

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2016  
AND INDEPENDENT AUDITORS' REPORT**

**Catlin, Lillard & Co. PC**  
**Certified Public Accountants**

S. Brian Catlin  
Ralph W. Lillard



**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
The Youth Orchestra of Greater Fort Worth, Inc.

We have audited the accompanying financial statements of Youth Orchestra of Greater Fort Worth, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth Orchestra of Greater Fort Worth, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental statement of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Catlin, Lillard & Co. PC*

Fort Worth, Texas  
December 6, 2016

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2016**

**ASSETS**

<b>CURRENT ASSETS:</b>	
Cash & cash equivalents	\$ 171,400
Accounts receivable	5,539
Promised funding	8,346
Mutual funds	32,577
Total current assets	217,862
ENDOWMENT INVESTMENT	156,784
<b>PROPERTY AND EQUIPMENT:</b>	
Land	25,424
Building and improvements	941,784
Furniture, fixtures and equipment	151,625
Instruments	64,209
Total	1,183,042
Accumulated depreciation	(739,936)
Net property and equipment	443,106
<b>OTHER ASSETS:</b>	
Prepaid expenses	3,105
<b>TOTAL ASSETS</b>	<b>\$ 820,857</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 12,143
Prepaid tuition	16,080
Payroll liabilities	2,747
Total current liabilities	30,970
<b>NET ASSETS:</b>	
Unrestricted net assets	583,763
Temporarily restricted net assets	56,373
Permanently restricted net assets	149,751
Total net assets	789,887
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 820,857</b>

See accompanying notes to financial statements and independent auditors' report.

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>CONTRIBUTIONS, REVENUES, OTHER INCOME AND RECLASSIFICATION:</b>				
Contributions	\$ 252,996	\$ 30,000	\$ -	\$ 282,996
Investment interest	-	1	-	1
Mutual fund dividend	1,048	3,501	-	4,549
Short-term capital gain distribution	-	1,239	-	1,239
Long-term capital gain distribution	-	3,685	-	3,685
Realized gain (loss) on investments	-	(65)	-	(65)
Unrealized gain (loss) on investments	(652)	-	(12,391)	(13,043)
Orchestra Hall rental	48,700	-	-	48,700
Verizon rent income	24,150	-	-	24,150
Royalties	-	-	-	-
Special project income	474	-	-	474
Ticket sales	42,337	-	-	42,337
Program ads	10,400	-	-	10,400
Tuition	252,926	-	-	252,926
Youth Orchestra Parents' Guild income	16,861	-	-	16,861
Net assets reclassified from restrictions	108,857	(108,857)	-	-
Total contributions, revenues, other income and reclassification	<u>758,097</u>	<u>(70,496)</u>	<u>(12,391)</u>	<u>675,210</u>
<b>EXPENSES:</b>				
Program services	304,306	-	-	304,306
Building services	101,358	-	-	101,358
Fundraising	1,428	-	-	1,428
Management & administration expenses	125,677	-	2,543	128,220
Total expenses	<u>532,769</u>	<u>-</u>	<u>2,543</u>	<u>535,312</u>
<b>INCREASE IN NET ASSETS</b>	225,328	(70,496)	(14,934)	139,898
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>358,435</u>	<u>126,869</u>	<u>164,685</u>	<u>649,989</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 583,763</u>	<u>\$ 56,373</u>	<u>\$ 149,751</u>	<u>\$ 789,887</u>

See accompanying notes to financial statements and independent auditors' report.

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Increase in net assets	\$ 139,898
Adjustments to reconcile (increases) decreases in net assets to net cash provided by operating activities:	
Depreciation	21,472
Realized and unrealized (gain) loss on investment account assets	13,108
Reinvested investment account income net of expenses	(6,931)
(Increase) decrease in:	
Accounts receivable	1,479
Promised funding	1,643
Prepaid expenses	(3,105)
Increase (decrease) in:	
Accounts payable	(2,089)
Accrued liabilities	(11,179)
Payroll liabilities	2,747
Prepaid tuition	6,246
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>163,289</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Appropriation of endowment assets for expenditure	8,197
Purchase of fixed assets	(142,054)
<b>NET CASH PROVIDED / (USED) BY INVESTING ACTIVITIES</b>	<u>(133,857)</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>141,968</u>
<b>CASH AT END OF YEAR</b>	<u><u>171,400</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Interest Expense	-
Schedule of noncash investing transactions:	
Unrealized gain (loss) on investments, net	(13,043)
Realized gain (loss) on sale of investments	(65)
Mutual fund dividend	4,549
Short-term capital gain distribution	1,239
Long-term capital gain distribution	3,685
Interest income	1
Investment advisory fees	(2,543)

See accompanying notes to financial statements and independent auditors' report.

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The Youth Orchestra of Greater Fort Worth, Inc. (The “Organization”) is a not-for-profit corporation organized under the Texas Non-Profit Corporation Act. The Organization’s purpose is to provide an important music activity for young people in Fort Worth, Texas. The Organization provides musical education to youth through public concerts and other activities. Concerts to the public assist in the development of cultural awareness and enhance the public’s appreciation of classical music by providing free or low-cost concerts and music events. In addition, the Organization serves as a feeder system for adult symphony orchestras. The programs of the Organization are as follows:

Program Services – represents the portion of expendable funds that are available to support the development of young musicians through the study and performance of challenging orchestral and symphonic repertoire.

Building Services (Orchestra Hall) – represents resources used to maintain and operate the land and building. In addition, available resources are used to acquire additional equipment for the building and make improvements when necessary.

Youth Services (Parents’ Guild) – represents resources raised by a volunteer group for the benefit of the Organization. Resources provide funding to reduce the cost of travel expenses for the Organization’s musicians when they tour, and for other musician activities.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets Classification

The unrestricted net assets of the Organization consist of the net assets used for the operations of the Organization and the building services relating to the Orchestra Hall.

Temporarily restricted net assets of the Organization are the net assets of promised funding, endowment fund income not yet appropriated for expenditure, and other restricted amounts received from donors with stipulated use or designation which has not yet occurred.

The permanently restricted net assets of the Organization include contributions which the board has specified must be maintained in perpetuity.

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting.

Accounts Receivable

Accounts receivable consist of short-term receivables that arrive in the normal course of business. The Organization's accounts receivable are generally uncollateralized. Management closely monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectable. As of June 30, 2016, the Organization considered its accounts receivable to be fully collectable; accordingly, no allowance for doubtful accounts was recorded.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence, or nature, of any donor restrictions.

Promised Funding

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

The Organization considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flow exclude permanently restricted cash and cash equivalents.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC). As such, the Organization is not taxed on income derived from its exempt functions. However, the Organization is subject to tax on unrelated business income which is generated from the Organization's non-exempt income. The Organization had no significant deferred income tax assets or liabilities as of June 30, 2016.

The Organization has evaluated its tax positions for all open years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2013, 2014, and 2015 tax years. However, the Organization is not currently under audit, nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the fiscal year ended June 30, 2016.

Concentrations of Credit Risks

Concentrations of credit risks consist of cash and investments. The Organization places its cash with multiple financial institutions which limits the amount of exposure to any one financial institution. The bank assets of the Organization are insured by the Federal Deposit Insurance Corporation (FDIC), and the investments of the Organization are valued at fair market value with some investments subject to market risks, and are not insured by the FDIC.

Statement of Cash Flows

For purposes of reporting cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less, exclusive of assets held for endowment, as cash and cash equivalents.



**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Fair Value of Financial Instruments

The carrying amounts of the Organization's cash, promised funding, receivables and current liabilities approximate their fair value based on their short-term nature.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated at cost using the straight-line method as follows:

	<u>Years</u>
Building	27
Building Improvements	10-15
Furniture, fixtures and equipment	5-7
Instruments	5-7

Depreciation expense for the year ended June 30, 2016 was \$21,472.

Contributed Services

The Organization receives contributed goods and professional services from time to time. The fair market value of these goods and services are reported as expenses and offset by contribution income. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. Contributed goods and services for the year ended June 30, 2016 totaled \$874.

Advertising

The Organization expenses all advertising cost when incurred.

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Date of Management's Review

Subsequent events have been evaluated through December 6, 2016, which is the date the financial statements were available to be issued.

**NOTE B – ASSETS HELD FOR ENDOWMENT**

Permanently restricted net assets at June 30, 2016 consist of an endowment fund established in 1974 to support the Organization's program services. Contributions to the endowment fund are subject to board restrictions that stipulate the original principal of the gift is to be held in trust and distributions from the fund are expended for program services. There are no donor restricted funds held included in the endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Organization has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide its program activities with current income. Endowment assets are invested in a JP Morgan balanced fund. As mentioned in Note D, the Organization currently receives required distributions from the Endowment Fund.

Changes in the Organization's endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 0	\$ 6,869	\$ 164,685	\$ 171,554
Investment return:				
Interest income	0	1	0	1
Mutual fund dividends	0	3,501	0	3,501
Short-term capital gain distributions	0	1,239	0	1,239
Long-term capital gain distributions	0	3,685	0	3,685
Realized gains	0	(65)	0	(65)
Unrealized gains	0	0	(12,391)	(12,391)
Advisory fees	0	0	(2,543)	(2,543)
Appropriation of endowment assets for expenditure	0	(8,197)	0.00	(8,197)
Endowment net assets, end of year	<u>\$ 0</u>	<u>\$ 7,033</u>	<u>\$ 149,751</u>	<u>\$ 156,784</u>

See independent auditors' report.

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE C – PROMISED FUNDING**

Unconditional promised funding at June 30, 2016, is as follows:

Unrestricted promises receivable in less than one year	\$ 8,346
Total unconditional promised funding	<u>\$ 8,346</u>

**NOTE D – UNRESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS**

The unrestricted and permanently restricted net assets of the Organization at June 30, 2016 consisted of the following:

Unrestricted net assets – consists of assets from donations, fees and usage of the Orchestra Hall facility by third parties.

Permanently restricted net assets – represent the net assets held in trust for the benefit of the Organization into perpetuity. Currently, the trust is self-settled trust and may distribute a portion of the net income annually. For the year ended June 30, 2016, the trust distributed \$8,197 for use in general operations.

**NOTE E – FAIR VALUE MEASUREMENTS**

The Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

Descriptions	Fair Value	Level 1
Mutual Funds:		
Lord Abbot Short Duration Income Fund	\$ 32,577	\$ 32,577
Total Mutual Funds	<u>\$ 32,577</u>	<u>\$ 32,577</u>
Endowment Investment:		
JP Morgan Access Balanced Fund	\$ 155,581	\$ 155,581
Cash and Money Market	1,203	1,203
Total Endowment Investment	<u>\$ 156,784</u>	<u>\$ 156,784</u>

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE F – LEASE AGREEMENTS**

The Organization leases space in its building to tenants under operating lease agreements. At June 30, 2016, property subject to such leases had a cost of \$941,784 and allowances for depreciation of \$577,841. Leases are for a period of one year and coincide with the Organization's fiscal year. The Organization's tenants have committed to pay approximately \$63,150 in rental income for the fiscal year ending June 30, 2017.

## **SUPPLEMENTAL INFORMATION**

**YOUTH ORCHESTRA OF GREATER FORT WORTH  
SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	PROGRAM SERVICES	BUILDING SERVICES	FUNDRAISING	MGMT & ADMIN.	TOTAL
Concert expenses	28,060	-	-	-	\$ 28,060
Contract labor	8,537	4,808	-	-	13,345
Depreciation	-	18,461	-	3,011	21,472
Insurance	-	28,709	-	-	28,709
Investment fees	-	-	-	2,543	2,543
Italy Tour	-	-	-	-	-
Marketing	9,240	-	-	-	9,240
Merchandise	-	-	1,428	-	1,428
Music	3,312	-	-	-	3,312
Office expenses	-	-	-	10,244	10,244
Parents' Guild expenses	-	-	-	9,071	9,071
Postage	-	-	-	965	965
Professional fees	-	-	-	11,205	11,205
Programs	19,937	-	-	-	19,937
Repairs & maintenance	1,572	17,402	-	-	18,974
Salaries & wages	216,590	6,049	-	78,779	301,418
Supplies	-	-	-	2,151	2,151
Taxes & fees	17,058	2,091	-	6,227	25,376
Telephone	-	-	-	3,204	3,204
Utilities	-	23,838	-	-	23,838
Website	-	-	-	820	820
<b>Total</b>	<b>\$ 304,306</b>	<b>\$ 101,358</b>	<b>\$ 1,428</b>	<b>\$ 128,220</b>	<b>\$ 535,312</b>

See accompanying notes to financial statements and independent auditors' report.