

Financial Statements

Saginaw Symphony Association

*Year Ended June 30, 2019
with Independent Accountants' Review Report
(with Summarized Comparative
Information for 2018)*

Saginaw Symphony Association

Financial Statements

Year Ended June 30, 2019

(with Summarized Comparative Information for 2018)

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Independent Accountants' Review Report

Board of Directors
Saginaw Symphony Association
Saginaw, Michigan

We have reviewed the accompanying financial statements of Saginaw Symphony Association (Association), a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Association's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Association implemented ASU 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. The update changes terminology used for net asset classifications and additional disclosure related to liquidity, availability of resources, and expenses.

Report on Summarized Comparative Information

We have previously reviewed the Saginaw Symphony Association's 2018 financial statements and issued a report dated August 27, 2018. We are not aware of any material modifications that should be made to the summarized comparative information presented herein, as of and for the year ended June 30, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.

Andrews Hooper Paulik PLC

Saginaw, Michigan
August 23, 2019

Saginaw Symphony Association

Statements of Financial Position

	June 30	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 79,620	\$ 369,049
Accounts receivable	28,553	57,482
Grants receivable	6,000	2,000
Pledges receivable – current portion	20,000	15,000
Accrued interest receivable	1,364	-
Prepaid expenses	500	1,475
Total current assets	136,037	445,006
Investments	252,459	-
Pledges receivable – noncurrent portion	35,000	15,000
Beneficial interest in endowment fund	30,519	4,246
Perpetual trust held by third party	589,118	597,688
Equipment	40,311	39,719
Accumulated depreciation	(39,719)	(39,314)
Net equipment	592	405
Total assets	\$ 1,043,725	\$ 1,062,345
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 440	\$ 869
Accrued payroll and payroll taxes	7,629	3,908
Deferred revenue – ticket sales	20,262	51,823
Total current liabilities	28,331	56,600
Net assets:		
Without donor restrictions:		
Undesignated	228,924	153,946
Board-designated – Rennert Trust	101,000	150,000
Board-designated – Youth Orchestra	12,425	8,353
SCF agency fund	30,519	4,246
Total without donor restrictions	372,868	316,545
With donor restrictions	642,526	689,200
Total net assets	1,015,394	1,005,745
Total liabilities and net assets	\$ 1,043,725	\$ 1,062,345

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2019			Year Ended
	Without Donor Restrictions	With Donor Restrictions	Total	June 30, 2018 Comparative Total
Support and revenue				
Contributions	\$ 17,433	\$ -	\$ 17,433	\$ 14,952
Grants and trusts	91,967	35,000	126,967	208,546
Concerts and activities	166,138	23,000	189,138	240,352
Youth outreach	24,891	8,666	33,557	33,861
Fundraising	34,717	21,500	56,217	67,759
Endowment and investment income, net	66,686	-	66,686	59,726
Miscellaneous	2,457	-	2,457	2,412
In-kind donations (noncash)	98,588	-	98,588	114,684
Perpetual trust net change	-	(8,570)	(8,570)	12,189
Net assets released from restrictions	126,270	(126,270)	-	-
Total support and revenue	629,147	(46,674)	582,473	754,481
Expenses				
Program services:				
Concerts and activities	381,816	-	381,816	408,450
Youth outreach	77,824	-	77,824	78,538
Total program services	459,640	-	459,640	486,988
Supporting services:				
Management and general	84,169	-	84,169	61,637
Fundraising	29,015	-	29,015	32,066
Total supporting services	113,184	-	113,184	93,703
Total expenses	572,824	-	572,824	580,691
Change in net assets	56,323	(46,674)	9,649	173,790
Total net assets at beginning of year	316,545	689,200	1,005,745	831,955
Total net assets at end of year	\$ 372,868	\$ 642,526	\$ 1,015,394	\$ 1,005,745

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Statements of Cash Flows

	Year Ended June 30	
	2019	2018
Operating activities		
Change in net assets	\$ 9,649	\$ 173,790
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	405	5,299
Perpetual trust held by third party net change	8,570	(12,189)
Changes in operating assets and liabilities:		
Accounts receivable	28,929	(36,967)
Grants receivable	(4,000)	200
Pledges receivable	(25,000)	15,000
Accrued interest receivable	(1,364)	-
Prepaid expenses	975	274
Accounts payable	(429)	(6,602)
Accrued payroll and payroll taxes	3,721	(827)
Deferred revenue – ticket sales	(31,561)	36,273
Net cash from operating activities	(10,105)	174,251
Investing activities		
Purchases of investments	(351,604)	-
Maturities of investments	99,145	-
Change in beneficial interest in endowment fund	(26,273)	(232)
Purchases of equipment	(592)	-
Net cash from investing activities	(279,324)	(232)
Net change in cash and cash equivalents	(289,429)	174,019
Cash and cash equivalents at beginning of year	369,049	195,030
Cash and cash equivalents at end of year	\$ 79,620	\$ 369,049

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Statements of Functional Expenses

Expenses	Year Ended June 30, 2019						Year Ended June 30, 2018 Comparative Total
	Program Services			Supporting Services			
	Concerts and Activities	Youth Outreach	Total	Management and General	Fundraising	Total	
	Total	Total	Total	Total	Total	Total	
Staff salaries	\$ 55,915	\$ 8,030	\$ 63,945	\$ 38,059	\$ 6,624	\$ 108,628	\$ 100,099
Payroll taxes	4,332	614	4,946	2,948	513	8,407	7,595
Pension expenses	900	-	900	-	-	900	900
Staff education	-	-	-	758	-	758	806
Auditing and accounting	-	-	-	12,413	-	12,413	8,455
Fees and memberships	2,390	-	2,390	1,169	-	3,559	3,632
Lobbying expenses	-	-	-	46	-	46	49
Insurance	-	-	-	5,049	-	5,049	5,162
Office expenses	-	-	-	5,901	-	5,901	6,983
Communications	-	150	150	2,399	-	2,549	2,724
Office supplies	-	150	150	1,796	-	1,946	1,633
Supplies and equipment	-	-	-	114	-	114	487
Outside services	-	-	-	627	-	627	2,205
Bank charges/service fees	-	-	-	1,712	-	1,712	1,112
Transportation/mileage	-	-	-	1,588	-	1,588	1,939
Postage and shipping	-	-	-	454	-	454	974
Building rent	-	-	-	3,810	-	3,810	3,780
Hospitality	-	-	-	1,475	-	1,475	1,121
Board expenses	-	-	-	2,615	-	2,615	11,486
Grant expenses	8,100	-	8,100	50	-	8,150	50
Miscellaneous	-	-	-	116	-	116	56
Depreciation	-	-	-	405	-	405	5,299
Music director	48,636	-	48,636	665	498	49,799	51,849
Orchestra services	120,693	-	120,693	-	-	120,693	116,234
Guest artists	7,616	-	7,616	-	-	7,616	5,344
Concert venue rental	32,990	-	32,990	-	-	32,990	36,010
Concert labor costs	30,829	-	30,829	-	-	30,829	23,117
Concert ticket fees	10,186	-	10,186	-	-	10,186	9,843
Other concert expenses	24,429	-	24,429	-	-	24,429	25,140
Advertising and marketing	34,800	-	34,800	-	-	34,800	50,726
Holiday Housewalk	-	-	-	-	8,778	8,778	11,641
These Men Can Cook	-	-	-	-	12,602	12,602	14,543
Youth outreach	-	68,880	68,880	-	-	68,880	69,697
Total	\$ 381,816	\$ 77,824	\$ 459,640	\$ 84,169	\$ 29,015	\$ 572,824	\$ 580,691
Percent of total	<u>66.65%</u>	<u>13.59%</u>	<u>80.24%</u>	<u>14.69%</u>	<u>5.07%</u>	<u>100.00%</u>	

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

1. Description of the Organization and Nature of Activities

The Saginaw Symphony Association (the “Association”), doing business as the Saginaw Bay Symphony Orchestra, is a not-for-profit association incorporated in Saginaw, Michigan in 1935. The Association provides five live concerts per season, organizes and conducts two annual fundraisers, and offers youth music education programs and youth concerts to the residents of Saginaw, Bay, and Midland counties and the mid-Michigan area. The Association’s support comes primarily from ticket sales, contributions, endowment income, fundraising events, and grants.

2. Significant Accounting Policies

New Accounting Pronouncement

On August 18, 2016, Financial Accounting Standards Board issued 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. The Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association's management and the board of directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

See independent accountants’ review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

2. Significant Accounting Policies (continued)

Basis of Presentation (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Income Tax Status

The Association is tax-exempt under Internal Revenue Code Section 501 (c)(3) and is required to operate in conformity with the Internal Revenue Code to maintain this qualification. The Association has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Association and has determined that as of June 30, 2019 and 2018 there were no material uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Generally, tax years from June 30, 2016 through the current year remain open to examination by the Internal Revenue Service. The Association does not believe that the results from any examination of these open years would have a material adverse effect on the Association.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Comparative Financial Information

The financial information for the year ended June 30, 2018, presented for comparative purposes, is not intended to be a complete financial statement presentation.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Association maintains two cash accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash equivalents consists of cash held in a high-yield deposit account at a local credit union and investments that are recorded at cost when purchased and are due within three months or less from June 30, 2019.

Investments

Investments in certificates of deposit, U.S. Treasury notes, and U.S. Treasury bills are recorded at cost when purchased. All investments are expected to be held to maturity. Interest on certificates of deposit is paid monthly. Interest on government securities is accrued monthly and paid every six months for U.S. Treasury notes and upon maturity for U.S. Treasury bills.

Accounts Receivable

Accounts receivable are stated at unpaid balances. Management believes all accounts receivable are collectible and therefore there is no allowance for doubtful accounts. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms.

It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There were no accounts receivable charged off during the fiscal year.

Pledges Receivable

The Association recognizes pledges receivable at fair value. No allowance was deemed necessary for pledges receivable as they were deemed fully collectible by management.

Beneficial Interest in Endowment Fund

Beneficial interest in endowment fund consists of amounts held and invested by the Saginaw Community Foundation (SCF) under an agency account agreement. This account contains donations approved and directed by the board of directors to be made to the SCF from net assets without donor restrictions. The beneficial interest is reported at the fair market value of the fund as determined by the SCF. Investment income of the fund, net of expenses, and any net realized and unrealized gains and losses, are included in endowment and investment income, net, in the statements of activities and changes in net assets.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

2. Significant Accounting Policies (continued)

Perpetual Trust Held by Third Party

The Association is the beneficiary of the income from a trust held in perpetuity by an independent trustee. The Association has an irrevocable right to receive the income earned on the trust assets but will never receive the invested asset value of the trust. The income distributed to the Association shall be used for the benefit of the Saginaw Symphony Association. The fair value of the investments held by the trust is included in net assets with donor restrictions. The statements of activities and changes in net assets reflects the change in the fair market value that occurs as a result of market fluctuations in addition to undistributed current earnings. The amount is reported as perpetual trust net change.

Equipment

Acquired assets are stated at cost and donated assets at fair market value. Expenditures for new acquisitions, renewals and betterments, which increase productive capacity or prolong service lives of the equipment, are capitalized. Maintenance and repairs that do not enhance the value or extend the useful life are expensed as incurred. Depreciation is calculated by the straight-line method over five or ten years.

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and pledges receivable. The Association maintains its available cash in a long-established local credit union and the balances do not exceed FDIC insurance limits. The concentration of credit risk for investments consists of reserve funds that have been invested in U.S. Treasury notes, U.S. Treasury bills, and a certificate of deposit that is invested with the same local credit union. The Association invests its reserve funds in safer investments with lower rates of return. The concentration of credit risk with respect to pledges receivable is limited due to the donors being long-time donors of the Association.

Fair Value Measurements

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Association uses various methods, including market, income, and cost approaches. Based on these approaches, the Association often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Based on the observability of the inputs used in the valuation techniques, financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access at the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In determining the appropriate levels, the Association performs an analysis of the assets and liabilities that are subject to the fair value standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on quoted prices are classified as Level 1 and significant unobservable inputs are classified as Level 3. The fair value of these assets as of June 30, 2019 and 2018 are shown in Note 10. There were no liabilities measured at fair value at June 30, 2019 or 2018.

Revenue Recognition

Contributions or pledges from donors that are in substance unconditional, are recognized by the Association as net assets without donor restrictions. All donor-stipulated contributions are reported as net assets with donor restrictions depending on the nature of the stipulations. When a 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 are reported in the statements of activities and changes in net assets as net assets released from restrictions.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Association defers income from pre-season ticket sales at year end. The income is recorded as revenue in the following fiscal year which corresponds to the new concert season.

Functional Allocation of Expenses

The costs of providing the various programs and activities and in-kind expenses have been allocated among the program services and supporting services benefited and are summarized on a functional basis in the statements of activities and changes in net assets. These allocations are based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts. All other expenses are directly charged to the functions they benefit.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Staff salaries – CEO	Concert expenses divided by total expenses with balance to management and general
Staff salaries – Other	Time and effort
Payroll taxes	Same percentage as salaries
Communications	Estimated usage for youth orchestra
Office supplies	Estimated usage for youth orchestra

Subsequent Events

Management has evaluated subsequent events through August 23, 2019, which is the date the financial statements were available to be issued, and is not aware of any material subsequent events that would have a negative impact on the financial statements.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

3. Investments

The following is a summary of investments at June 30:

	Maturity Date	2019	2018
U.S. Treasury note	8/15/2021	\$124,946	\$ –
U.S. Treasury note	8/31/2020	24,986	–
Certificate of deposit	8/23/2020	102,527	–
Total investments		\$252,459	\$ –

Investment income is included in endowment and investment income, net, on the statements of activities and changes in net assets and was from interest earned on U.S. Treasury notes, U.S. Treasury bills, and a certificate of deposit held at a local credit union.

4. Pledges Receivable

Pledges receivable at June 30, 2019 are scheduled to be collected as follows:

Year ending June 30, 2020	\$20,000
Year ending June 30, 2021	35,000
Total pledges receivable	\$55,000

5. In-Kind Donations

The Association received in-kind donations for contributed goods, services, and venue rental in the amount of \$98,588 during the year ended June 30, 2019 and \$114,684 during the year ended June 30, 2018. Such amounts are recognized at fair value as determined by the donor on the date of contribution. They are reported as in-kind donations (noncash) and are offset by like amounts included in program services expenses for advertising and marketing, concert venue rental, concert labor costs, and youth outreach; and for Holiday Housewalk, and other supporting services expenses in the statements of activities and changes in net assets and statements of functional expenses.

6. Building Rent

The Association has agreed to pay \$250 per month on a month-to-month basis to rent office space at the Temple Theatre. The Association rents a storage unit at \$70 per month on a month-to-month rental agreement. The building rent expense for the year ended June 30, 2019 amounted to \$3,810 and \$3,780 for the year ended June 30, 2018.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

7. Equipment Leases

The Association leased a copier under an operating lease agreement for the year ended June 30, 2019 and 2018. The lease expense for the year ended June 30, 2019 totaled \$3,915 and \$4,790 for the year ended June 30, 2018. The future minimum lease payments under the operating lease agreement at June 30, 2019 are as follows:

Year ending June 30, 2020	\$ 3,915
Year ending June 30, 2021	3,915
Year ending June 30, 2022	3,915
Year ending June 30, 2023	3,915
Year ending June 30, 2024	979
Total lease payments remaining	<u>\$16,639</u>

8. Advertising and Marketing

Advertising and marketing expenses are expensed as incurred and totaled \$34,800 for the year ended June 30, 2019 and \$50,726 for the year ended June 30, 2018. This includes \$13,529 in 2019 and \$31,717 in 2018 of in-kind promotion services donated by the Association's media sponsors and \$4,000 in 2019 and \$3,000 in 2018 of in-kind billboard advertising donated by the Temple Theatre Foundation.

9. Availability and Liquidity of Financial Assets

The following represents the Association's financial assets at June 30:

	<u>2019</u>	<u>2018</u>
Financial assets at end of year:		
Cash and cash equivalents	\$ 79,620	\$ 369,049
Accounts receivable	28,553	57,482
Grants receivable	6,000	2,000
Pledges receivable	55,000	30,000
Accrued interest receivable	1,364	—
Investments	252,459	—
Beneficial interest in endowment fund	30,519	4,246
Perpetual trust held by third party	589,118	597,688
Total financial assets at end of year	<u>1,042,633</u>	<u>1,060,465</u>

(continued on next page)

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

9. Availability and Liquidity of Financial Assets (continued)

	<u>2019</u>	<u>2018</u>
Less amounts not available to be used within one year:		
Investments	\$ 252,459	\$ –
Pledges receivable due after one year	35,000	15,000
Beneficial interest in endowment fund	30,519	4,246
Perpetual trust held by third party	589,118	597,688
Board-designated funds to be used beyond one year	12,425	109,353
Total amounts not available to be used within one year	<u>919,521</u>	<u>726,287</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 123,112</u>	<u>\$ 334,178</u>

From mid-May through October, the Association collects season ticket sales for the new concert season. Along with concert sponsor revenue, single concert ticket sales, contributions, other various revenue, and proceeds from the Holiday Housewalk fundraiser, the Association builds up cash reserves through December. With three concert performances in February, March, and May, the Association relies heavily on these cash reserves to cover its general expenditures, liabilities, and other obligations during the last six months of the fiscal year.

The Association's liquidity goal is to maintain financial assets to meet 120 days of operating expenses (approximately \$45,000) plus \$55,000 to cover expenses related to the next concert performance. As part of its liquidity plan, surplus funds are invested in a high-yield deposit account at a local credit union and funds are transferred to and from the operating checking account as needed. The Association also invests in short-term U.S. Treasury bills if sufficient funds are available and will not be needed for current expenses, liabilities, or other obligations.

The Association's liquidity management plan includes the board-approved Net Assets Policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due during the next five fiscal years. The board has committed to raising at least \$10,000 in additional new recurring revenue each fiscal year to meet or exceed budgeted expenses by fiscal year 2024. The Association had \$228,924 in net assets without donor restrictions and \$101,000 in Rennert Trust board-designated net assets without donor restrictions reported on the statements of financial position as of June 30, 2019. On January 16, 2019, the board of directors adopted a planned reduction of these net assets down to \$100,000 during the next five fiscal years. They fully understand that the use of these funds for program and supporting service expenses in future seasons will result in manageable operating deficits to accomplish this goal.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

10. Fair Value Measurements

Fair value of assets measured on a recurring basis as of June 30 is as follows:

	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2019				
U.S. Treasury notes	\$149,932	\$149,932	\$ –	\$ –
Certificate of deposit	102,527	102,527	–	–
Beneficial interest in endowment fund	30,519	–	–	30,519
Perpetual trust held by a third party	589,118	–	–	589,118
	\$872,096	\$252,459	\$ –	\$619,637
2018				
Beneficial interest in endowment fund	\$ 4,246	\$ –	\$ –	\$ 4,246
Perpetual trust held by a third party	597,688	–	–	597,688
	\$601,934	\$ –	\$ –	\$601,934

The Association values the beneficial interest in endowment fund at fair value based on information provided by the Saginaw Community Foundation. Activity in this fund is disclosed in Note 12.

The perpetual trust held by a third party has been valued based on amounts provided by the trust. Activity in the trust assets for the year ended June 30 is as follows:

	2019	2018
Balance beginning of the year	\$597,688	\$585,499
Investment income	13,798	12,700
Administrative expenses	(10,251)	(9,672)
Disbursements from trust	(23,406)	(22,627)
Net realized and unrealized gains	11,289	31,788
Balance end of the year	\$589,118	\$597,688

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

11. Net Assets Classification

Net assets with donor restrictions were as follows for the year ended June 30:

	2019	2018
Specific purpose:		
Concerts and activities	\$ 50,000	\$ 80,000
Youth outreach	1,908	3,888
	51,908	83,888
Passage of time:		
Concerts and activities	1,500	1,500
Management and general	–	6,124
	1,500	7,624
Endowment funds:		
Perpetual trust endowment	589,118	597,688
Total net assets with donor restrictions	\$642,526	\$689,200

Net assets without donor restrictions were as follows for the year ended June 30:

	2019	2018
Undesignated	\$228,924	\$153,946
Board-designated	113,425	158,353
SCF agency fund	30,519	4,246
Total net assets without donor restrictions	\$372,868	\$316,545

Board-designated net assets were reserved for the Rennert Trust and Youth Orchestra at June 30, 2019 and 2018. The \$101,000 designated for Rennert Trust at June 30, 2019 represents the remaining balance from the bequest by Patricia G. Rennert in fiscal year 2018 of \$150,000. These funds will be used as follows: \$29,000 in fiscal year 2020; \$24,000 in fiscal year 2021; and \$23,000 in fiscal year 2022 for concert support, expanded concert programming, operations, and youth outreach. In addition, \$25,000 will be added to the endowment fund as a match for a future endowment campaign.

The designated amounts of \$12,425 at June 30, 2019 and \$8,353 at June 30, 2018 for Youth Orchestra represent the accumulated net income from operations of the Saginaw Bay Youth Orchestra since it began in 2007. These funds will be used to support the youth orchestra's operations, program expenses, and for scholarships as needed.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

11. Net Assets Classification (continued)

Net assets released from net assets with donor restrictions were as follows for the year ended June 30:

	<u>2019</u>	<u>2018</u>
Specific purpose:		
Concerts and activities	\$ 86,500	\$ 99,000
Youth outreach	10,646	8,167
Management and general	1,000	39,000
Fundraising	21,500	–
	<u>119,646</u>	<u>146,167</u>
Passage of time:		
Concerts and activities	1,500	3,000
Management and general	5,124	7,919
	<u>6,624</u>	<u>10,919</u>
Total net assets released from net assets with donor restrictions	<u>\$126,270</u>	<u>\$157,086</u>

12. Endowment Funds with Saginaw Community Foundation

The Association is the beneficiary under endowment fund agreements with the SCF. The endowment portion, \$1,093,199 at June 30, 2019 and \$1,131,860 at June 30, 2018, is included in the statement of financial position of the Saginaw Community Foundation. The Association does not exercise any control over the principal of the funds but, based on a formula, certain amounts of the funds may be distributed to and expended by the Association. Investment and spending policies for these endowment funds are determined solely by the Saginaw Community Foundation.

Variance power has been granted to the Saginaw Community Foundation for the assets in the endowment funds. If the Association ceases to exist or no longer performs its functions under the provisions of the agreements, the Saginaw Community Foundation shall continue to administer and disburse fund assets in a manner deemed appropriate.

The remaining agency fund portion of the assets, \$30,519 at June 30, 2019 and \$4,246 at June 30, 2018, is included as beneficial interest in endowment fund in the statements of financial position of the Association. These assets represent the Association's portion of net assets without donor restrictions that were approved by the board of directors to be transferred to the Saginaw Community Foundation for endowment purposes. Investment

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2019

12. Endowment Funds with Saginaw Community Foundation (continued)

income of the fund, net of expenses, and any net realized and unrealized gains and losses are included in endowment and investment income, net, in the statements of activities and changes in net assets.

Changes in endowment net assets for the year ended June 30:

	<u>2019</u>	<u>2018</u>
Endowment net assets without donor restrictions at beginning of year	\$ 4,246	\$ 4,014
Contributions	25,000	—
Investment income	529	49
Administrative expenses	(236)	(31)
Net realized and unrealized gains	980	214
Endowment net assets without donor restrictions at end of year	<u>\$30,519</u>	<u>\$ 4,246</u>

These endowment net assets are shown separately in the statements of financial position as without donor restrictions, SCF agency fund, because they are not available for use by the Association.

Independent Accountants' Review Report
on Other Supplementary Information

Board of Directors
Saginaw Symphony Association
Saginaw, Michigan

Our report on our review of the basic financial statements of Saginaw Symphony Association for the year ended June 30, 2019 appears on page 1. Our report on our review of the basic financial statements for June 30, 2018 was dated August 27, 2018. The objective of those reviews was to perform procedures to obtain limited assurance as a basis for reporting whether we were aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. The accompanying other supplementary information included in the accompanying schedules of operating revenue and expenses and fundraising revenue and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 financial statements. The other supplementary information has been subjected to the review procedures applied in our reviews of the basic financial statements. We are not aware of any material modifications that should be made to the other supplementary information. We have not audited the other supplementary information and do not express an opinion on such information.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
August 23, 2019

Saginaw Symphony Association

Schedules of Operating Revenue and Expenses

Year Ended June 30, 2019

(with Summarized Comparative Information for 2018)

	2019		2018
	Operating Budget	Without Donor Restrictions	Without Donor Restrictions
Support and revenue			
Contributions	\$ 17,500	\$ 17,433	\$ 16,952
Grants and trusts	96,600	133,091	237,841
Concerts and activities	220,800	219,138	221,852
Youth outreach	34,500	35,537	34,555
Fundraising	57,000	56,217	67,759
Endowment income, net	59,000	59,678	59,390
Investment income, net	4,100	7,008	336
Miscellaneous	2,350	2,457	2,412
In-kind donations (noncash)	90,000	98,588	114,684
Total support and revenue	581,850	629,147	755,781
Expenses			
Concerts and activities	336,406	332,634	344,435
Youth outreach	38,874	34,338	34,918
Management and general	81,917	84,099	61,517
Fundraising	22,653	23,165	25,137
In-kind expenses (noncash)	90,000	98,588	114,684
Total expenses	569,850	572,824	580,691
Change in net assets	\$ 12,000	\$ 56,323	\$ 175,090

See independent accountants' review report on other supplementary information.

Saginaw Symphony Association

Schedules of Fundraising Revenue and Expenses

Year Ended June 30, 2019

(with Summarized Comparative Information for 2018)

	2019				2018
	Fundraising Budget	Holiday Housewalk	These Men Can Cook	Total	Total
Revenue					
Ticket sales	\$ 15,000	\$ 10,024	\$ 3,770	\$ 13,794	\$ 21,082
Event sponsors	37,000	17,000	20,250	37,250	37,000
Chef's tips	2,000	-	2,118	2,118	3,070
Patron party	-	-	-	-	2,025
Raffle ticket sales	2,500	1,955	335	2,290	2,912
Contributions	500	665	100	765	1,670
Total revenue	57,000	29,644	26,573	56,217	67,759
In-kind donations (noncash)	9,500	5,250	600	5,850	6,929
Total revenue and in-kind donations	66,500	34,894	27,173	62,067	74,688
Expenses					
Printing services	1,000	1,346	80	1,426	2,918
Venue rental	7,500	-	7,500	7,500	7,500
Staff salaries and payroll taxes	6,153	3,043	4,094	7,137	5,243
Advertising and marketing	1,000	489	578	1,067	2,243
Food and hospitality	1,000	-	1,283	1,283	1,249
House portraits	5,000	5,100	-	5,100	5,600
Postage and shipping	500	346	193	539	272
Van rentals and drivers	-	-	-	-	1,080
Supplies	1,800	363	2,919	3,282	3,592
Liability insurance	547	504	-	504	615
Other expenses	1,000	630	547	1,177	1,754
Total expenses	25,500	11,821	17,194	29,015	32,066
Revenue over expenses	\$ 41,000	\$ 23,073	\$ 9,979	\$ 33,052	\$ 42,622

See independent accountants' review report on other supplementary information.