

Financial Statements

Saginaw Symphony Association

*Year Ended June 30, 2020
with Independent Accountants' Review Report
(with Summarized Comparative
Information for 2019)*

Saginaw Symphony Association

Financial Statements

Year Ended June 30, 2020

(with Summarized Comparative Information for 2019)

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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, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We previously reviewed the Saginaw Symphony Association's 2019 financial statements and in our conclusion dated August 23, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. 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, 2019, for it to be consistent with the reviewed financial statements from which it has been derived.

Andrews Hooper Paulik PLC

Saginaw, Michigan
August 27, 2020

Saginaw Symphony Association

Statements of Financial Position

	June 30	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 234,875	\$ 79,620
Accounts receivable	5,884	28,553
Grants receivable	2,250	6,000
Pledges receivable – current portion	20,000	20,000
Accrued interest receivable	1,365	1,364
Prepaid expenses	-	500
Total current assets	264,374	136,037
Investments	124,946	252,459
Pledges receivable – noncurrent portion	15,000	35,000
Beneficial interest in endowment fund	31,592	30,519
Perpetual trust held by third party	576,552	589,118
Equipment	40,820	40,311
Accumulated depreciation	(39,888)	(39,719)
Net equipment	932	592
Total assets	\$ 1,013,396	\$ 1,043,725
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 475	\$ 440
Accrued payroll and payroll taxes	6,172	7,629
Deferred revenue - ticket sales	9,535	20,262
Refundable advance	4,704	-
Total current liabilities	20,886	28,331
Net assets:		
Without donor restrictions:		
Undesignated	206,176	228,924
Board-designated – Rennert Trust	90,800	101,000
Board-designated – Youth Orchestra	13,801	12,425
SCF agency fund	31,592	30,519
Total without donor restrictions	342,369	372,868
With donor restrictions	650,141	642,526
Total net assets	992,510	1,015,394
Total liabilities and net assets	\$ 1,013,396	\$ 1,043,725

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2020			Year Ended
	Without Donor Restrictions	With Donor Restrictions	Total	June 30, 2019 Comparative Total
Support and revenue				
Contributions	\$ 28,966	\$ -	\$ 28,966	\$ 17,433
Grants and trusts	27,349	47,102	74,451	126,967
Concerts and activities	99,036	56,500	155,536	189,138
Youth outreach	19,945	7,041	26,986	33,557
Fundraising	20,096	6,500	26,596	56,217
Endowment and investment income, net	67,452	-	67,452	66,686
Miscellaneous	1,516	-	1,516	2,457
In-kind donations (noncash)	41,845	-	41,845	98,588
Perpetual trust net change	-	(12,566)	(12,566)	(8,570)
Net assets released from restrictions	96,962	(96,962)	-	-
Total support and revenue	403,167	7,615	410,782	582,473
Expenses				
Program services:				
Concerts and activities	315,094	-	315,094	381,816
Youth outreach	30,729	-	30,729	77,824
Total program services	345,823	-	345,823	459,640
Supporting services:				
Management and general	80,607	-	80,607	84,169
Fundraising	7,236	-	7,236	29,015
Total supporting services	87,843	-	87,843	113,184
Total expenses	433,666	-	433,666	572,824
Change in net assets	(30,499)	7,615	(22,884)	9,649
Total net assets at beginning of year	372,868	642,526	1,015,394	1,005,745
Total net assets at end of year	\$ 342,369	\$ 650,141	\$ 992,510	\$ 1,015,394

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Statements of Functional Expenses

Expenses	Year Ended June 30, 2020						Year Ended June 30, 2019 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	\$ 63,293	\$ 7,604	\$ 70,897	\$ 31,048	\$ 3,301	\$ 105,246	\$ 108,628
Payroll taxes	4,722	590	5,312	2,314	253	7,879	8,407
Pension expenses	900	-	900	-	-	900	900
Auditing and accounting	-	-	-	14,421	-	14,421	12,413
Fees and memberships	2,633	-	2,633	1,363	-	3,996	3,559
Lobbying expenses	-	-	-	47	-	47	46
Insurance	-	-	-	5,753	-	5,753	5,049
Office expenses	-	-	-	7,897	-	7,897	5,901
Communications	-	150	150	2,874	-	3,024	2,549
Office supplies	-	150	150	2,215	-	2,365	1,946
Supplies and equipment	-	-	-	49	-	49	114
Outside services	-	-	-	1,528	-	1,528	627
Bank charges/service fees	-	-	-	1,495	-	1,495	1,712
Staff education	-	-	-	134	-	134	758
Transportation/mileage	-	-	-	296	-	296	1,588
Postage and shipping	-	-	-	1,764	-	1,764	454
Building rent	-	-	-	3,840	-	3,840	3,810
Hospitality	-	-	-	857	-	857	1,475
Venue cancelation fee	-	-	-	1,875	-	1,875	-
Board expenses	-	-	-	472	-	472	2,615
Grant expenses	-	-	-	50	-	50	8,150
Miscellaneous	-	-	-	96	-	96	116
Depreciation	-	-	-	169	-	169	405
Music director	49,322	-	49,322	50	-	49,372	49,799
Orchestra services	97,133	-	97,133	-	-	97,133	120,693
Guest artists	3,995	-	3,995	-	-	3,995	7,616
Concert venue rental	32,993	-	32,993	-	-	32,993	32,990
Concert labor costs	-	-	-	-	-	-	30,829
Concert ticket fees	8,155	-	8,155	-	-	8,155	10,186
Other concert expenses	16,415	-	16,415	-	-	16,415	24,429
Advertising and marketing	35,533	-	35,533	-	-	35,533	34,800
Holiday Housewalk	-	-	-	-	3,682	3,682	8,778
These Men Can Cook	-	-	-	-	-	-	12,602
Youth outreach	-	22,235	22,235	-	-	22,235	68,880
Total	\$ 315,094	\$ 30,729	\$ 345,823	\$ 80,607	\$ 7,236	\$ 433,666	\$ 572,824
Percent of total	<u>72.66%</u>	<u>7.08%</u>	<u>79.74%</u>	<u>18.59%</u>	<u>1.67%</u>	<u>100.00%</u>	

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Statements of Cash Flows

	Year Ended June 30	
	2020	2019
Operating activities		
Change in net assets	\$ (22,884)	\$ 9,649
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	169	405
Perpetual trust held by third party net change	12,566	8,570
Changes in operating assets and liabilities:		
Accounts receivable	22,669	28,929
Grants receivable	3,750	(4,000)
Pledges receivable	20,000	(25,000)
Accrued interest receivable	(1)	(1,364)
Prepaid expenses	500	975
Accounts payable	35	(429)
Accrued payroll and payroll taxes	(1,457)	3,721
Deferred revenue – ticket sales	(10,727)	(31,561)
Refundable advance	4,704	-
Net cash from operating activities	29,324	(10,105)
Investing activities		
Purchases of investments	(102,360)	(351,604)
Maturities of investments	229,873	99,145
Change in beneficial interest in endowment fund	(1,073)	(26,273)
Purchases of equipment	(509)	(592)
Net cash from investing activities	125,931	(279,324)
Net change in cash and cash equivalents	155,255	(289,429)
Cash and cash equivalents at beginning of year	79,620	369,049
Cash and cash equivalents at end of year	\$ 234,875	\$ 79,620

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

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 an annual fundraiser, 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

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.

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.

See independent accountants’ review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

Income Tax Status (continued)

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, 2020 and 2019 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, 2017 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, 2019, presented for comparative purposes, is not intended to be a complete financial statement presentation.

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 the statement of financial position date.

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.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

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.

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.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

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 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.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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, 2020 and 2019 are shown in Note 10. There were no liabilities measured at fair value at June 30, 2020 or 2019.

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.

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.

Due to the COVID-19 pandemic, no season tickets are being sold for fiscal year 2021 because the Temple Theatre that sells the Association's concert tickets remains closed. The Association will have to use reserve funds to cover operating expenses through December 31, 2020. At this time, the Association is uncertain when this season will be able to have live indoor concerts without severe social distancing seating restrictions. See the Risk and Uncertainties section on the next two pages for further details on how the COVID-19 pandemic has impacted the Association.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

Risk and Uncertainties

The current coronavirus pandemic has had a devastating economic impact on the United States and the international community. In late March 2020, the Temple Theatre closed under the Governor's Executive Order due to the COVID-19 pandemic. The Association's employees started working from home under a stay-at-home order. The annual meeting of the Association's membership was suspended by the board of directors until June 2021.

Operations Impact: Due to the pandemic, the Association canceled its final two concerts of the season, the Young People's Concert for 4th through 6th graders, the youth orchestra's spring session, and their May concert at the Temple Theatre. The Association's fiscal year 2020 support and revenue without donor restrictions decreased 47.2% while expenses decreased 46.0% from March through June compared to the prior fiscal year. The total budget decreased 26.6%, from \$595,800 to \$437,000, and the Association's fiscal year ended with a loss from operations of \$30,499.

Financial Statement Impact: The Association had received season and single ticket sales from the last two concerts that were subsequently canceled, totaling \$37,499. A total of \$10,958 of these ticket sales were donated to the Association and recorded as contribution revenue on the statements of activities and changes in net assets, \$17,006 was refunded, and \$9,535 was recognized as deferred revenue at June 30, 2020, and will be refunded upon request. Concert sponsorship revenue and grant funds in the amount of \$7,500 will be carried over to the new season and are recorded as net assets with donor restrictions while \$11,000 in grant funds for the canceled Young People's Concert were returned to the grantors.

Paycheck Protection Program: The Association received Paycheck Protection Program (PPP) loan proceeds from Wildfire Credit Union in the amount of \$22,017 on May 8, 2020. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times of their average monthly payroll expenses. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period. The Association used the PPP funds to maintain part-time staffing levels and were spent solely on payroll. The loan funds were fully expended by July 15, 2020. The Association fully believes that its use of the loan proceeds will meet the conditions of forgiveness and were spent for eligible program purposes and therefore, expects that these loan funds will be forgiven.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

Risk and Uncertainties (continued)

Based on the belief that the loan proceeds will be forgiven, the Association recorded \$17,313 of the proceeds as grant revenue in the statements of activities and changes in net assets and the remaining balance of \$4,704 as a refundable advance in the statements of financial position, which is in accordance with current accounting standards. The refundable advance will be recognized in the next fiscal year as grant revenue when the qualifying expenses are incurred.

Future Plans: The Temple Theater remains closed as of the date of these financial statements. While this has had a short-term impact on the Association's business and financial results, the long-term impact cannot be determined. The Association is planning to perform virtual concerts with a much smaller orchestra on October 24, 2020 and with two quintets on December 8, 2020. The annual Holiday Housewalk will be a virtual Facebook Live fundraising event on December 12, 2020.

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 and Marketing Assistant	Concert expenses divided by total expenses with balance to management and general
Staff salaries – Other	Time and effort
Payroll taxes	Same percentage as salaries
Fees and Memberships – Orchestra league dues	Concert expenses divided by total expenses with balance to management and general
Communications	Estimated usage for youth orchestra
Office supplies	Estimated usage for youth orchestra

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

2. Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through August 27, 2020, which is the date the financial statements were available to be issued, and except for COVID-19 discussed in Note 2, Risks and Uncertainties, is not aware of any material subsequent events that could have a negative impact on the financial statements.

3. Investments

The following is a summary of investments at June 30:

	Maturity Date	2020	2019
U.S. Treasury note	8/15/2021	\$124,946	\$124,946
U.S. Treasury note	8/31/2020	–	24,986
Certificate of deposit	8/23/2020	–	102,527
Total investments		\$124,946	\$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. The U.S. Treasury note with a maturity date of August 31, 2020 and the certificate of deposit are included in cash and cash equivalents at June 30, 2020 because they are due to mature within three months or less from fiscal year end.

4. Pledges Receivable

Pledges receivable at June 30, 2020 are scheduled to be collected as follows:

Year ending June 30, 2021	\$20,000
Year ending June 30, 2022	15,000
Total pledges receivable	\$35,000

5. In-Kind Donations

The Association received in-kind donations for contributed goods, services, and venue rental in the amount of \$41,845 during the year ended June 30, 2020 and \$98,588 during the year ended June 30, 2019. 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

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

5. In-Kind Donations (continued)

included in program services expenses for advertising and marketing, concert venue rental, other concert expenses, 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, 2020 amounted to \$3,840 and \$3,810 for the year ended June 30, 2019.

7. Equipment Leases

The Association leased a copier under an operating lease agreement for the year ended June 30, 2020 and 2019. The lease expense for the year ended June 30, 2020 totaled \$5,691 and \$3,915 for the year ended June 30, 2019. The lease agreement was revised in October 2019 to adjust for higher average monthly copy volumes. The future minimum lease payments under the operating lease agreement at June 30, 2020 are as follows:

Year ending June 30, 2021	\$ 4,424
Year ending June 30, 2022	4,424
Year ending June 30, 2023	4,424
Year ending June 30, 2024	1,106
Total lease payments remaining	<u><u>\$14,378</u></u>

8. Advertising and Marketing

Advertising and marketing expenses are expensed as incurred and totaled \$35,533 for the year ended June 30, 2020 and \$34,800 for the year ended June 30, 2019. This includes \$19,044 in 2020 and \$13,529 in 2019 of in-kind promotion services donated by the Association's media sponsors and \$4,000 in 2019 of in-kind billboard advertising donated by the Temple Theatre Foundation.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

9. Availability and Liquidity of Financial Assets

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

	<u>2020</u>	<u>2019</u>
Financial assets at end of year:		
Cash and cash equivalents	\$ 234,875	\$ 79,620
Accounts receivable	5,884	28,553
Grants receivable	2,250	6,000
Pledges receivable	35,000	55,000
Accrued interest receivable	1,365	1,364
Investments	124,946	252,459
Beneficial interest in endowment fund	31,592	30,519
Perpetual trust held by third party	576,552	589,118
Total financial assets at end of year	<u>1,012,464</u>	<u>1,042,633</u>
Less amounts not available to be used within one year:		
Investments	124,946	252,459
Accounts receivable due after one year	2,660	–
Pledges receivable due after one year	15,000	35,000
Beneficial interest in endowment fund	31,592	30,519
Perpetual trust held by third party	576,552	589,118
Board-designated funds to be used beyond one year	78,801	12,425
Total amounts not available to be used within one year	<u>829,551</u>	<u>919,521</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 182,913</u>	<u>\$ 123,112</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 \$50,000) plus \$50,000 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.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

9. Availability and Liquidity of Financial Assets (continued)

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 four fiscal years. The board has been advised that it will need at least \$25,000 in additional new recurring revenue each fiscal year to meet or exceed budgeted expenses by fiscal year 2024. The Association had \$206,176 in net assets without donor restrictions and \$90,800 in Rennert Trust board-designated net assets without donor restrictions reported on the statements of financial position as of June 30, 2020. On January 16, 2019, the board of directors adopted a planned reduction of these net assets down to \$100,000 during the next four 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.

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)
2020				
U.S. Treasury notes	\$149,932	\$149,932	\$ –	\$ –
Certificate of deposit	105,361	105,361	–	–
Beneficial interest in endowment fund	31,592	–	–	31,592
Perpetual trust held by a third party	576,552	–	–	576,552
	\$863,437	\$255,293	\$ –	\$608,144
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

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

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

10. Fair Value Measurements (continued)

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:

	2020	2019
Balance beginning of the year	\$589,118	\$597,688
Investment income	18,362	13,798
Administrative expenses	(9,326)	(10,251)
Disbursements from trust	(23,523)	(23,406)
Net realized and unrealized gains	1,921	11,289
Balance end of the year	\$576,552	\$589,118

11. Net Assets Classification

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

	2020	2019
Specific purpose:		
Concerts and activities	\$ 59,500	\$ 50,000
Management and general	3,000	-
Youth outreach	5,987	1,908
	68,487	51,908
Passage of time:		
Concerts and activities	-	1,500
Management and general	5,102	-
	5,102	1,500
Endowment funds:		
Perpetual trust endowment	576,552	589,118
Total net assets with donor restrictions	\$650,141	\$642,526

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

	2020	2019
Undesignated	\$206,176	\$228,924
Board-designated	104,601	113,425
SCF agency fund	31,592	30,519
Total net assets without donor restrictions	\$342,369	\$372,868

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

11. Net Assets Classification (continued)

Board-designated net assets were reserved for Rennert Trust and Youth Orchestra at June 30, 2020 and 2019. The \$90,800 designated for Rennert Trust at June 30, 2020 and \$101,000 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: \$25,800 in fiscal year 2021 and \$40,000 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 \$13,801 at June 30, 2020 and \$12,425 at June 30, 2019 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 tuition scholarships as needed.

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

	<u>2020</u>	<u>2019</u>
Specific purpose:		
Concerts and activities	\$83,500	\$ 86,500
Management and general	–	1,000
Fundraising	6,500	21,500
Youth outreach	2,962	10,646
	<u>92,962</u>	119,646
Passage of time:		
Concerts and activities	4,000	1,500
Management and general	–	5,124
	<u>4,000</u>	6,624
Total net assets released from net assets with donor restrictions	<u>\$96,962</u>	<u>\$126,270</u>

12. Endowment Funds with Saginaw Community Foundation

The Association is the beneficiary under endowment fund agreements with the Saginaw Community Foundation (SCF). The endowment portion, \$1,153,338 at December 31, 2019 (most recent value available) and \$1,093,199 at June 30, 2019, is included in the statement of financial position of the SCF. 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 SCF.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2020

12. Endowment Funds with Saginaw Community Foundation (continued)

Variance power has been granted to the SCF 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 SCF shall continue to administer and disburse fund assets in a manner deemed appropriate.

The remaining agency fund portion of the assets, \$31,592 at June 30, 2020 and \$30,519 at June 30, 2019, 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 SCF for endowment purposes. 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.

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

	<u>2020</u>	<u>2019</u>
Endowment net assets without donor restrictions at beginning of year	\$30,519	\$ 4,246
Contributions	–	25,000
Investment income	465	529
Administrative expenses	(150)	(236)
Net realized and unrealized gains	758	980
Endowment net assets without donor restrictions at end of year	<u>\$31,592</u>	<u>\$30,519</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.

The endowment net assets activity shown above is the most recent information available from the SCF for the quarter ended December 31, 2019. Management believes that any activity incurred in these endowment net assets through June 30, 2020 would not be material to the financial statements.

See independent accountants' review report.

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, 2020 appears on page 1. Our report on our review of the basic financial statements for June 30, 2019 was dated August 23, 2019. 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 27, 2020

Saginaw Symphony Association

Schedules of Operating Revenue and Expenses

Year Ended June 30, 2020

(with Summarized Comparative Information for 2019)

	2020		2019
	Operating Budget	Without Donor Restrictions	Without Donor Restrictions
Support and revenue			
Contributions	\$ 27,900	\$ 28,966	\$ 17,433
Grants and trusts	62,100	63,349	133,091
Concerts and activities	150,500	150,536	219,138
Youth outreach	23,000	22,907	35,537
Fundraising	26,500	26,596	56,217
Endowment income, net	55,700	59,597	59,678
Investment income, net	7,900	7,855	7,008
Miscellaneous	1,400	1,516	2,457
In-kind donations (noncash)	42,000	41,845	98,588
Total support and revenue	397,000	403,167	629,147
Expenses			
Concerts and activities	277,633	282,429	332,634
Youth outreach	21,700	21,949	34,338
Management and general	88,367	80,607	84,099
Fundraising	7,300	6,836	23,165
In-kind expenses (noncash)	42,000	41,845	98,588
Total expenses	437,000	433,666	572,824
Change in net assets	\$ (40,000)	\$ (30,499)	\$ 56,323

See independent accountants' review report on other supplementary information.

Saginaw Symphony Association

Schedules of Fundraising Revenue and Expenses

Year Ended June 30, 2020

(with Summarized Comparative Information for 2019)

	2020				2019
	Fundraising Budget	Holiday Housewalk	These Men Can Cook	Total	Total
Revenue					
Ticket sales	\$ 10,000	\$ 8,990	\$ -	\$ 8,990	\$ 13,794
Event sponsors	13,500	14,500	-	14,500	37,250
Chef's tips	-	-	-	-	2,118
Raffle ticket sales	2,500	2,931	-	2,931	2,290
Contributions	500	175	-	175	765
Total revenue	26,500	26,596	-	26,596	56,217
In-kind donations (noncash)	-	400	-	400	5,850
Total revenue and in-kind donations	26,500	26,996	-	26,996	62,067
Expenses					
Printing services	1,300	1,511	-	1,511	1,426
Venue rental	-	-	-	-	7,500
Staff salaries and payroll taxes	4,000	3,554	-	3,554	7,137
Advertising and marketing	500	725	-	725	1,067
Food and hospitality	-	-	-	-	1,283
House portraits	-	-	-	-	5,100
Postage and shipping	200	124	-	124	539
Supplies	300	345	-	345	3,282
Liability insurance	500	529	-	529	504
Other expenses	500	448	-	448	1,177
Total expenses	7,300	7,236	-	7,236	29,015
Revenue over expenses	\$ 19,200	\$ 19,760	\$ -	\$ 19,760	\$ 33,052

See independent accountants' review report on other supplementary information.