

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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED JUNE 30, 2020 AND 2019

**YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Youth Orchestra of Greater Fort Worth, Inc.
Fort Worth, Texas

We have audited the accompanying financial statements of Youth Orchestra of Greater Fort Worth, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audits. We conducted our audits 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.

Board of Directors and Management
Youth Orchestra of Greater Fort Worth, Inc.

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, 2020 and 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Worth, Texas
March 8, 2021

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 273,699	\$ 70,305
Accounts Receivable	9,229	17,920
Rent Receivable	-	12,350
Grants and Pledges Receivable	-	50,000
Prepaid Expenses	1,650	1,650
Investments	-	3,193
Investments - Endowment	173,640	164,975
Total Current Assets	458,218	320,393
PROPERTY AND EQUIPMENT, Net	661,929	598,790
Total Assets	\$ 1,120,147	\$ 919,183
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 18,372	\$ 13,067
Deferred Revenue	37,700	46,350
Accrued Severance Pay	22,667	-
Paycheck Protection Program Note Payable - See Note 13	67,700	-
Total Liabilities	146,439	59,417
NET ASSETS		
Without Donor Restrictions:		
Board Designated Endowment	7,553	7,176
Undesignated	751,187	644,791
Total Without Donor Restrictions	758,740	651,967
With Donor Restrictions:		
Endowment	166,087	157,799
Time Restrictions	-	50,000
Purpose	48,881	-
Total With Donor Restrictions	214,968	207,799
Total Net Assets	973,708	859,766
Total Liabilities and Net Assets	\$ 1,120,147	\$ 919,183

See accompanying Notes to Financial Statements.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Contributions	\$ 294,095	\$ 51,491	\$ 345,586	\$ 249,232	\$ 52,700	\$ 301,932
In-Kind Contributions	2,045	-	2,045	20,199	-	20,199
Concert Revenue	61,263	-	61,263	70,524	-	70,524
Special Events, Net of Direct Costs of \$-0- in 2020 and \$13,669 in 2019	-	-	-	22,810	-	22,810
Tuition, Net of Scholarships of \$17,550 in 2020 and \$17,750 in 2019	280,401	-	280,401	254,605	-	254,605
Youth Orchestra Parents' Guild Income	54,343	-	54,343	21,252	-	21,252
Other Income	619	-	619	-	1,326	1,326
Net Investment Income (Loss)	(1,149)	9,814	8,665	115	7,709	7,824
Lease Income	27,773	-	27,773	27,772	-	27,772
Rental Income	31,350	-	31,350	57,065	-	57,065
Net Assets Released from Restrictions:						
Satisfaction of Purpose Restrictions	54,136	(54,136)	-	11,161	(11,161)	-
Total Revenue and Other Support	<u>804,876</u>	<u>7,169</u>	<u>812,045</u>	<u>734,735</u>	<u>50,574</u>	<u>785,309</u>
EXPENSES						
Program	497,372	-	497,372	553,876	-	553,876
Management and General	125,442	-	125,442	113,509	-	113,509
Fundraising	75,289	-	75,289	52,137	-	52,137
Total Expenses	<u>698,103</u>	<u>-</u>	<u>698,103</u>	<u>719,522</u>	<u>-</u>	<u>719,522</u>
CHANGE IN NET ASSETS	106,773	7,169	113,942	15,213	50,574	65,787
Net Assets - Beginning of Year	<u>651,967</u>	<u>207,799</u>	<u>859,766</u>	<u>636,754</u>	<u>157,225</u>	<u>793,979</u>
NET ASSETS - END OF YEAR	<u>\$ 758,740</u>	<u>\$ 214,968</u>	<u>\$ 973,708</u>	<u>\$ 651,967</u>	<u>\$ 207,799</u>	<u>\$ 859,766</u>

See accompanying Notes to Financial Statements.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Fundraising	Management and General	Total
Bank Charges	\$ -	\$ -	\$ 9,094	\$ 9,094
Concert Expenses	52,050	-	-	52,050
Contract Labor	11,986	44,682	9,426	66,094
Depreciation	30,733	-	5,424	36,157
Insurance	14,320	662	2,576	17,558
Marketing	9,555	6,006	9,987	25,548
Music	933	-	-	933
Information Technology	-	-	2,126	2,126
Parents' Guild Expenses	31,288	-	-	31,288
Postage	38	706	14	758
Dues and Subscriptions	65	-	499	564
Professional Fees	-	-	17,591	17,591
Special Projects and Events	8,539	1,000	-	9,539
Repairs and Maintenance	12,569	-	2,218	14,787
Salaries and Wages	264,109	20,109	48,107	332,325
Supplies	8,690	662	1,583	10,935
Taxes and Fees	19,196	1,462	5,535	26,193
Telephone	5,092	-	899	5,991
Miscellaneous	773	-	100	873
Bad Debt	-	-	5,725	5,725
Utilities	25,718	-	4,538	30,256
Website	1,718	-	-	1,718
	<u>\$ 497,372</u>	<u>\$ 75,289</u>	<u>\$ 125,442</u>	<u>\$ 698,103</u>
Total Expenses				

See accompanying Notes to Financial Statements.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	Fundraising	Management and General	Total
Bank Charges	\$ 2	\$ 415	\$ 8,347	\$ 8,764
Concert Expenses	73,216	-	-	73,216
Contract Labor	32,191	-	6,233	38,424
Depreciation	27,556	-	8,010	35,566
Employee Benefits	1,265	-	1,265	2,530
Insurance	10,833	1,024	1,990	13,847
Marketing	55,160	23,011	4,419	82,590
Music	1,520	-	-	1,520
Information Technology	3,664	-	590	4,254
Parents' Guild Expenses	17,867	-	-	17,867
Postage	1,041	417	84	1,542
Printing	868	-	-	868
Dues and Subscriptions	544	-	156	700
Professional Fees	-	-	14,699	14,699
Special Projects and Events	17,575	-	800	18,375
Repairs and Maintenance	9,895	-	3,298	13,193
Salaries and Wages	259,832	24,571	47,725	332,128
Supplies	8,154	771	1,498	10,423
Taxes and Fees	20,391	1,928	5,802	28,121
Telephone	3,719	-	1,240	4,959
Travel	877	-	-	877
Miscellaneous	1,809	-	72	1,881
Bad Debt	-	-	1,100	1,100
Utilities	18,543	-	6,181	24,724
Website	1,023	-	-	1,023
Total Gross Expenses	<u>567,545</u>	<u>52,137</u>	<u>113,509</u>	<u>733,191</u>
Direct Costs Netted Against Special Events Revenues in the Statement of Activities	<u>(13,669)</u>	<u>-</u>	<u>-</u>	<u>(13,669)</u>
Total Expenses	<u>\$ 553,876</u>	<u>\$ 52,137</u>	<u>\$ 113,509</u>	<u>\$ 719,522</u>

See accompanying Notes to Financial Statements.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 113,942	\$ 65,787
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	36,157	35,566
Net (Appreciation) Depreciation of Investments	(3,147)	553
Changes in Operating Assets and Liabilities:		
Accounts Receivable	8,691	(17,920)
Rent Receivable	12,350	(12,350)
Grants and Pledges Receivable	50,000	(37,692)
Accounts Payable	5,305	8,506
Deferred Revenue	(8,650)	4,350
Accrued Liabilities	22,667	-
Net Cash Provided by Operating Activities	237,315	46,800
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(99,296)	(32,213)
Purchase of Investments	(205,870)	(7,120)
Proceeds from Sale of Investments	203,545	5,845
Net Cash Used by Investing Activities	(101,621)	(33,488)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Note Payable	67,700	-
Net Cash Provided by Financing Activities	67,700	-
 NET INCREASE IN CASH AND CASH EQUIVALENTS	203,394	13,312
Cash and Cash Equivalents - Beginning of Year	70,305	56,993
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 273,699	\$ 70,305

See accompanying Notes to Financial Statements.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 ORGANIZATION AND OPERATIONS

Youth Orchestra of Greater Fort Worth, Inc. d/b/a Fort Worth Youth Orchestra (the Organization) is a nonprofit corporation organized under the Texas Non-Profit Corporation Act. The Organization's purpose is to provide important music activities for young people in Fort Worth and surrounding areas. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Concentrations of Risk

During the years ended June 30, 2020 and 2019, the Organization's deposits occasionally exceeded federal deposit insurance. The Federal Deposit Insurance Corporation (FDIC) currently insures the deposits up to \$250,000 per financial institution. The excess above \$250,000 is backed only by the soundness of the financial institution. Management believes the risk of incurring material losses related to this credit risk is remote.

Program Revenue

Revenue is recognized when earned. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions Receivable and Support

Unconditional commitments which have been promised, but not yet received, are recorded as contributions receivable in the statement of financial position. The Organization determined the allowance for uncollectible receivables given based on historical experience, an assessment of economic conditions, and a review of subsequent collections. No allowance was deemed necessary for the years ended June 30, 2020 and 2019.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 net assets without donor restrictions 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 net assets with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated at cost using the straight-line method as follows:

Building	27 Years
Building Improvements	10 to 15 Years
Furniture, Fixtures, and Equipment	5 to 7 Years
Instruments	5 to 7 Years

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets reflected on the statement of activities.

U.S. GAAP 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, 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. The three levels of fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the Organization's needs.

As of June 30, 2020 and 2019, the Organization was able to utilize Level 1 inputs for all significant investments.

Functional Allocation of Expenses

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

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the 2019 financial statement information to conform to the current year presentation. These reclassifications had no effect on the change in net assets for 2019.

Federal Income Tax

The Organization is a nonprofit entity exempt from federal income taxes under Internal Revenue Code Section 501(c)(3); therefore, no provision for federal income taxes has been included in the financial statements. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business for the years ended June 30, 2020 and 2019.

The Organization accounts for uncertain tax positions in accordance with FASB ASC No. 740, *Income Taxes*. As of June 30, 2020, they have no liability for uncertain tax positions. The Organization's tax returns are subject to review and examination by federal and state authorities.

Recent Accounting Guidance

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 for contributions received beginning July 1, 2019. The new guidance does not require prior period results to be restated. The implementation of this standard did not result in any changes to the opening balances of the financial statements.

In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842), *Effective Dates for Certain Entities*. The amendments in this update defer, for one year, the required effective date of Topic 606 for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Topic 606. As the Organization had not issued their financial statements as of the date of this ASU, they elected to defer and adopt the guidance for Topic 606 for annual reporting periods beginning after December 15, 2019.

Subsequent Events

Management has evaluated subsequent events through March 8, 2021, the date that the financial statements were available to be issued.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 LIQUIDITY AND AVAILABILITY

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

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 273,699	\$ 70,305
Accounts and Rent Receivable	9,229	30,270
Grants and Pledges Receivable, Net	-	50,000
Investments	173,640	168,168
Less: Donor Restricted Net Assets	(48,881)	(50,000)
Less: Endowment Net Assets	(166,087)	(164,975)
Less: Board Designated	(7,553)	(7,176)
Total	<u>\$ 234,047</u>	<u>\$ 96,592</u>

The Organization has implemented a well-balanced development plan consisting of income from small donors, large donors, foundations/grants, and corporations. The income from these sources is derived from mailings, meetings, telephone calls, the governing board, specific sponsorship of some programs, monthly donors, and one special event a year. These year-round fundraising activities keep liquid resources available in line with the Organization's strategic goals, enabling the Organization to execute programs as budgeted throughout the year. The diversified sources of donations ensure that the Organization is not reliant on one or two sources for funds but have backup sources if one source should suddenly become unavailable.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 25,424	\$ 25,424
Buildings and Improvements	1,180,836	1,178,727
Equipment	117,473	117,473
Instrument	74,609	74,609
Construction in Process	97,187	-
Property and Equipment	<u>1,495,529</u>	<u>1,396,233</u>
Less: Accumulated Depreciation	(833,600)	(797,443)
Property and Equipment, Net	<u>\$ 661,929</u>	<u>\$ 598,790</u>

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 IN-KIND CONTRIBUTIONS OF GOODS AND PROFESSIONAL SERVICES

The Organization received the following contributions of goods and professional services for the years ended June 30:

	2020	2019
Graphic Design	\$ 1,420	\$ 6,979
Concert Venue	625	4,220
Instruments	-	9,000
Total	\$ 2,045	\$ 20,199

NOTE 6 INVESTMENTS

FASB ASC No. 820-10, Fair Value Measurements, 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 consists of other investments 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 and Level 2 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are not used by the Organization.

Investments as of June 30, 2020 consisted of the following:

	Level 1		
	Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Money Market Accounts	\$ 2,225	\$ 2,225	\$ -
Equity Mutual Funds	91,386	90,961	425
Balanced Mutual Fund	80,029	76,370	3,659
Total Investments	\$ 173,640	\$ 169,556	\$ 4,084

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 INVESTMENTS (CONTINUED)

Investments as of June 30, 2019 consisted of the following:

	Level 1
Money Market Accounts	\$ 1,722
Equity Mutual Funds	3,193
Balanced Mutual Fund	163,253
Total Investments	\$ 168,168

	Fair Value	Cost	Cumulative Unrealized Appreciation (Depreciation)
Money Market Accounts	\$ 1,722	\$ 1,722	\$ -
Equity Mutual Funds	3,193	3,439	(246)
Balanced Mutual Fund	163,253	153,188	10,065
Total Investments	\$ 168,168	\$ 158,349	\$ 9,819

NOTE 7 ENDOWMENT

Net assets in perpetuity at June 30, 2020 and 2019 consist of an endowment fund established in 1974 to support the Organization's program services. For the year ending June 30, 2019, the endowment funds, and future contributions to the endowment fund, were subject to trust document restrictions imposed by the original donor that stipulate the original principal of the gift is to be held in trust and distributions from the fund are to be expended for program services. In December 2019, in accordance with the trust document, the board of directors terminated the trust due to the inability to not obtain private foundation status from the Internal Revenue Service. The Endowment is no longer subject to the trust document or held separately as a trust fund, but funds are retained as an endowment within the Organization's general assets. There are no other donor restricted funds 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 moderate investment risk and provide its program activities with current income. Endowment assets are invested in a JP Morgan balanced fund. The Organization currently receives distributions from the Endowment Fund at the review and discretion of the Board of Directors, which balance economic gain with appropriate spending draws on a year by year basis.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 ENDOWMENT (CONTINUED)

The Board of Directors of the Organization has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment, (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. For gifts with no restrictions upon earnings of the corpus, earnings in excess of the corpus are shown as amounts without donor restrictions to be used at the Organization's discretion to further its mission. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The following is a progression of the endowment fund for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 7,176	\$ 157,799	\$ 164,975
Investment Return:			
Interest Income	2	51	53
Dividend Income	164	3,605	3,769
Long-Term Capital Gain Distributions	4	93	97
Realized Gains	536	11,785	12,321
Unrealized Losses	(260)	(5,721)	(5,981)
Advisory Fees	(67)	(1,478)	(1,545)
Appropriation of Endowment			
Assets for Expenditure	(2)	(47)	(49)
Endowment Net Assets - End of Year	<u>\$ 7,553</u>	<u>\$ 166,087</u>	<u>\$ 173,640</u>

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
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NOTE 7 ENDOWMENT (CONTINUED)

The following is a progression of the endowment fund for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 7,152	\$ 157,225	\$ 164,377
Investment Return:			
Interest Income	2	39	41
Dividend Income	131	2,871	3,002
Long-Term Capital Gain Distributions	308	6,769	7,077
Realized Gains	4	77	81
Unrealized Losses	(33)	(724)	(757)
Advisory Fees	(29)	(558)	(587)
Appropriation of Endowment			
Assets for Expenditure	(359)	(7,900)	(8,259)
Endowment Net Assets - End of Year	<u>\$ 7,176</u>	<u>\$ 157,799</u>	<u>\$ 164,975</u>

NOTE 8 FUNCTIONALIZED EXPENSE ALLOCATION METHODOLOGY

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

NOTE 9 CONCENTRATIONS OF REVENUE AND OTHER SUPPORT

For the year ended June 30, 2020, three separate donors made up approximately 35% of contributions. For the year ended June 30, 2019, two separate donors made up approximately 31% of contributions.

YOUTH ORCHESTRA OF GREATER FORT WORTH, INC.
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NOTE 10 LEASES

The Organization leases land to Verizon Wireless as part of an operating lease. The lease allows for four extensions totaling five years each. Rental income under this lease totaled \$27,773 for the years ending June 30, 2020 and 2019. The following schedule summarizes future minimum rentals under the second extension of the lease at June 30, 2020:

Years Ending June 30,	Amount
2021	\$ 27,773
2022	27,773
	\$ 55,546

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are comprised of the following at June 30:

	2020	2019
<u>Subject to Expenditure for Specific Purpose:</u>		
Capital Campaign	\$ 40,000	\$ -
Tour Scholarships	8,881	-
Time Restricted	-	50,000
 <u>Endowment</u>	 166,087	 157,799
 Total	 \$ 214,968	 \$ 207,799

NOTE 12 RELATED PARTY TRANSACTIONS

The Organization received \$51,600 and \$11,600 in contributions from board members for the years ended June 30, 2020 and 2019, respectively.

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NOTE 13 NOTE PAYABLE

On April 17, 2020, the Organization received a loan from Independent Bank in the amount of \$67,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 17, 2020 to October 17, 2020, is the time that a business has to spend their PPP Loan funds. Management is confident that the Organization has satisfied the forgiveness terms for 100% forgiveness and is actively communicating with the bank about the requirements and process for submitting the application for forgiveness.

NOTE 14 COMMITMENTS AND CONTINGENCIES

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred prior to year-end and are still developing.