

KALAMAZOO JUNIOR SYMPHONY SOCIETY
FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REPORT
MAY 31, 2015 AND 2014

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To The Board of Directors
Kalamazoo Junior Symphony Society
Kalamazoo, Michigan

We have reviewed the accompanying statement of financial position of Kalamazoo Junior Symphony Society, (a nonprofit organization) as of May 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 taken as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Ullrey & Company' in a cursive script.

Ullrey & Company
Certified Public Accountants

Kalamazoo, Michigan
October 19, 2015

FINANCIAL STATEMENTS

KALAMAZOO JUNIOR SYMPHONY SOCIETY

STATEMENT OF FINANCIAL POSITION

MAY 31, 2015

WITH SUMMARIZED TOTALS FOR 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,586	\$ 217,563
Certificates of deposit	1,000	1,000
Investments	320,391	89,183
Accounts receivable	23,701	24,627
Pledges receivable	-	10,885
	<u>356,678</u>	<u>343,258</u>
TOTAL CURRENT ASSETS		
FIXED ASSETS		
Instruments	41,639	41,639
Furniture, fixtures and equipment	1,210	1,210
	<u>42,849</u>	<u>42,849</u>
TOTAL FIXED ASSETS		
Less accumulated depreciation	41,859	41,314
	<u>990</u>	<u>1,535</u>
NET FIXED ASSETS		
TOTAL ASSETS	<u>\$ 357,668</u>	<u>\$ 344,793</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 19,232	\$ 14,476
NET ASSETS		
Unrestricted	120,622	112,859
Temporarily restricted	217,814	217,458
	<u>338,436</u>	<u>330,317</u>
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 357,668</u>	<u>\$ 344,793</u>

See notes to financial statements and independent accountants' review report.

KALAMAZOO JUNIOR SYMPHONY SOCIETY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MAY 31, 2015

WITH SUMMARIZED TOTALS FOR 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	
			<u>2015</u>	<u>2014</u>
REVENUE				
Grants	\$ 15,000	\$ -	\$ 15,000	\$ 9,775
Contributions	47,170	4,181	51,351	71,629
Foundations	42,500	-	42,500	49,500
Fundraising revenue (net of direct expenses of \$24,944 and \$19,656 for 2015 and 2014)	20,551	-	20,551	24,465
Admissions and other fees	36,589	-	36,589	45,677
Interest and investment income	8,465	-	8,465	1,560
Other income	6,197	-	6,197	505
Realized and unrealized gains	5,575	-	5,575	6,663
Net assets released from restrictions	3,825	(3,825)	-	-
TOTAL REVENUE	<u>185,872</u>	<u>356</u>	<u>186,228</u>	<u>209,774</u>
EXPENSES				
Production costs of concerts	92,583	-	92,583	87,426
Fundraising	-	-	-	2,540
General and administrative	85,526	-	85,526	77,070
TOTAL EXPENSES	<u>178,109</u>	<u>-</u>	<u>178,109</u>	<u>167,036</u>
CHANGE IN NET ASSETS	7,763	356	8,119	42,738
NET ASSETS - beginning of year	<u>112,859</u>	<u>217,458</u>	<u>330,317</u>	<u>287,579</u>
NET ASSETS - end of year	<u>\$ 120,622</u>	<u>\$ 217,814</u>	<u>\$ 338,436</u>	<u>\$ 330,317</u>

See notes to financial statements and independent accountants' review report.

KALAMAZOO JUNIOR SYMPHONY SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MAY 31, 2015

WITH SUMMARIZED TOTALS FOR 2014

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT & GENERAL</u>	<u>TOTAL</u>	
			<u>2015</u>	<u>2014</u>
Salaries & wages	\$ 25,400	\$ 58,778	\$ 84,178	\$ 73,367
Employee benefits	-	1,261	1,261	2,878
Payroll taxes	2,110	4,497	6,607	5,320
Consulting	10,731	-	10,731	11,684
Music	6,213	-	6,213	2,724
Telephone	-	855	855	1,135
Postage	-	541	541	1,105
Rental of space	25,065	1,500	26,565	25,211
General insurance	-	3,273	3,273	3,469
Dues and subscriptions	-	160	160	160
Office supplies	225	3,015	3,240	3,109
Annual meeting expense	-	106	106	176
Small equipment	-	989	989	807
Travel	462	-	462	4,155
Meals	139	174	313	655
Benefit Concert expense	-	-	-	2,540
Tune-up Camp expense	8,053	-	8,053	6,769
Bank charges	-	1,500	1,500	1,164
Prizes and gifts	-	-	-	52
Printing & promotions	2,346	3,869	6,215	8,972
Miscellaneous	1,165	1,962	3,127	5,276
Legal & accounting	-	2,500	2,500	2,495
Scholarships	9,310	-	9,310	2,640
Instrument repair & purchase	1,364	-	1,364	626
Depreciation	-	546	546	547
TOTAL EXPENSES	<u><u>\$ 92,583</u></u>	<u><u>\$ 85,526</u></u>	<u><u>\$ 178,109</u></u>	<u><u>\$ 167,036</u></u>

See notes to financial statements and independent accountants' review report.

KALAMAZOO JUNIOR SYMPHONY SOCIETYSTATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2015
WITH SUMMARIZED TOTALS FOR 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,119	\$ 42,738
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used by) operating activities		
Depreciation	546	547
Increase (decrease) in accounts receivable	926	(7,264)
Increase (decrease) in pledges receivable	10,885	21,615
Decrease in accounts payable and accrued expenses	4,756	1,516
Realized (gain) loss on investments	445	(2,203)
Unrealized gain on investments	(6,019)	(4,460)
	<u>19,658</u>	<u>52,489</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investment securities	<u>(225,635)</u>	<u>8,413</u>
Net increase (decrease) in cash	(205,977)	60,902
CASH - BEGINNING OF YEAR	<u>217,563</u>	<u>156,661</u>
CASH - END OF YEAR	<u><u>\$ 11,586</u></u>	<u><u>\$ 217,563</u></u>

See notes to financial statements and independent accountants' review report.

KALAMAZOO JUNIOR SYMPHONY SOCIETY

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015 AND 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

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 ACCOUNTING

The Organization's financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

FINANCIAL STATEMENT PRESENTATION

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

- Unrestricted net assets - net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.
- Temporarily restricted net assets - net assets that are subject to donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.
- Permanently restricted net assets - net assets that are subject to donor-imposed restrictions that are maintained permanently by the Organization and only the income is used as specified by the donor. Currently, there are no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors or by law.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as satisfaction of donor restrictions in the statement of activities.

PROMISES TO GIVE

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.

KALAMAZOO JUNIOR SYMPHONY SOCIETY

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015 AND 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DONATED MATERIALS AND SERVICES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of their time is not reflected in the accompanying financial statements, since the volunteer's time does not meet the criteria for recognition. If non-financial assets are received by the Organization and passed through to a beneficiary with explicit instructions from the donor, the Organization is acting as an intermediary or agent only. Therefore, no receipts or disbursements have been recorded by the Organization for these transactions.

CASH AND CASH EQUIVALENTS

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

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAX STATUS

The Organization is classified as a charitable organization and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's returns remain open for federal income tax examination for three years from the date of filing.

PENSION PLAN

The Organization started a SIMPLE IRA Plan beginning January, 2000, covering all of its full-time employees. The plan matches up to 3% of the amount contributed by the employee. Pension expense for the years ended May 31, 2015 and 2014, amounted to \$1,261 and \$1,065 per year, respectively.

NOTE B - PROPERTY & EQUIPMENT

Fixed assets are recorded at cost or fair market value at date of acquisition if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Routine maintenance and repairs are expensed as incurred. Proceeds from the sale of fixed assets, if unrestricted, are transferred to unrestricted net assets, or, if restricted, to temporarily restricted net assets.

KALAMAZOO JUNIOR SYMPHONY SOCIETY

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015 AND 2014

NOTE C – FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

As described in Note A, the Organization's estimates of the fair value of financial assets and liabilities approximate carrying value. Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash and cash equivalents:

The Organization considers the carrying values of these financial instruments to approximate fair value because of the short period of time between origination of the instruments and their expected realization.

Investments, current and non-current:

The Organization's investment accounts include Level 1 securities. The Organization's Level 1 securities consist of demand deposits, certificates of deposit, mutual funds, and equities. As of May 31, 2015 and 2014, the Organization does not have any Level 2 or Level 3 investments.

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the statement of financial position at May 31, 2015:

	Total	Quoted Prices in Active Markets (Level 1)
Investments		
Cash & Cash Equivalents	\$ 21,078	\$ 21,078
Mutual Funds	293,834	293,834
Equities	5,479	5,479
Certificate of Deposit	1,000	1,000
Total Investments	<u>\$ 321,391</u>	<u>\$ 321,391</u>

KALAMAZOO JUNIOR SYMPHONY SOCIETY

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015 AND 2014

NOTE C – FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the statement of financial position at May 31, 2014:

	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>
Investments		
Cash & Cash Equivalents	\$ 145	\$ 145
Mutual Funds	89,038	89,038
Equities	-	-
Certificate of Deposit	<u>1,000</u>	<u>1,000</u>
Total Investments	<u>\$ 90,183</u>	<u>\$ 90,183</u>

NOTE D – ENDOWMENT FUNDS WITH KALAMAZOO COMMUNITY FOUNDATION

The Organization has two endowment funds established by donors at the Kalamazoo Community Foundation. Additional contributions can be made to the funds, but only the expendable income is available to the Organization. The Posie Tomlinson Scholarship Fund is to provide \$2,000 scholarships to outstanding graduates from the Kalamazoo Junior Symphony Orchestra going on to a four-year college, conservatory, or school of music to major in music. The value of this fund, held at the Foundation for the benefit of the Organization, was \$102,206 and \$95,466 at May 31, 2015 and 2014, respectively. The Francis Family Fund is a fund to act as an endowment to the Kalamazoo Junior Symphony Society. The family committed to donate \$100,000 per year for 5 years, beginning in December, 2010. The value of this fund held, at the Foundation for the benefit of the Organization, was \$634,813 and \$517,708 at May 31, 2015 and 2014, respectively.

NOTE E – FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of May 31, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 217,814	\$ 217,458

KALAMAZOO JUNIOR SYMPHONY SOCIETY

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015 AND 2014

NOTE G – PRIOR YEAR SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2014, from which the summarized information was derived.

NOTE H - SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through October 19, 2015, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through October 19, 2015, that would require adjustment or disclosure in the financial statements.