

Lake Charles Symphony, Inc.

FINANCIAL STATEMENTS AND  
ACCOUNTANTS' REVIEW REPORT

May 31, 2017

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors  
Lake Charles Symphony, Inc.  
Lake Charles, Louisiana

We have reviewed the accompanying financial statements of the Lake Charles Symphony, Inc. (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 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 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 the 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.

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## **Supplementary Information**

The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the information and, accordingly, do not express an opinion on such information.

## **Summarized Comparative Information**

We previously reviewed the Lake Charles Symphony, Inc.'s 2016 financial statements and in our conclusion dated November 14, 2016, stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended May 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.



Lake Charles, Louisiana  
November 1, 2017

**Lake Charles Symphony, Inc.**  
**STATEMENTS OF FINANCIAL POSITION**  
**May 31, 2017 and 2016**

**ASSETS**

<b>CURRENT ASSETS</b>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,899.40	\$ 16,662.80
Accounts receivable	800.46	2,675.94
Prepaid expenses	3,000.00	4,074.87
<b>Total Current Assets</b>	<u>5,699.86</u>	<u>23,413.61</u>
 <b>ENDOWMENT INVESTMENTS</b>		
Endowment funds	507,770.65	493,085.47
 <b>PROPERTY AND EQUIPMENT, at cost</b>		
Property and equipment	60,978.10	55,897.00
Accumulated depreciation	(55,150.22)	(52,211.00)
<b>Net Property and Equipment</b>	<u>5,827.88</u>	<u>3,686.00</u>
 <b>TOTAL ASSETS</b>	<u>\$ 519,298.39</u>	<u>\$ 520,185.08</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 18,685.79	\$ 11,448.97
Deferred revenue	15,147.53	2,316.75
Payroll liabilities	191.28	6,010.36
<b>Total Current Liabilities</b>	<u>34,024.60</u>	<u>19,776.08</u>
 <b>NET ASSETS</b>		
Unrestricted	(22,496.86)	3,947.53
Temporarily restricted	-	3,376.00
Permanently restricted	507,770.65	493,085.47
<b>Total Net Assets</b>	<u>485,273.79</u>	<u>500,409.00</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 519,298.39</u>	<u>\$ 520,185.08</u>

See accompanying notes and accountants' report

Lake Charles Symphony, Inc.  
STATEMENT OF ACTIVITIES  
For the year ended May 31, 2017  
With comparative totals for the year ended 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
REVENUES, GAINS, AND OTHER SUPPORT					
Ticket Sales:					
Memberships	\$ 39,775.00	\$ -	\$ -	\$ 39,775.00	\$ 39,730.00
Gate sales	5,030.00	-	-	5,030.00	6,301.00
Concessions	1,727.84	-	-	1,727.84	2,260.00
Contributions	46,988.25	-	-	46,988.25	76,054.51
Grants	-	7,299.08	-	7,299.08	6,997.44
Fundraising activities	121,477.24	-	-	121,477.24	142,722.60
Program advertising	23,175.00	-	-	23,175.00	21,915.00
Net appreciation (depreciation)	-	-	23,405.09	23,405.09	(33,559.33)
Investment income	-	-	21,167.28	21,167.28	29,242.86
Net assets released from restriction	<u>36,438.57</u>	<u>(10,675.08)</u>	<u>(25,763.49)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	274,611.90	(3,376.00)	18,808.88	290,044.78	291,664.08
EXPENSES					
Program expenses	182,426.80	-	-	182,426.80	208,688.24
Management and general	30,621.29	-	-	30,621.29	30,394.52
Fundraising	85,068.98	-	-	85,068.98	98,993.96
Depreciation	2,939.22	-	-	2,939.22	1,923.00
Fiduciary fees	-	-	4,123.70	4,123.70	4,032.25
TOTAL EXPENSES	<u>301,056.29</u>	<u>-</u>	<u>4,123.70</u>	<u>305,179.99</u>	<u>344,031.97</u>
Change in Net Assets	(26,444.39)	(3,376.00)	14,685.18	(15,135.21)	(52,367.89)
Net Assets at Beginning of Year	<u>3,947.53</u>	<u>3,376.00</u>	<u>493,085.47</u>	<u>500,409.00</u>	<u>552,776.89</u>
Net Assets at End of Year	<u>\$ (22,496.86)</u>	<u>\$ -</u>	<u>\$ 507,770.65</u>	<u>\$ 485,273.79</u>	<u>\$500,409.00</u>

See accompanying notes and accountants' report

Lake Charles Symphony, Inc.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended May 31, 2017  
With Comparative Totals for the Year Ended 2016

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Advertising	\$ 7,691.56	\$ -	\$ 9,780.34	\$ 17,471.90	\$ 9,024.08
Concessions and catering	5,540.54	-	9,701.72	15,242.26	16,660.76
Contract labor	84,983.83	-	17,065.00	102,048.83	138,883.42
Credit card fees	3,064.75	-	1,971.96	5,036.71	3,935.89
Dues	1,712.63	-	-	1,712.63	1,611.90
Insurance	1,342.50	1,342.50	435.13	3,120.13	2,746.00
Licenses	365.71	-	208.95	574.66	756.09
Music and production	4,541.89	-	13,730.00	18,271.89	17,768.37
Office expense	2,805.02	2,805.02	3,620.26	9,230.30	10,268.97
Occupancy	11,067.40	2,563.20	7,275.00	20,905.60	21,605.83
Other	40.73	-	-	40.73	1,438.58
Payroll taxes and benefits	8,481.11	4,240.55	1,413.52	14,135.18	13,838.21
Postage	1,665.66	-	974.05	2,639.71	3,268.52
Professional fees	790.00	7,670.00	120.00	8,580.00	7,340.00
Printing	8,788.76	-	6,433.13	15,221.89	24,011.49
Salaries	24,000.05	12,000.02	4,000.01	40,000.08	42,000.08
Security	570.00	-	1,190.00	1,760.00	1,275.00
Telephone	2,148.51	-	-	2,148.51	2,480.94
Travel	12,826.15	-	7,149.91	19,976.06	19,162.59
Total	<u>\$ 182,426.80</u>	<u>\$ 30,621.29</u>	<u>\$ 85,068.98</u>	<u>\$ 298,117.07</u>	<u>\$ 338,076.72</u>

See accompanying notes and accountants' report

Lake Charles Symphony, Inc.  
 STATEMENTS OF CASH FLOWS  
 For the years ended May 31, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Change in Net Assets	\$ (15,135.21)	\$ (52,367.89)
Adjustments to reconcile change in Net Assets:		
Depreciation	2,939.22	1,923.00
Net investment income	(17,043.58)	(25,210.61)
Net realized and unrealized (gains) loss on investments	(23,405.09)	33,559.33
Decrease (Increase) in operating assets:		
Accounts receivable	1,875.48	5,028.63
Inventory	-	679.00
Prepaid expenses	1,074.87	(4,074.87)
Increase (Decrease) in operating liabilities:		
Accounts payable	7,236.82	3,330.35
Deferred revenue	12,830.78	2,316.75
Payroll liabilities	(5,819.08)	2,615.75
Total adjustments	<u>(20,310.58)</u>	<u>20,167.33</u>
Net Cash Provided (Used) By Operating Activities	(35,445.79)	(32,200.56)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property & equipment	(5,081.10)	-
Proceeds from sale of investments	277,360.70	65,416.23
Payments for the purchase of investments	(268,640.79)	(56,570.85)
Net investment income	<u>17,043.58</u>	<u>25,210.61</u>
Net Cash Provided By Investing Activities	20,682.39	34,055.99
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(14,763.40)	1,855.43
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>16,662.80</u>	<u>14,807.37</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,899.40</u>	<u>\$ 16,662.80</u>

See accompanying notes and accountants' report

LAKE CHARLES SYMPHONY, INC.  
Notes to Financial Statements  
May 31, 2017 and 2016

NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Lake Charles Symphony, Inc. (Symphony) was originally organized for the purpose of promoting education in and appreciation for music and other fine arts, and to organize and maintain the Lake Charles Symphony orchestra. The Symphony is primarily funded by memberships, contributions from the general public, and grants.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Income Tax Status

The Symphony is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. There are provisions in the Internal Revenue Code regulations for income taxes on the income of unrelated business activities. The Symphony does not believe any of its activities are unrelated business activities as defined by the applicable regulations.

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 are not subject to donor-imposed stipulations.

Temporarily restricted net assets consist of donor-restricted contributions. Amounts restricted by the donor, grantor or other outside party for a particular purpose are recognized as revenue when received and such amounts are reported as temporarily restricted net assets. 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 assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are those net assets subject to donor-imposed stipulations that they be maintained permanently by the Symphony. Generally, the donors of these assets permit the Symphony to use all or part of the income earned on any related investments for general or specific purposes.

Advertising Expense

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended May 31, 2017 and 2016 was \$17,472 and \$9,024, respectively.

LAKE CHARLES SYMPHONY, INC.  
Notes to Financial Statements  
May 31, 2017 and 2016

NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Public Support and Revenue

Contributions are generally available for unrestricted use when received unless specifically restricted by the donor. Unconditional promises to give are recorded as received.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Endowment contributions and investments are permanently restricted. Investment earnings available for distribution are recorded in unrestricted net assets.

Inventory

Inventory is stated at lower of cost or market using the first-in, first-out method. As part of the fundraising efforts, Gators on the Geaux are purchased for resale. Gators that are not sold are held in inventory for future sales.

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 these estimates.

Cash and Cash Equivalents

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

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income and gains restricted by a donor are reported as increases in permanently restricted net assets in the reporting period in which the income and gains are recognized. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, permanently restricted net assets are reclassified to unrestricted assets and reported in the statement of activities as net assets released from restrictions.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

LAKE CHARLES SYMPHONY, INC.  
Notes to Financial Statements  
May 31, 2017 and 2016

NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

The Organization capitalizes all expenditures in excess of \$500 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation. Depreciation is provided for in an amount sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line basis. Depreciation expense for the years ended May 31, 2017 and 2016 amounted to \$2,939 and \$1,923, respectively.

NOTE B      DONATED SERVICES AND MATERIALS

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Organization reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Donated fundraiser expenses in the amount of \$7,000 are included in fundraising activity income. Other non-cash donations in the amount of \$8,506 are included in contributions income.

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements.

NOTE C      ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due from grants and fundraisers and are deemed to be fully collectible by management.

NOTE D      LEASING ARRANGEMENTS

The Symphony leased office facilities under an operating agreement with the City of Lake Charles that expired on July 31, 2012. The lease called for monthly payments of \$427.20. Beginning in August 2012, the Organization leases its space on a month-to-month basis. Office rent expense for the years ending May 31, 2017 and 2016 was \$5,126 and \$5,126.

NOTE E      FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. This requires the allocation of certain cost between programs and supporting services based on estimates made by management.

LAKE CHARLES SYMPHONY, INC.  
Notes to Financial Statements  
May 31, 2017 and 2016

NOTE F      TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
Periods after May 31	\$ -	\$3,376
Total temporarily restricted net assets	\$ -	\$3,376

Temporarily restricted net assets were released from donor/grantor restrictions by incurring expenses satisfying the restricted purposes or time restrictions specified by donors/grantors. The total amount released from restrictions during the years ended May 31, 2017 and 2016 was \$10,675 and \$11,526, respectively.

NOTE G      PERMANENTLY RESTRICTED ASSETS – ENDOWMENT FUND

Permanently restricted net assets consist of endowment fund investments that will be held in perpetuity, the income from which is expendable to support the Symphony's activities without restrictions. The total amount of investment income expended to support the Symphony's activities during the years ended May 31, 2017 and 2016 was \$25,763 and \$34,056, respectively.

	May 31, 2017		May 31, 2016	
	Cost	Fair Value	Cost	Fair Value
Permanently Restricted:				
Federated Cash Reserves	\$ 2,075	\$ 2,075	\$ 11,738	\$ 11,738
Mutual Funds – Equity	70,000	71,791	-	-
Balanced Funds	52,909	57,060	78,480	71,745
Mutual Funds – Fixed Income	367,845	376,845	415,940	409,602
Total Investments	\$492,829	\$507,771	\$506,158	\$493,085

The changes in endowment net assets are as follows:

	<u>2017</u>	<u>2016</u>
Endowment net assets, beginning	\$493,085	\$535,490
Contributions	-	-
Investment income	21,167	29,243
Net appreciation (depreciation)	28,015	(26,792)
Realized gains (losses)	(4,609)	(6,768)
Program expenditures	(25,763)	(34,056)
Fiduciary Fees	(4,124)	(4,032)
Endowment net assets, ending	\$507,771	\$493,085

LAKE CHARLES SYMPHONY, INC.  
Notes to Financial Statements  
May 31, 2017 and 2016

NOTE H FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 157, *Fair Value Measurements*, now referred to as ASC 820-10 and subsections, defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The investments for the years ended May 31, 2017 and 2016 were all level 1, quoted at prices in active markets for identical securities.

NOTE I CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash accounts in commercial banks and money market funds. Accounts at the commercial banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in excess of FDIC coverage at May 31, 2017 and 2016 were \$0. Cash equivalents maintained by the financial institution in money market funds are insured by Securities Investor Protection Corporation.

NOTE J RETIREMENT PLAN

The Organization makes available to eligible employees the opportunity to participate in an approved SIMPLE IRA plan. The Organization matches a contribution of \$100 a month to the plan for the benefit of the eligible employees. The total Organization's contributions for the years ended May 31, 2017 and 2016 were \$1,200 and \$1,200.

NOTE K COMPENSATED ABSENCES

Full time employees earn two weeks of vacation and one week of sick leave each year after one year of employment. Neither unused vacation nor sick leave can be carried over from one year to the next. Upon termination, employees are not paid for unused sick leave.

NOTE L PRIOR PERIOD INFORMATION

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2016, from which the summarized information was derived.

LAKE CHARLES SYMPHONY, INC.  
Notes to Financial Statements  
May 31, 2017 and 2016

NOTE M      EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 1, 2017, the date which the financial statements were available to be issued.

Lake Charles Symphony, Inc.

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER  
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

For the Year ended May 31, 2017

**AGENCY HEAD NAME: SHELLY APPLEBY, EXECUTIVE DIRECTOR**

<b><u>PURPOSE</u></b>	<b><u>AMOUNT</u></b>
Salary	\$40,000
Benefits	
Insurance	9,001
Retirement	1,200
Travel reimbursement	<u>548</u>
<b>TOTAL</b>	<b><u><u>\$50,749</u></u></b>