871,494	9,680	169,520	1,050,694
Professional Services & Licenses	-	70	-	104	174	59,773	-	59,947
Insurance	-	-	-	-	-	139,081	-	139,081
Office Expenses	-	-	-	-	-	121,176	-	121,176
Payroll Expenses	128,319	110,428	158,797	1,294	398,838	303,551	202,490	904,879
Other Expenses	-	2,695	150,496	-	153,191	149,099	300	302,590
Depreciation	-	-	67,720	-	67,720	6,263	-	73,983
Total	602,362	937,082	6,883,781	653,382	9,076,607	814,900	372,310	10,263,817

The accompanying notes are an integral part of these financial statements.

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2019

	<u>2019</u>
Cash Flows from Operating Activities	
Cash received for concert tickets	2,389,160
Cash received for donor and sponsorship support	6,553,907
Cash received from special events	7,923
Cash received from grants	43,166
Interest and dividends received	1,071
Cash received from other sources	578,141
Cash (paid) for salaries, payroll taxes, and benefits	(1,234,358)
Cash (paid) to artist expenses	(3,374,445)
Cash (paid) for other goods and services	(5,074,489)
Net Cash Provided by Operating Activities	<u>(109,924)</u>
Cash Flows from Investing Activities	
Cash paid for property and equipment	(35,594)
Redemption of investments	51,081
Net Cash (Used) by Investing Activities	<u>15,487</u>
Net Increase in Cash	<u>(94,437)</u>
Cash Balance and Cash Equivalents - Beginning of Year	<u>2,206,862</u>
Cash Balance and Cash Equivalents - End of Year	<u><u>2,112,425</u></u>
Reconciliation of Change in Net Assets to	
Net Cash Provided by Operating Activities	
Change in net assets	<u>(33,546)</u>
Adjustments to reconcile:	
Depreciation	73,983
Non-cash donations	(52,304)
Net realized (gain) loss on investments	1,223
(Increase) decrease in accounts receivable	7,475
(Increase) decrease in promises to give	125,000
(Increase) decrease in prepaid expenses	(452,314)
(Increase) decrease in inventory	(12,610)
(Increase) decrease in beneficial interests	(1,869)
Increase (decrease) in accounts payable	263,483
Increase (decrease) in accrued items	204
Increase (decrease) in deferred revenue	(28,649)
	<u>(76,378)</u>
Net Cash Provided by Operating Activities	<u><u>(109,924)</u></u>
Schedule of Non-Cash Activities	
In-kind contributions	707,660
Stock contributions	52,304
	<u><u>759,964</u></u>

The accompanying notes are an integral part of these financial statements.

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019

1. Organization

Jazz at Aspen - Snowmass ("JAS") 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 educational programs. JAS fulfills its mission by focusing efforts in the following program areas:

Educational Programs – Educational programs provide 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.

JAS Academy brings young musicians from around the world, at various points in their early music careers to Aspen, Colorado to provide a real life musician education from various current day performers such as multi Grammy award winning, and JAS Academy Artistic Director, Christian McBride. A partnership has been created with The University of Miami's Frost School of Music to provide this Program. This Program has been underwritten by Ed Bass.

June and Labor Day Festivals – The festivals 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, is presented at several intimate venues in downtown Aspen, Colorado; 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 ensure 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, 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.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

B. Cash and Cash Equivalents

JAS considers all checking, savings, and money market accounts, as well as all liquid investments with a maturity of three months or less when purchased, to be cash equivalents for purposes of the Statement of Cash Flows.

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

2. Summary of Significant Accounting Policies (continued)

C. Investments

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 the proceeds to operating accounts.

D. 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 \$0 outstanding promises to give as of December 31, 2019.

E. Allowance for Doubtful Accounts

JAS uses the allowance method for recognition of uncollectible receivables, whereby an allowance is established when collectability becomes doubtful. No allowance for doubtful accounts was required at December 31, 2019.

F. 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.

G. Capital Assets and Depreciation

Capital assets are defined by JAS as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. As previously described, donated fixed assets are recorded at fair market value when received. Purchased fixed assets are recorded at historical cost.

Leasehold improvements (i.e., corporate office) are depreciated using the straight-line method over the estimated useful life of 39 years as opposed to the lease term as it is reasonably expected that JAS will remain the current office space as that space is owned by the City of Aspen and dedicated for use by local not for profit organizations.

Fixed assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Leasehold improvements	39 years
Furniture and equipment	3 - 15 years

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

2. Summary of Significant Accounting Policies (continued)

H. Beneficial Interest – Aspen Valley Community Foundation

JAS has contributed a total of \$67,090 to the Aspen Valley Community Foundation (“AVCF”) 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. The value of the fund as of December 31, 2018 (including earnings and fees) was \$13,120.

I. Deferred revenue

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

J. Support and Revenue Recognition

Contributions of cash and other assets are reported as with donor or grantor restriction if they are received with donor or grantor stipulations that limit or specify the use of the donated assets, whether by time, period, or purpose. When a donor or grantor restriction expires – that is, when a stipulated time restriction ends or the stated purpose restriction is accomplished – donor/grantor restricted net assets are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions. Contributions with donor restriction received and released from restrictions within the same fiscal year are reported as contributions without donor restriction.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Unconditional promises to give expected to be collected within one year are reflected as current contributions and are recorded at their net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the Statement of Activities. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

2. Summary of Significant Accounting Policies (continued)

K. Donated Support and In-Kind Revenues

Non-monetary contributions of goods and services are recorded at their fair values in the period received. JAS primarily receives in-kind contributions that consist of donated services, contributed beverages, travel and lodging, and equipment leases. Donated services are recorded at their fair values in the period received, provided that such services either create or enhance non-financial assets or the services are considered “professional” services which would otherwise be required to purchase. Donated fixed assets are recorded at fair value when received and reflected in these financial statements as contribution revenue and an addition to fixed assets. Nonmonetary donations are recognized as revenue and offsetting expense or asset, depending on the nature of such support received.

JAS receives marketing services, lodging, food and beverage, and other volunteer services in exchange for program tickets. JAS uses the face value of tickets exchanged for determining the fair value of these transactions to be recorded in the financial statements.

L. Income Taxes

JAS is a non-profit public organization as described in Section 501(c)(3) of the Internal Revenue Code and is thus exempt from federal and state income taxes on income which is directly related to its organizational purpose. Unrelated business income is income derived from a trade or business by the exempt organization that is not substantially related to the performance of the organization’s exempt purpose or function. For the year ended December 31, 2019, JAS had no unrelated business income. JAS’ Federal information returns are no longer subject to examination for tax years prior to fiscal year 2016.

M. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of JAS. These expenses include depreciation, certain personnel salaries and benefits, information technology, and utilities. Depreciation is allocated based on use of assets and location of assets. Salaries and benefits are allocated based on position or time spent on each function. Information technology is allocated based on time spent and specific technology utilized.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

2. Summary of Significant Accounting Policies (continued)

O. Advertising and Marketing Costs

JAS expenses all marketing and advertising costs as incurred. Total marketing and advertising costs for the year ended December 31, 2019 was \$810,737.

P. Method used for 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 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited based on time spent.

Q. Basis of Presentation and Net Assets

JAS reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

With Donor Restrictions – Net assets subject to restrictions imposed by donors or grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has lapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

R. Subsequent Events

Management has evaluated potential subsequent events prior to November 7, 2020, any such events have been included in these financial statements.

3. Fair Value Measurement

Investments are reported on the financial statements at fair market value. Net investment gain/(loss) reported in the Statement of Activities consists of interest and dividend income received, as well as both realized and unrealized gains and losses. Investment in income is considered to be without restrictions unless the earnings are restricted, either as to purpose or time period, by the donor of the original contribution.

Generally accepted accounting principles require that financial assets be valued at “fair value”, determined through application of a three-tiered hierarchy of input levels. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based on the best information available in circumstances where markets are non-existent or illiquid.

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

3. Fair Value Measurement (continued)

The fair values of JAS' investments measured on a recurring basis at December 31, 2019 are as follows:

	Fair Value Measurements at Reporting Date Using			
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Beneficial Interest in AVCF	\$ 13,120	-	-	13,120
Total	\$ 13,120	-	-	13,120

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

JAS' investment income for 2019 is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	\$ 1,071	-	1,071
Realized gains (losses)	(1,223)	-	(1,223)
Net investment income (loss)	<u>\$ (152)</u>	<u>-</u>	<u>(152)</u>

4. Fixed Assets

JAS has the following asset classes at December 31, 2019:

Asset Class	Beginning Balance	Additions	Deletions	Balance at Year End
Construction in progress	\$ -	26,376	(19,626)	6,75
Leasehold Improvements	95,911	-	-	95,91
Furniture, fixtures and equipment	469,778	28,844	-	498,62
Less: accumulated depreciation	<u>(197,445)</u>	<u>(73,983)</u>	<u>-</u>	<u>(271,42)</u>
Net Fixed Assets	\$ 368,244	(18,763)	(19,626)	329,85

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

5. Liquidity and Availability of Resources

JAS's net assets consist of donor-restricted amounts and amounts without donor restrictions. JAS' investment policy and liquidity management is structured around short-term investments to ensure financial assets are available as general expenditures and other obligations become due. In the event of an unanticipated liquidity need, JAS could access credit.

JAS' financial assets available within one year of from December 31, 2019 for general expenditures are as follows:

Cash and cash equivalents	<u>\$ 2,112,425</u>
Total	<u><u>\$ 2,112,425</u></u>

6. In-Kind Contributions

In-kind contributions and related expenses are included JAS's financial statements at fair market value. During fiscal year 2019, JAS received the following in-kind contributions and ticket trade transactions:

	<u>In-Kind</u>
Marketing services	487,769
Liquor and beverage	9,000
Equipment leases	78,641
Other donations	<u>132,250</u>
Total	<u><u>\$ 707,660</u></u>

7. Endowment

Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. JAS' endowment consists of a donor-restricted endowment to support the longevity of JAS.

The composition of JAS' endowment fund net assets by type as of December 31, 2019 is as follows:

	<u>With Donor Restrictions</u>
Amount required to be maintained in perpetuity by donor	<u>\$ 250</u>
Totals	<u><u>\$ 250</u></u>

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

7. Endowment (continued)

Changes in JAS' endowment net assets, including Board-designated endowment, during the year ended December 31, 2019 were as follows:

	<u>With Donor Restrictions</u>
Net assets - Beginning of year	\$ 250
Net assets - End of year	<u><u>\$ 250</u></u>

8. Classification of Net Assets and Net Assets Released from Restriction

During the year ended December 31, 2019, the following assets were released from restriction:

Purpose restrictions accomplished:	
JAS Center	\$ 66,674
Time restrictions expired:	
Passage of specified time	<u>125,000</u>
Total restrictions released	<u><u>\$ 191,674</u></u>

At December 31, 2019, JAS had the following net assets both without donor restrictions and with donor restrictions:

Without donor restrictions:	
Undesignated	\$ 1,281,691
Invested in property and equipment, net of debt	<u>329,855</u>
Total net assets without donor restrictions	<u><u>1,611,546</u></u>
With donor restrictions:	
<i><u>Perpetual in nature</u></i>	
Foundation programs and operations	250
<i><u>Purpose restrictions:</u></i>	
JAS Center	<u>207,915</u>
Total net assets with donor restrictions	<u><u>208,165</u></u>
Total Net Assets	<u><u>\$ 1,819,711</u></u>

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

9. Operating Lease

Red Brick Center Lease – Effective January 1, 2019, JAS renewed a one-year term lease agreement for administrative offices with the City of Aspen. The lease calls for monthly rent payments of \$2,262, and additional amounts are due for prorated utility, and parking spaces. JAS entered into another one-year lease for the 2020 calendar year calling for monthly rent payments of \$2,307.

Circle E Storage – On August 31, 2018, Jazz at Aspen Snowmass's two-year lease agreement with Circle E Property Management Company expired. The lease continued on a month-to-month basis until amended to extend. Effective March 1, 2019, the addendum calls for monthly rent payments of \$2,459. Effective October 1, 2019, JAS renewed a one-year term lease agreement calling for monthly rent payments of \$2,556.

Aspen Art Museum Facility – Effective January 1, 2019, JAS renewed a facility lease with the Aspen Art Museum to host summer programs in June through August of 2019. The lease calls for a total of \$82,500 in rental fees for eleven events at \$7,500 each. JAS entered into another one-year lease for the 2020 calendar year calling for a total of \$15,287 in rental fees for two events.

The Little Nell Facility – In 2019, JAS paid a total of \$75,000 in guaranteed lease payments to The Little Nell for hosting ten summer program events in June through September 2019. JAS also entered into similar agreements with The Little Nell to host winter programs, with each event billed based on actual labor requirements and food and beverage consumed. In 2019, JAS paid lease payments of approximately \$85,000 for events. JAS renewed a facility lease with The Little Nell winter lease extends into 2020, and calls for a total of \$13,453 in rental fees for two events.

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, 2020 and December 16, 2020.

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

<u>Year Ended</u>	<u>Minimum Payments</u>
2020	\$ 84,318
Total	<u>\$ 84,318</u>

Jazz at Aspen - Snowmass
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2019
(Continued)

10. 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 has been extended and undergoing discussions about the possibility of either entering a multi-year lease with Option to Buy or extending the current contract for six months. 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, 2019 JAS paid the Promoter \$317,806 related to this agreement.

11. Life Insurance Policy

JAS maintains \$500,000 of term life insurance on a key employee. As of December 31, 2019, there was no cash surrender value on this policy.

12. 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 \$22,860 for the year ended December 31, 2019.

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13. 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, 2019:

Revenues:	
Gross Revenues	\$ 118,365
Expenses:	
Gross Show Expenses	(92,121)
Gross VIP Tent Expenses	(31,508)
Net Income/(Loss) Split - AMFS	<u>2,632</u>
JAS Share of Event Net Income/(Loss)	<u><u>\$ (2,632)</u></u>

This collaborative arrangement was not renewed in 2020.

14. Related Party Transactions

Throughout the year, members of the Board of Directors of JAS have various transactions with JAS. These transactions represent pledges, contributions, Board 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 Board member financial support.

15. Concentrations of Credit Risk

The Federal Deposit Insurance Corporation ("FDIC") insures up to \$250,000 per depositor at each separately chartered FDIC-member financial institution, without regard to the nature of the accounts. At December 31, 2019, \$1,893,730 of JAS' cash and cash equivalents were not covered by FDIC insurance. JAS has not experienced any losses on its cash balances and believes it is not exposed to any significant credit risk.

16. Concentrations of Revenue Sources

Over 78% 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 31% of sponsorship revenue was received from one source. JAS relies on large sponsors to support future performances. Without this type of support, there would be limited resources to produce the shows.

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17. Subsequent Events

Building Purchase Update – JAS continues to work closely with the Developer of the property to finalize the architectural design and layout of the proposed JAS Center. JAS and the Developer are undergoing discussions on contract modifications to either enter a multi-year lease with an Option to Buy or continue to extend the current contract. Construction is also pending City of Aspen plan approval.

COVID-19 – The spread of COVID-19 may have operational, economic, and financial impacts on JAS. While the significance and duration of the potential impacts cannot be reasonably estimated at this time, the following events have been identified as of the report date of these financial statements:

- The 2020 June and Labor Day Festivals are postponed to 2021.
- On April 9, 2020, JAS entered into a loan agreement for the total amount of \$137,000 under the Paycheck Protection Program (“PPP”), administered by the Small Business Administration to assist small businesses affected by the COVID-19 pandemic. Interest accrues on the loan at 1% and the loan matures on April 9, 2022. The PPP offers conditional forgiveness based on certain full-time employee calculations and qualifying expenses prior to, and after disbursement of the loan.
- On June 12, 2020, JAS entered into a loan agreement for the total amount of \$150,000 for working capital to alleviate economic injury caused by COVID-19, administered by the Small Business Administration (“SBA”). Interest accrues on the loan at 2.75% and the loan matures on June 12, 2050. Monthly installments are due beginning twelve months from the loan’s effective date. Under the loan terms, all of JAS’ tangible and intangible personal property are collateral, and JAS is required to obtain and itemize receipts and contracts for all loan funds spent to submit to SBA whenever requested.