

Financial Statements

Saginaw Symphony Association

*Year Ended June 30, 2021
with Independent Accountants' Review Report
(with Summarized Comparative
Information for 2020)*

Saginaw Symphony Association

Financial Statements

Year Ended June 30, 2021

(with Summarized Comparative Information for 2020)

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Independent Accountants' Review Report

Board of Directors
Saginaw Symphony Association
Saginaw, Michigan

We have reviewed the accompanying financial statements of Saginaw Symphony Association (Association), a nonprofit organization, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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 the Association's 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 the 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.

Summarized Comparative Information

We previously reviewed the Saginaw Symphony Association's 2020 financial statements and in our conclusion dated August 27, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 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 June 30, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

Andrews Hooper Paulik PLC

Saginaw, Michigan
August 23, 2021

Saginaw Symphony Association

Statements of Financial Position

	June 30	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 376,430	\$ 234,875
Accounts receivable	3,160	5,884
Grants receivable	3,937	2,250
Pledges receivable – current portion	-	20,000
Accrued interest receivable	1,146	1,365
Prepaid expenses	318	-
Total current assets	384,991	264,374
Investments	-	124,946
Pledges receivable – noncurrent portion	15,000	15,000
Beneficial interest in endowment fund	37,540	31,592
Perpetual trust held by third party	690,670	576,552
Equipment	40,820	40,820
Accumulated depreciation	(40,109)	(39,888)
Net equipment	711	932
Total assets	\$ 1,128,912	\$ 1,013,396
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 6,260	\$ 475
Accrued payroll and payroll taxes	5,203	6,172
Deferred revenue - ticket sales	2,774	9,535
Refundable advance	-	4,704
Total current liabilities	14,237	20,886
Net assets:		
Without donor restrictions:		
Undesignated	223,672	206,176
Board-designated – Rennert Trust	80,000	90,800
Board-designated – Youth Orchestra	13,159	13,801
SCF agency fund	37,540	31,592
Total without donor restrictions	354,371	342,369
With donor restrictions	760,304	650,141
Total net assets	1,114,675	992,510
Total liabilities and net assets	\$ 1,128,912	\$ 1,013,396

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2021			Year Ended June 30, 2020
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
Support and revenue				
Contributions	\$ 39,186	\$ -	\$ 39,186	\$ 28,966
Grants and trusts	86,712	55,437	142,149	74,451
Concerts and activities	37,626	40,500	78,126	155,536
Youth outreach	8,158	740	8,898	26,986
Fundraising	16,232	14,500	30,732	26,596
Endowment and investment income, net	35,607	-	35,607	67,452
Miscellaneous	1,152	-	1,152	1,516
In-kind donations (noncash)	8,005	-	8,005	41,845
Perpetual trust net change	-	114,118	114,118	(12,566)
Net assets released from restrictions	115,132	(115,132)	-	-
Total support and revenue	347,810	110,163	457,973	410,782
Expenses				
Program services:				
Concerts and activities	210,224	-	210,224	315,094
Youth outreach	12,831	-	12,831	30,729
Total program services	223,055	-	223,055	345,823
Supporting services:				
Management and general	88,114	-	88,114	80,607
Fundraising	24,639	-	24,639	7,236
Total supporting services	112,753	-	112,753	87,843
Total expenses	335,808	-	335,808	433,666
Change in net assets	12,002	110,163	122,165	(22,884)
Total net assets at beginning of year	342,369	650,141	992,510	1,015,394
Total net assets at end of year	\$ 354,371	\$ 760,304	\$ 1,114,675	\$ 992,510

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Statements of Functional Expenses

Expenses	Year Ended June 30, 2021						Year Ended June 30, 2020 Comparative Total	
	Program Services			Supporting Services				
	Concerts and Activities	Youth Outreach	Total	Management and General		Fundraising		Total
	Activities	Outreach	Total	General	Fundraising	Total		Total
Staff salaries	\$ 58,382	\$ 4,011	\$ 62,393	\$ 40,275	\$ 3,418	\$ 106,086	\$ 105,246	
Payroll taxes	4,482	294	4,776	3,093	261	8,130	7,879	
Pension expenses	900	-	900	-	-	900	900	
Auditing and accounting	-	-	-	8,665	-	8,665	14,421	
Fees and memberships	1,067	-	1,067	1,520	-	2,587	4,043	
Insurance	-	-	-	5,712	-	5,712	5,753	
Office expenses	-	-	-	7,201	-	7,201	7,897	
Communications	-	100	100	3,224	-	3,324	3,024	
Office supplies	-	100	100	2,172	-	2,272	2,365	
Supplies and equipment	-	-	-	3,447	-	3,447	49	
Outside services	-	-	-	1,460	-	1,460	1,528	
Bank charges/service fees	-	-	-	1,921	-	1,921	1,495	
Staff education	-	-	-	112	-	112	134	
Transportation/mileage	-	-	-	100	-	100	296	
Postage and shipping	-	-	-	1,250	-	1,250	1,764	
Building rent	-	-	-	3,840	-	3,840	3,840	
Hospitality	-	-	-	1,000	-	1,000	857	
Venue cancellation fee	-	-	-	-	-	-	1,875	
Board expenses	-	-	-	2,050	-	2,050	472	
Grant expenses	-	-	-	112	-	112	50	
Miscellaneous	-	-	-	86	-	86	96	
Depreciation	-	-	-	221	-	221	169	
Music director	51,731	-	51,731	653	-	52,384	49,372	
Orchestra services	34,873	-	34,873	-	-	34,873	97,133	
Guest artists	4,680	-	4,680	-	-	4,680	3,995	
Concert venue rental	8,400	-	8,400	-	-	8,400	32,993	
Concert ticket fees	491	-	491	-	-	491	8,155	
Other concert expenses	20,712	-	20,712	-	-	20,712	16,415	
Advertising and marketing	24,506	-	24,506	-	-	24,506	35,533	
Holiday Housewalk	-	-	-	-	11,276	11,276	3,682	
Culinary Concert	-	-	-	-	9,684	9,684	-	
Youth outreach	-	8,326	8,326	-	-	8,326	22,235	
Total	\$ 210,224	\$ 12,831	\$ 223,055	\$ 88,114	\$ 24,639	\$ 335,808	\$ 433,666	
Percent of total	62.60%	3.82%	66.42%	26.24%	7.34%	100.00%		

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Statements of Cash Flows

	Year Ended June 30	
	2021	2020
Operating activities		
Change in net assets	\$ 122,165	\$ (22,884)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	221	169
Reclassify investments to cash and cash equivalents	124,946	127,513
Perpetual trust held by third party net change	(114,118)	12,566
Changes in operating assets and liabilities:		
Accounts receivable	2,724	22,669
Grants receivable	(1,687)	3,750
Pledges receivable	20,000	20,000
Accrued interest receivable	219	(1)
Prepaid expenses	(318)	500
Accounts payable	5,785	35
Accrued payroll and payroll taxes	(969)	(1,457)
Deferred revenue – ticket sales	(6,761)	(10,727)
Refundable advance	(4,704)	4,704
Net cash from operating activities	147,503	156,837
Investing activities		
Purchases of investments	(139,896)	(102,360)
Maturities of investments	139,896	102,360
Change in beneficial interest in endowment fund	(5,948)	(1,073)
Purchases of equipment	-	(509)
Net cash from investing activities	(5,948)	(1,582)
Net change in cash and cash equivalents	141,555	155,255
Cash and cash equivalents at beginning of year	234,875	79,620
Cash and cash equivalents at end of year	\$ 376,430	\$ 234,875

See independent accountants' review report and accompanying notes.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

1. Description of the Organization and Nature of Activities

The Saginaw Symphony Association (the “Association”), doing business as the Saginaw Bay Symphony Orchestra, is a not-for-profit association incorporated in Saginaw, Michigan in 1935 as the Saginaw Civic Symphony Association. The Association provides five live concerts per season, organizes and conducts two annual fundraisers, and offers youth music education programs and youth concerts to the residents of Saginaw, Bay, and Midland counties and the mid-Michigan area. The Association’s support comes primarily from ticket sales, contributions, endowment income, grants, and fundraising events.

2. Significant Accounting Policies

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association's management and the board of directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

Income Tax Status

The Association is tax-exempt under Internal Revenue Code Section 501 (c)(3) and is required to operate in conformity with the Internal Revenue Code to maintain this qualification. The Association has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

See independent accountants’ review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

2. Significant Accounting Policies (continued)

Income Tax Status (continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the organization and recognize a tax liability if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Association and has determined that as of June 30, 2021 and 2020 there were no material uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Generally, tax years from June 30, 2018 through the current year remain open to examination by the Internal Revenue Service. The Association does not believe that the results from any examination of these open years would have a material adverse effect on the Association.

Use of 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 the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Comparative Financial Information

The financial information for the year ended June 30, 2020, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Cash and Cash Equivalents

The Association maintains two cash accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash equivalents consists of cash held in a high-yield deposit account at a local credit union and investments that are recorded at cost when purchased and are due within three months or less from the statement of financial position date.

Investments

Investments in certificates of deposit, U.S. Treasury notes, and U.S. Treasury bills are recorded at cost when purchased. All investments are expected to be held to maturity. Interest on certificates of deposit is paid monthly. Interest on government securities is accrued monthly and paid every six months for U.S. Treasury notes and upon maturity for U.S. Treasury bills.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

2. Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable is stated at unpaid balances. Management believes all accounts receivable are collectible and therefore there is no allowance for doubtful accounts. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms.

It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There were no accounts receivable charged off during the fiscal year.

Pledges Receivable

The Association recognizes pledges receivable at fair value. No allowance was deemed necessary for pledges receivable as they were deemed fully collectible by management.

Beneficial Interest in Endowment Fund

Beneficial interest in endowment fund consists of amounts held and invested by the Saginaw Community Foundation (SCF) under an agency account agreement. This account contains donations approved and directed by the board of directors to be made to the SCF from net assets without donor restrictions. The beneficial interest is reported at the fair market value of the fund as determined by the SCF. Investment income of the fund, net of expenses, and any net realized and unrealized gains and losses, are included in endowment and investment income, net, in the statements of activities and changes in net assets.

Perpetual Trust Held by Third Party

The Association is the beneficiary of the income from a trust held in perpetuity by an independent trustee. The Association has an irrevocable right to receive the income earned on the trust assets but will never receive the invested asset value of the trust. The income distributed to the Association shall be used for the benefit of the Saginaw Symphony Association. The fair value of the investments held by the trust is included in net assets with donor restrictions. The statements of activities and changes in net assets reflects the change in the fair market value that occurs as a result of market fluctuations in addition to undistributed current earnings. The amount is reported as perpetual trust net change.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

2. Significant Accounting Policies (continued)

Equipment

Acquired assets are stated at cost and donated assets at fair market value. Expenditures for new acquisitions, renewals and betterments, which increase productive capacity or prolong service lives of the equipment, are capitalized. Maintenance and repairs that do not enhance the value or extend the useful life are expensed as incurred. Depreciation is calculated by the straight-line method over five or ten years.

Concentrations of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and pledges receivable. The Association maintains its available cash in a long-established local credit union and the total cash balances exceed the FDIC insurance limit of \$250,000 by \$7,863 at June 30, 2021. The concentration of credit risk for investments consists of reserve funds that have been invested in U.S. Treasury notes, U.S. Treasury bills, and a certificate of deposit that was invested with the same local credit union. The Association invests its reserve funds in safer investments with lower rates of return. The concentration of credit risk with respect to pledges receivable is limited due to the donors being long-time donors of the Association.

Fair Value Measurements

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Association uses various methods, including market, income, and cost approaches. Based on these approaches, the Association often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Based on the observability of the inputs used in the valuation techniques, financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access at the measurement date.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In determining the appropriate levels, the Association performs an analysis of the assets and liabilities that are subject to the fair value standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on quoted prices are classified as Level 1 and significant unobservable inputs are classified as Level 3. The fair value of these assets as of June 30, 2021 and 2020 are shown in Note 10. There were no liabilities measured at fair value at June 30, 2021 or 2020.

Revenue Recognition

Contributions or pledges from donors that are in substance unconditional, are recognized by the Association as net assets without donor restrictions. All donor-stipulated contributions are reported as net assets with donor restrictions depending on the nature of the stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Association defers income from pre-season ticket sales at year end. The income is recorded as revenue in the following fiscal year which corresponds to the new concert season.

Due to the COVID-19 pandemic, no pre-season tickets were sold for fiscal year 2021 because the Temple Theatre that sells the Association's concert tickets remained closed. Currently, the Association is selling season tickets for its upcoming concert season. However, it is uncertain if the new season, that begins on October 16, 2021 for live indoor concerts, will be without new mandated indoor seating capacity restrictions, social distancing, and other COVID-19 safety protocols. See the Risk and Uncertainties section on the next two pages for further details on how the COVID-19 pandemic has impacted the Association.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

2. Significant Accounting Policies (continued)

Risk and Uncertainties

The ongoing coronavirus pandemic has had a devastating impact on the United States and the international community. The Association's operations were also negatively impacted as follows:

Operations Impact: Due to the pandemic, the Music Director had to reprogram all five of his originally developed live concerts to much smaller virtual concerts with less musicians to allow for social distancing on stage. The March 20, 2021 concert was canceled and reprogrammed into the May 1, 2021 hybrid concert. The Association's fiscal year 2021 support and revenue without donor restrictions decreased \$55,357 (13.7%) while expenses decreased \$97,858 (22.6%) compared to the prior fiscal year. The total revised budget decreased 23.2%, from \$437,000 to \$335,500. Despite all the uncertainties during this season and the many concert programming changes, the Association's fiscal year ended with a net income from operations of \$12,002.

Financial Statement Impact: Since the Association was not able to sell season and single tickets this season, a loss of approximately \$115,000 in ticket revenue, compared to past normal concert seasons, greatly impacted total revenue without donor restrictions. This loss of revenue was offset by reduced expenses for musicians (\$87,250) and Temple Theatre venue rental (\$27,850) due to having virtual concerts with less musicians instead of live concerts. A legacy gift in the amount of \$50,000, Paycheck Protection Program funds (see below) totaling \$28,993, donations of \$11,112 from our online 85th Anniversary Campaign, and a Michigan Small Business Restart Grant in the amount of \$7,500, significantly helped the Association end the fiscal year with a change in net assets of \$12,002.

Paycheck Protection Program: The Association received a second round of Paycheck Protection Program (PPP) loan proceeds from Wildfire Credit Union in the amount of \$24,289 on January 26, 2021. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times of their average monthly payroll expenses. The loans and accrued interest are forgivable after twenty-four weeks if the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels.

The Association used the PPP funds to maintain part-time staffing levels and were spent primarily on payroll and \$750 was used for three months of office rent. The loan funds were fully expended by May 14, 2021. The Association fully believes that these loan proceeds were spent for eligible program purposes, and they were forgiven on June 14, 2021. The first round of Paycheck Protection Program funds were forgiven on December 10, 2020 in the amount of \$22,017.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

2. Significant Accounting Policies (continued)

Risk and Uncertainties (continued)

The Association recorded PPP proceeds in the amount of \$28,993 as grant revenue in the statements of activities and changes in net assets including the remaining unspent balance of \$4,704 from the prior fiscal year.

Future Plans: The Temple Theater plans to reopen in September 2021 with a mask mandate in effect for all patrons. The pandemic has had a major short-term impact on the Association's business operations and financial results, but the long-term impact can't be determined yet. The Association is moving forward with its scheduled live concerts beginning on October 16, 2021, unless new COVID-19 mandates are imposed on indoor venues. If that happens, the Music Director and board of directors will determine how to proceed with the season. The annual Holiday Housewalk will be a virtual fundraising event on December 11, 2021.

Functional Allocation of Expenses

The costs of providing the various programs and activities and in-kind expenses have been allocated among the program services and supporting services benefited and are summarized on a functional basis in the statements of activities and changes in net assets. These allocations are based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts. All other expenses are directly charged to the functions they benefit. The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Staff salaries – CEO and Marketing Assistant	Concert expenses divided by total expenses with balance to management and general
Staff salaries – Other	Time and effort
Payroll taxes	Same percentage as salaries
Fees and Memberships – Orchestra league dues	Concert expenses divided by total expenses with balance to management and general
Communications	Estimated usage for youth orchestra
Office supplies	Estimated usage for youth orchestra

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

2. Significant Accounting Policies (continued)

Subsequent Events

The Association received Shuttered Venue Operators Grant (SVOG) proceeds from the U.S. Small Business Administration in the amount of \$44,730 on July 14, 2021. The SVOG program was established in Section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act). The Association qualified for the third priority round of awarded grants for businesses/venues that suffered a 25% or greater earned revenue loss between one quarter of 2019 and the corresponding quarter of 2020. Allowable uses of the funds include payroll, rent, payments to independent contractors, operating leases, insurance, and utilities. A receivable in the amount of \$1,237 was recorded as grant revenue in the statements of activities and changes in net assets. These grant funds were used for payment of office rent and a copier operating lease for May and June 2021.

Management has evaluated subsequent events through August 23, 2021, which is the date the financial statements were available to be issued, and except for COVID-19 discussed in Note 2, Risks and Uncertainties, and the SVOG above, is not aware of any other material subsequent events that could have a negative impact on the financial statements.

3. Investments

The following is a summary of investments at June 30:

	<u>Maturity Date</u>	<u>2021</u>	<u>2020</u>
U.S. Treasury note	8/15/2021	\$ –	\$124,946

Investment income is included in endowment and investment income, net, on the statements of activities and changes in net assets and was from interest earned on a U.S. Treasury note, U.S. Treasury bills, and a certificate of deposit held at a local credit union. The U.S. Treasury note with a maturity date of August 15, 2021 is included in cash and cash equivalents at June 30, 2021 because it is due to mature within three months or less from fiscal year end.

4. Pledges Receivable

Pledges receivable at June 30, 2021 are scheduled to be collected as follows:

Year ending June 30, 2022	\$ –
Year ending June 30, 2023	<u>15,000</u>
Total pledges receivable	<u>\$15,000</u>

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

5. In-Kind Donations

The Association received in-kind donations for contributed goods, services, and venue rental in the amount of \$8,005 during the year ended June 30, 2021 and \$41,845 during the year ended June 30, 2020. Such amounts are recognized at fair value as determined by the donor on the date of contribution. They are reported as in-kind donations (noncash) and are offset by like amounts included in program services expenses for advertising and marketing and in supporting services expenses for Holiday Housewalk and Culinary Concert in the statements of activities and changes in net assets and statements of functional expenses.

6. Building Rent

The Association has agreed to pay \$250 per month on a month-to-month basis to rent office space at the Temple Theatre. The Association rents a storage unit at \$70 per month on a month-to-month rental agreement. The building rent expense for the year ended June 30, 2021 and 2020 amounted to \$3,840.

7. Equipment Leases

The Association leased a copier under an operating lease agreement for the year ended June 30, 2021 and 2020. The lease expense for the year ended June 30, 2021 totaled \$4,424 and \$5,691 for the year ended June 30, 2020. The lease agreement was revised in October 2019 to adjust for higher average monthly copy volumes. The future minimum lease payments under the operating lease agreement at June 30, 2021 are as follows:

Year ending June 30, 2022	\$ 4,424
Year ending June 30, 2023	4,424
Year ending June 30, 2024	<u>1,106</u>
Total lease payments remaining	<u>\$ 9,954</u>

8. Advertising and Marketing

Advertising and marketing expenses are expensed as incurred and totaled \$24,506 for the year ended June 30, 2021 and \$35,533 for the year ended June 30, 2020. This includes \$3,753 in 2021 and \$19,044 in 2020 of in-kind promotion services donated by the Association's media sponsors.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

9. Availability and Liquidity of Financial Assets

The following represents the Association's financial assets at June 30:

	2021	2020
Financial assets at end of year:		
Cash and cash equivalents	\$ 376,430	\$ 234,875
Accounts receivable	3,160	5,884
Grants receivable	3,937	2,250
Pledges receivable	15,000	35,000
Accrued interest receivable	1,146	1,365
Investments	–	124,946
Beneficial interest in endowment fund	37,540	31,592
Perpetual trust held by third party	690,670	576,552
Total financial assets at end of year	1,127,883	1,012,464
Less amounts not available to be used within one year:		
Investments	–	124,946
Accounts receivable due after one year	1,000	2,660
Pledges receivable due after one year	15,000	15,000
Beneficial interest in endowment fund	37,540	31,592
Perpetual trust held by third party	690,670	576,552
Board-designated funds to be used beyond one year	77,659	78,801
Total amounts not available to be used within one year	821,869	829,551
Financial assets available to meet cash needs for general expenditures within one year	\$ 306,014	\$ 182,913

From mid-May through October, the Association collects season ticket sales for the new concert season. Along with concert sponsor revenue, single concert ticket sales, contributions, various other revenue, and proceeds from the Holiday Housewalk and Culinary Concert fundraisers, the Association builds up cash reserves through December. With three concert performances in January, April, and May, the Association relies heavily on these cash reserves to cover its general expenditures, liabilities, and other obligations during the last six months of the fiscal year.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

9. Availability and Liquidity of Financial Assets (continued)

The Association's liquidity goal is to maintain financial assets to meet 120 days of budgeted operating expenses (approximately \$50,000) plus \$50,000 to cover expenses related to the next concert performance. As part of its liquidity plan, surplus funds are invested in a high-yield deposit account at a local credit union and funds are transferred to and from the operating checking account as needed. The Association also invests in short-term U.S. Treasury bills or certificates of deposit if sufficient funds are available and will not be needed for current expenses, liabilities, or other obligations.

The Association's liquidity management plan includes the board-approved Net Assets Policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due during the next three fiscal years. The board of directors has been advised that it will need at least \$40,000 in additional new recurring revenue each fiscal year to meet or exceed budgeted expenses by fiscal year 2024. The Association had \$223,672 in undesignated net assets without donor restrictions and \$80,000 in Rennert Trust board-designated net assets without donor restrictions reported on the statements of financial position as of June 30, 2021.

On January 16, 2019, the board of directors adopted a planned reduction of these net assets down to \$100,000 by the end of fiscal year 2024. With the negative effect of the COVID-19 pandemic on revenue and expenses during the last two fiscal years, the board of directors will be reviewing the Net Assets Policy in February 2022 to determine what adjustments may need to be made during the next five years. They fully understand that the use of these funds for program and supporting service expenses in future seasons will result in manageable operating deficits to accomplish this goal.

10. Fair Value Measurements

Fair value of assets measured on a recurring basis as of June 30, 2021 is as follows:

	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury note	\$124,946	\$124,946	\$ –	\$ –
Beneficial interest in endowment fund	37,540	–	–	37,540
Perpetual trust held by a third party	690,670	–	–	690,670
	\$853,156	\$124,946	\$ –	\$728,210

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

10. Fair Value Measurements (continued)

Fair value of assets measured on a recurring basis as of June 30, 2020 is as follows:

	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury notes	\$149,932	\$149,932	\$ –	\$ –
Certificate of deposit	105,361	105,361	–	–
Beneficial interest in endowment fund	31,592	–	–	31,592
Perpetual trust held by a third party	576,552	–	–	576,552
	<u>\$863,437</u>	<u>\$255,293</u>	<u>\$ –</u>	<u>\$608,144</u>

The Association values the beneficial interest in endowment fund at fair value based on information provided by the Saginaw Community Foundation. Activity in this fund is disclosed in Note 12.

The perpetual trust held by a third party has been valued based on amounts provided by the trust. Activity in the trust assets for the year ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Balance beginning of the year	\$576,552	\$589,118
Investment income	16,444	18,362
Administrative expenses	(10,354)	(9,326)
Disbursements from trust	(25,081)	(23,523)
Net realized and unrealized gains	133,109	1,921
Balance end of the year	<u>\$690,670</u>	<u>\$576,552</u>

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

11. Net Assets Classification

Net assets with donor restrictions were as follows for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Specific purpose:		
Concerts and activities	\$ 68,238	\$ 59,500
Management and general	–	3,000
Youth outreach	<u>1,396</u>	<u>5,987</u>
	<u>69,634</u>	68,487
Passage of time:		
Management and general	–	5,102
	–	<u>5,102</u>
Endowment funds:		
Perpetual trust endowment	<u>690,670</u>	576,552
Total net assets with donor restrictions	<u><u>\$760,304</u></u>	<u><u>\$650,141</u></u>

Net assets without donor restrictions were as follows for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Undesignated	\$223,672	\$206,176
Board-designated	93,159	104,601
SCF agency fund	<u>37,540</u>	<u>31,592</u>
Total net assets without donor restrictions	<u><u>\$354,371</u></u>	<u><u>\$342,369</u></u>

Board-designated net assets were reserved for Rennert Trust and Youth Orchestra at June 30, 2021 and 2020. The \$80,000 designated for Rennert Trust at June 30, 2021 and \$90,800 at June 30, 2020 represents the remaining balance from the bequest by Patricia G. Rennert in fiscal year 2018 of \$150,000. These funds will be used as follows: \$15,500 in fiscal year 2022, \$29,500 in fiscal year 2023, and \$10,000 in fiscal year 2024 for concert and guest artist support, expanded classical concert programming, Share-A-Seat program, and youth outreach. In addition, \$25,000 will be added to the endowment fund as a match for a future endowment campaign.

The designated amounts of \$13,159 at June 30, 2021 and \$13,801 at June 30, 2020 for Youth Orchestra represent the accumulated net income from operations of the Saginaw Bay Youth Orchestra since it began in 2007. These funds will be used to support the youth orchestra's operations, program expenses, and for tuition scholarships as needed.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

11. Net Assets Classification (continued)

Net assets released from net assets with donor restrictions were as follows for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Specific purpose:		
Concerts and activities	\$ 79,762	\$83,500
Management and general	11,737	–
Fundraising	14,500	6,500
Youth outreach	4,031	2,962
	<u>110,030</u>	<u>92,962</u>
Passage of time:		
Concerts and activities	–	4,000
Management and general	5,102	–
	<u>5,102</u>	<u>4,000</u>
Total net assets released from net assets with donor restrictions	<u>\$115,132</u>	<u>\$96,962</u>

12. Endowment Funds with Saginaw Community Foundation

The Association is the beneficiary under endowment fund agreements with the Saginaw Community Foundation (SCF). The endowment portion, \$1,304,795 at March 31, 2021 (the most recent value available) and \$1,053,400 at June 30, 2020, is included in the statement of financial position of the SCF. The Association does not exercise any control over the principal of the funds but, based on a formula, certain amounts of the funds may be distributed to and expended by the Association. Investment and spending policies for these endowment funds are determined solely by the SCF.

Variance power has been granted to the SCF for the assets in the endowment funds. If the Association ceases to exist or no longer performs its functions under the provisions of the agreements, the SCF shall continue to administer and disburse fund assets in a manner deemed appropriate.

The remaining agency fund portion of the assets, \$37,540 at June 30, 2021 (March 31, 2021 balance, the most recent value available) and \$31,592 at June 30, 2020, is included as beneficial interest in endowment fund in the statements of financial position of the Association. These assets represent the Association's portion of net assets without donor restrictions that were approved by the board of directors to be transferred to the SCF for endowment purposes. Investment income of the fund, net of expenses, and any net realized and unrealized gains and losses are included in endowment and investment income, net, in the statements of activities and changes in net assets.

See independent accountants' review report.

Saginaw Symphony Association

Notes to Financial Statements

June 30, 2021

12. Endowment Funds with Saginaw Community Foundation (continued)

Changes in endowment net assets for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Endowment net assets without donor restrictions at beginning of year	\$31,592	\$30,519
Contributions	-	-
Investment income	409	465
Administrative expenses	(392)	(150)
Net realized and unrealized gains	5,931	758
Endowment net assets without donor restrictions at end of year	<u>\$37,540</u>	<u>\$31,592</u>

The endowment net assets activity shown above is the most recent information available from the SCF for the quarter ended March 31, 2021. Management believes that any activity incurred in these endowment net assets through June 30, 2021 would not be material to the financial statements.

These endowment net assets are shown separately in the statements of financial position as without donor restrictions, SCF agency fund, because they are not available for use by the Association.

See independent accountants' review report.

Independent Accountants' Review Report
on Other Supplementary Information

Board of Directors
Saginaw Symphony Association
Saginaw, Michigan

Our report on our review of the basic financial statements of Saginaw Symphony Association for the year ended June 30, 2021 appears on page 1. Our report on our review of the basic financial statements for June 30, 2020 was dated August 27, 2020. The objective of those reviews was to perform procedures to obtain limited assurance as a basis for reporting whether we were 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. The accompanying other supplementary information included in the accompanying schedules of operating revenue and expenses and fundraising revenue and expenses 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 2021 other supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. The 2020 summarized other supplementary information was subjected to the review procedures applied in our review of the basic financial statements for June 30, 2020. We are not aware of any material modifications that should be made to the other supplementary information. We have not audited the other supplementary information and do not express an opinion on such information.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
August 23, 2021

Saginaw Symphony Association

Schedules of Operating Revenue and Expenses

Year Ended June 30, 2021

(with Summarized Comparative Information for 2020)

	2021		2020
	Operating Budget	Without Donor Restrictions	Without Donor Restrictions
Support and revenue			
Contributions	\$ 40,000	\$ 39,186	\$ 28,966
Grants and trusts	136,300	137,551	63,349
Concerts and activities	83,100	83,388	150,536
Youth outreach	11,700	12,189	22,907
Fundraising	31,000	30,732	26,596
Endowment income, net	28,350	31,029	59,597
Investment income, net	4,900	4,578	7,855
Miscellaneous	1,250	1,152	1,516
In-kind donations (noncash)	7,900	8,005	41,845
Total support and revenue	344,500	347,810	403,167
Expenses			
Concerts and activities	207,540	206,471	282,429
Youth outreach	11,500	12,831	21,949
Management and general	89,160	88,114	80,607
Fundraising	19,400	20,387	6,836
In-kind expenses (noncash)	7,900	8,005	41,845
Total expenses	335,500	335,808	433,666
Change in net assets	\$ 9,000	\$ 12,002	\$ (30,499)

See independent accountants' review report on other supplementary information.

Saginaw Symphony Association

Schedules of Fundraising Revenue and Expenses

Year Ended June 30, 2021

(with Summarized Comparative Information for 2020)

	2021				2020
	Fundraising Budget	Holiday Housewalk	Culinary Concert	Total	Total
Revenue					
Ticket sales	\$ 8,500	\$ 2,040	\$ 6,850	\$ 8,890	\$ 8,990
Event sponsors	20,000	14,500	3,500	18,000	14,500
Auction proceeds	2,000	2,325	-	2,325	-
Raffle ticket sales	-	-	-	-	2,931
Contributions	500	888	629	1,517	175
Total revenue	31,000	19,753	10,979	30,732	26,596
In-kind donations (noncash)	4,200	3,201	1,051	4,252	400
Total revenue and in-kind donations	35,200	22,954	12,030	34,984	26,996
Expenses					
Printing services	1,500	1,432	233	1,665	1,511
Recording/production/editing	7,000	4,000	3,000	7,000	-
Staff salaries and payroll taxes	3,000	3,015	664	3,679	3,554
Advertising and marketing	2,000	430	1,491	1,921	725
ClickBid license and fees	1,200	1,236	-	1,236	-
Chef's fees	1,200	-	1,200	1,200	-
Musicians	500	-	500	500	-
Supplies	3,000	475	2,450	2,925	345
Service fees	700	241	440	681	-
Liability insurance	-	-	-	-	529
Other expenses	500	261	370	631	572
Auction items (noncash)	3,000	3,201	-	3,201	-
Total expenses	23,600	14,291	10,348	24,639	7,236
Revenue over expenses	\$ 11,600	\$ 8,663	\$ 1,682	\$ 10,345	\$ 19,760

See independent accountants' review report on other supplementary information.