

**KALAMAZOO JUNIOR SYMPHONY SOCIETY**

**FINANCIAL STATEMENTS**

**For Years Ended May 31, 2017 and 2016**

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# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of  
Kalamazoo Junior Symphony Society

We have reviewed the accompanying financial statements of Kalamazoo Junior Symphony Society (a nonprofit organization), which comprise the statement of financial position as of May 31, 2017, and the related statements of activities, 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 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 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.

### Accountant's 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.

### Accountant's 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.

### Report on 2016 Financial Statements

The financial statements of Kalamazoo Junior Symphony Society as of May 31, 2016, were reviewed by other accountants whose report dated November 2, 2016, stated that based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Seber Tans, PLC*

Seber Tans, PLC  
Kalamazoo, Michigan  
October 30, 2017

**Kalamazoo Junior Symphony Society**  
**Statements of Financial Position**  
**May 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current Assets		
Cash	\$ 10,884	\$ 15,860
Certificate of deposit	1,000	1,000
Investments	339,947	310,735
Contributions and grants receivable	12,386	16,987
Total Current Assets	<u>364,217</u>	<u>344,582</u>
Property and Equipment		
Instruments	41,639	41,639
Furniture, fixtures and equipment	1,210	1,210
	<u>42,849</u>	<u>42,849</u>
Accumulated depreciation and amortization	(42,392)	(42,175)
Net Property and Equipment	<u>457</u>	<u>674</u>
<b>Total Assets</b>	<b><u>\$ 364,674</u></b>	<b><u>\$ 345,256</u></b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 16,423	\$ 16,339
Accrued payroll and related liabilities	6,058	3,023
Total Current Liabilities	<u>22,481</u>	<u>19,362</u>
Net Assets		
Unrestricted	124,379	108,080
Temporarily restricted	217,814	217,814
Total Net Assets	<u>342,193</u>	<u>325,894</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 364,674</u></b>	<b><u>345,256</u></b>

See Independent Accountants' Review Report and Notes to Financial Statements.

**Kalamazoo Junior Symphony Society**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended May 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Unrestricted Net Assets</b>		
Support and Revenue		
Grants	\$ 20,364	\$ 13,549
Contributions	46,386	47,887
Foundations	37,000	54,500
Fundraising revenue	32,459	39,263
Admissions and other fees	37,880	38,654
Interest and investment income	5,458	13,225
Other income	5,318	5,956
Realized gain	-	2,383
Unrealized gain (loss)	25,375	(14,824)
Expiration of restrictions on funding	8,250	6,200
Total Support and Revenue	<u>218,490</u>	<u>206,793</u>
Expenses		
Program services	120,451	113,132
Management and general	40,815	63,469
Fundraising	40,925	42,734
Total Expenses	<u>202,191</u>	<u>219,335</u>
Change in Unrestricted Net Assets	16,299	(12,542)
<b>Temporarily Restricted Net Assets</b>		
Contributions	8,250	6,200
Expiration of restrictions on funding	<u>(8,250)</u>	<u>(6,200)</u>
Change in Temporarily Restricted Net Assets	<u>-</u>	<u>-</u>
<b>Change in Net Assets</b>	<b>16,299</b>	<b>(12,542)</b>
Net Assets at Beginning of Year	<u>325,894</u>	<u>338,436</u>
<b>Net Assets at End of Year</b>	<b><u>\$ 342,193</u></b>	<b><u>\$ 325,894</u></b>

See Independent Accountants' Review Report and Notes to Financial Statements.

**Kalamazoo Junior Symphony Society**  
**Statement of Functional Expenses**  
**For the Year Ended May 31, 2017**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
<b>EXPENSES</b>				
Salaries and wages	\$ 49,306	\$ 18,269	\$ 19,324	\$ 86,899
Rent	23,872	3,828	-	27,700
Direct benefit to donors	-	-	18,282	18,282
Consulting	14,043	-	-	14,043
Scholarships	11,095	370	-	11,465
Tune-up camp expense	7,902	-	-	7,902
Printing and promotions	3,371	3,282	753	7,406
Miscellaneous	5,875	729	300	6,904
Payroll taxes	3,726	1,398	1,478	6,602
Music	5,586	-	-	5,586
General insurance	-	3,574	-	3,574
Legal and accounting	-	2,650	-	2,650
Small equipment	762	1,398	-	2,160
Office supplies	140	1,641	208	1,989
Telephone	-	1,663	-	1,663
Bank charges	-	1,290	-	1,290
Employee benefits	386	322	580	1,288
Travel and meals	437	(32)	-	405
Depreciation	-	217	-	217
Dues and subscriptions	-	160	-	160
Instrument repair and purchase	150	-	-	150
Annual meeting expense	-	56	-	56
75th anniversary scholarship	(6,200)	-	-	(6,200)
<b>Total Expenses</b>	<b>\$ 120,451</b>	<b>\$ 40,815</b>	<b>\$ 40,925</b>	<b>\$ 202,191</b>

See Independent Accountants' Review Report and Notes to Financial Statements.

**Kalamazoo Junior Symphony Society**  
**Statement of Functional Expenses**  
**For the Year Ended May 31, 2016**

	Program Services	Management & General	Fundraising	Total
<b>EXPENSES</b>				
Salaries and wages	\$ 43,637	\$ 21,992	\$ 19,173	\$ 84,802
Rent	16,334	8,743	-	25,077
Direct benefit to donors	-	-	20,147	20,147
Consulting	18,154	933	-	19,087
Scholarships	9,080	3,000	-	12,080
Tune-up camp expense	7,511	-	-	7,511
Printing and promotions	3,321	3,666	776	7,763
Payroll taxes	3,371	1,682	1,467	6,520
75th anniversary scholarship	-	6,200	-	6,200
Music	5,925	-	-	5,925
Miscellaneous	3,784	2,412	250	6,446
General insurance	-	3,478	-	3,478
Legal and accounting	-	2,950	-	2,950
Office supplies	-	2,302	346	2,648
Telephone	-	1,765	-	1,765
Bank charges	-	1,757	-	1,757
Instrument repair and purchase	1,059	325	-	1,384
Employee benefits	384	320	575	1,279
Small equipment	-	1,129	-	1,129
Travel and meals	572	260	-	832
Depreciation	-	316	-	316
Postage	-	220	-	220
Annual meeting expense	-	19	-	19
<b>Total Expenses</b>	<b>\$ 113,132</b>	<b>\$ 63,469</b>	<b>\$ 42,734</b>	<b>\$ 219,335</b>

See Independent Accountants' Review Report and Notes to Financial Statements.

**Kalamazoo Junior Symphony Society**  
**Statements of Cash Flows**  
**For the Years Ended May 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 16,299	\$ (12,542)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	217	316
Unrealized/realized investment (gain) loss	(25,375)	(12,441)
Change in:		
Accounts receivable	4,601	6,714
Accounts payable	84	130
Accrued payroll and related liabilities	3,035	-
Net Cash Used in Operating Activities	<u>(1,139)</u>	<u>(17,823)</u>
<b>Cash Flows from Investing Activities</b>		
Receipts of interest and dividends reinvested	(5,457)	-
Withdrawal from investments	1,620	22,097
Net Cash Provided by (Used In) Investing Activities	<u>(3,837)</u>	<u>22,097</u>
<b>Net Change in Cash</b>	<b>(4,976)</b>	<b>4,274</b>
Cash at Beginning of Year	<u>15,860</u>	<u>11,586</u>
<b>Cash at End of Year</b>	<b><u>\$ 10,884</u></b>	<b><u>\$ 15,860</u></b>

See Independent Accountants' Review Report and Notes to Financial Statements.



**Kalamazoo Junior Symphony Society**  
**Notes to the Financial Statements**  
**For the Years Ended May 31, 2017 and 2016**

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**NOTE A – Summary of Significant Accounting Policies**

Organization Purpose

These financial statements include only the operations of the Kalamazoo Junior Symphony Society, (a nonprofit organization) located in Kalamazoo, Michigan. The purpose of the Kalamazoo Junior Symphony Society is to encourage and develop artistic excellence among young musicians in Southwest Michigan by providing a diversity of quality orchestral experiences, and to enhance the cultural environment of the families and communities it serves.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets are not subject to donor-imposed restrictions.

Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met, either by the actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets have donor-imposed restrictions that do not expire.

Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions and Promises to Give

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 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.

Unconditional promises to give are recognized as revenue in the period the promise is made and as assets, decreases of liabilities or expenses depending on the form of the benefits to be received. Conditional promises to give are recognized when the conditions upon which they depend are substantially met.

Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on their evaluation of the status of individual accounts, past credit history with donors and the donors' current financial condition. At May 31, 2017 and 2016, management believes all promises are fully collectible.

**Kalamazoo Junior Symphony Society**  
**Notes to the Financial Statements**  
**For the Years Ended May 31, 2017 and 2016**

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**NOTE A – Summary of Significant Accounting Policies (Continued)**

Investments and Investment Income

All investments are stated at fair value based on quoted market prices. Unless donor or law restricts the income or loss, investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the increase or decrease in unrestricted net assets.

Property and Equipment

The Organization follows the practice of capitalizing all acquisitions of land, buildings, and equipment in excess of \$500. Purchased property and equipment are 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 for a specific purpose. Property and equipment are depreciated using the straight-line method over their economic useful lives.

Functional Allocation of Expenses

The costs of providing the program and other supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting service benefited.

Advertising Costs

All advertising and promotional costs are expensed in the period in which they are incurred.

Tax Status

The Internal Revenue Service has determined the Organization to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Management of the Organization considers the likelihood of changes by taxing authorities in its exempt organization returns and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed returns that require disclosure in the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and change in net assets by class and in total, are unchanged due to these reclassifications.

**Kalamazoo Junior Symphony Society**  
**Notes to the Financial Statements**  
**For the Years Ended May 31, 2017 and 2016**

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**NOTE B – Financial Instruments and Fair Value Measurements**

The Organization follows the provisions of FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, the authoritative guidance for fair value measurements of investments that are recognized at fair value in the financial statements. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to measurements involving significant unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs—Fair value is determined by using quoted prices for identical assets in active markets.

Level 2 Inputs—Fair value is determined by using other than quoted prices that are observable for the asset (e.g. quoted prices for identical assets in inactive markets, quoted prices for similar assets in active markets, observable inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or other means).

Level 3 Inputs—Fair value is determined by using inputs based on management assumptions that are not directly observable.

There have been no changes in methodologies used at May 31, 2017 and 2016. Following is a description of the valuation methodologies used to measure fair value:

The following table summarizes the valuation of the Organization’s investments by the aforementioned pricing categories at May 31, 2017:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
Investments:				
Money market accounts	\$ 16,612	\$ 16,612	\$ -	\$ -
Mutual funds	315,186	315,186	-	-
Equities	8,149	8,149	-	-
Total Investments	<u>\$ 339,947</u>	<u>\$ 339,947</u>	<u>\$ -</u>	<u>\$ -</u>

**Kalamazoo Junior Symphony Society**  
**Notes to the Financial Statements**  
**For the Years Ended May 31, 2017 and 2016**

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**NOTE B – Financial Instruments and Fair Value Measurements (Continued)**

The following table summarizes the valuation of the Organization’s investments by the aforementioned pricing categories at May 31, 2016:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
Investments:				
Money market accounts	\$ 19,485	\$ 19,485	\$ -	\$ -
Mutual funds	284,914	284,914	-	-
Equities	6,336	6,336	-	-
Total Investments	<u>\$ 310,735</u>	<u>\$ 310,735</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE C – Net Assets**

Temporarily restricted net assets consisted of amounts available for scholarships in the amount of \$217,814 for the years ended May 31, 2017 and 2016.

**NOTE D – Retirement Plan**

The Organization sponsors a SIMPLE IRA Plan beginning, covering all of its full-time employees. The plan matches up to 3% of the amount contributed by the employee. Plan expense totaled \$1,288 and \$1,278 during the years ended May 31, 2017 and 2016, respectively.

**NOTE E – Cash Flow Information**

The Organization did not pay any cash for interest during the years ended May 31, 2017 or 2016.

**NOTE F – Subsequent Events**

Management has evaluated subsequent events through October 30, 2017, the date on which the financial statements were available to be issued.