

**Peninsula Symphony Association of
Northern California
(a non-profit corporation)**

Financial Statements
and
Independent Accountants' Review Report

For the Year Ended
June 30, 2016



PENINSULA SYMPHONY ASSOCIATION OF NORTHERN CALIFORNIA

For the Year Ended June 30, 2016

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Independent Accountants' Review Report

To the Board of Directors
Peninsula Symphony Association of Northern California

We have reviewed the accompanying financial statements of Peninsula Symphony Association of Northern California (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016, 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 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements 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 modification 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 reviews, 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.



February 23, 2017

PENINSULA SYMPHONY ASSOCIATION OF NORTHERN CALIFORNIA

Statement of Financial Position

As of June 30, 2016

	<u>2016</u>
<u>ASSETS:</u>	
Current assets:	
Cash and cash equivalents	\$ 230,778
Accounts receivables	6,172
Prepaid expenses	8,037
Deposits	<u>3,980</u>
Total current assets	<u>248,967</u>
Total assets	<u><u>\$ 248,967</u></u>
<u>LIABILITIES AND NET ASSETS:</u>	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 3,280
Deferred Income	<u>52,245</u>
Total current liabilities	<u>55,525</u>
Net assets:	
Unrestricted	(4,708)
Temporarily restricted net assets	80,500
Permanently restricted	<u>117,650</u>
Total net assets	<u>193,442</u>
Total liabilities and net assets	<u><u>\$ 248,967</u></u>

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

PENINSULA SYMPHONY ASSOCIATION OF NORTHERN CALIFORNIA

Statement of Activities and Change in Net Assets

For the Year Ended June 30, 2016

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue:				
Program revenue	\$ 172,710	\$ -	\$ -	\$ 172,710
Individual giving	143,940	50,000	-	193,940
Institutional giving	115,272	30,500	29,000	174,772
Fundraising income	61,011	-	-	61,011
Fundraising expenses	(40,409)	-	-	(40,409)
In-kind donations	124,227	-	-	124,227
Miscellaneous income	12,473	-	-	12,473
	<u>589,224</u>	<u>80,500</u>	<u>29,000</u>	<u>698,724</u>
Total support and revenue				
Adjustments:				
Insurance proceeds	-	-	50,000	50,000
Release of restricted net assets	18,998	(16,750)	(2,248)	-
	<u>18,998</u>	<u>(16,750)</u>	<u>47,753</u>	<u>50,000</u>
Total adjustments				
Expenses:				
Mainstage expenses	292,922	-	-	292,922
Education / outreach expenses	59,335	-	-	59,335
Total program services	352,257	-	-	352,257
General and Administrative	261,988	-	-	261,988
Fundraising	67,441	-	-	67,441
	<u>681,686</u>	<u>-</u>	<u>-</u>	<u>681,686</u>
Total expenses				
Change in net assets	(73,465)	63,750	76,753	67,038
Net assets:				
Beginning of year	68,757	16,750	40,897	126,404
End of year	<u>\$ (4,708)</u>	<u>\$ 80,500</u>	<u>\$ 117,650</u>	<u>\$ 193,442</u>

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

PENINSULA SYMPHONY ASSOCIATION OF NORTHERN CALIFORNIA

Statement of Functional Expenses

For the Year Ended June 30, 2016

	<u>Mainstage</u>	<u>Education / Outreach</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Administrative salaries	\$ 22,191	\$ 18,156	\$ 96,832	\$ 64,555	\$ 201,733
Artistic salaries	81,502	20,376	-	-	101,878
Concert production	62,642	633	-	-	63,275
Consultants	-	-	8,748	-	8,748
Contract labor	74,484	6,477	-	-	80,961
Development	-	-	-	1,763	1,763
Dues and fees	1,700	425	4,534	426	7,085
Education and outreach	-	12,570	-	-	12,570
In-kind expenses	-	-	124,227	-	124,227
Insurance	571	143	1,997	142	2,853
Marketing	47,612	-	3,039	-	50,651
Office rent	-	-	16,235	-	16,235
Other expenses	-	-	455	-	455
Utilities and supplies	2,220	555	5,921	555	9,251
	<u>\$ 292,922</u>	<u>\$ 59,335</u>	<u>\$ 261,988</u>	<u>\$ 67,441</u>	<u>\$ 681,686</u>

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

PENINSULA SYMPHONY ASSOCIATION OF NORTHERN CALIFORNIA

Statements of Cash Flow
For the Year Ended June 30, 2016

	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 67,038
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Accounts receivable	(4,043)
Prepaid expenses	7,309
Deposits	(3,980)
Accounts payable and accrued liabilities	3,280
Deferred income	<u>(9,403)</u>
Net cash provided by (used in) operating activities	<u>60,201</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>170,577</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 230,778</u></u>

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Peninsula Symphony Association of Northern California
Notes to Financial Statements
June 30, 2016

1. ORGANIZATION

Peninsula Symphony Association of Northern California ("The Organization"), founded in 1949, is a 90-member orchestra of professionally trained community musicians. The Organization provides high-quality musical presentations at affordable prices and promotes music education through engaging programs for children and adults. Volunteer musicians, professional musicians and paid section leaders provide support and mentoring to the local community. The organization also has a paid music director/conductor, a small paid professional staff, and is governed by an 18-member Board of Directors. The Organization is a California 501(c)(3) Non-Profit Corporation.

The Organization has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") where only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to Federal income tax. The Organization currently has no unrelated business income. No provision for income taxes has been recorded. The Organization is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting, which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation

In accordance with accounting principles generally accepted in the United States of America ("GAAP"), The Organization presents information regarding its financial position and activities according to three classes of net assets:

Use of estimates

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

Cash

Cash includes all monies in banks and all highly liquid investments with an initial maturity of three months or less.

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Peninsula Symphony Association of Northern California
Notes to Financial Statements
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid expenses

Prepaid expenses relate to next season's program activities and prepaid administrative expenses. All prepaid expenses will be expensed within 1 year.

Receivable and allowance for uncollectable receivables

Accounts receivable consist of receivables relating to program service fees, government agency grants and contracts, and refunds receivable. The Organization records accounts and contracts receivable at their net realizable value. Management has estimated allowances for uncollectible accounts to be \$0 for the year ending June 30, 2016.

Deposits

Deposits consist of lease deposits and hall rental deposits for upcoming presentations.

Deferred Income

Deferred income consists of subscription payments collected during the current fiscal year that relate to the period subsequent to the Organization's year-end. All deferred income is recognized as revenue within one year.

Revenue recognition

The Organization's revenue recognition policy requires that contributions received, including unconditional promises to give, be recognized as revenue at their fair value in the period the contribution or pledge is received. Contributed support that is restricted by the donor is reported as an increase in temporarily restricted net assets and released from restrictions if the restriction expires in the reporting period in which the support is recognized. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restriction. All other contributed support is recognized as unrestricted revenue when received or unconditionally promised.

Functional allocation of expenses

Functional classification allocates expenses according to the purpose for which the costs are incurred. Examples of functional classifications are program services (expenses directly related to the purposes for which the Organization exists) and supporting activities (those indirectly related to the purposes for which the Organization exists, but necessary for its operations, i.e. general and administrative and fundraising).

The management analyzes the costs of providing the various programs and supporting activities of the Organization on a functional basis.

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Peninsula Symphony Association of Northern California
Notes to Financial Statements
June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind income

In-kind income consists of donated goods and services from individual donors.

Classes of Net Assets

In accordance with GAAP, where applicable, the financial statements report amounts separately by the following classes of net assets:

- 1) Unrestricted amounts are those currently available at the discretion of the Boards for use in the Organization's activities and those resources invested in land, buildings and equipment. Unrestricted amounts include temporarily restricted donations that are received and used within the same year.
- 2) Board-designated amounts are unrestricted net assets that are presently designated by the Board to a specific purpose. These amounts can be returned to an unrestricted status by action of the same Board. There was \$10,000 of Board-designated net assets at June 30, 2016.
- 3) Temporarily restricted amounts are those that are restricted by donors for specific operating purposes or for the acquisition of land, buildings and equipment.
- 4) Permanently restricted net assets are those amounts in which the donor has stipulated that the principal remain intact in perpetuity. Income from the principal is considered unrestricted unless further restricted by the donor.

Accounting for uncertainty in income taxes

The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2016, management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is June 30, 2013 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2012 and forward.

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Peninsula Symphony Association of Northern California
Notes to Financial Statements
June 30, 2016

3. ENDOWMENT

The endowment includes a sum of money given to and received by the Organization, with the understanding that the “income” may be spent and “principal” must be preserved.

The “general” endowment fund is “permanently restricted”, and not wholly expendable on a current basis under the terms of the gift instrument. A “true” endowment or a “general” or endowment is one established or created by the donor, or multiple donors for endowment purposes.

In addition to donations, should the Board of Directors decide that a portion of other funds such as insurance proceeds or other recoveries of lost or stolen funds should be allocated to the endowment, said funds would be allocated to this “general” endowment. There was \$117,650 of permanently restricted endowment funds at June 30, 2016.

For the year ended June 30, 2015, the endowment funds were presented as unrestricted. Management has corrected the classification to permanently restricted for the year ended June 30, 2016. There were no other changes to net assets.

The “board-designated endowment,” which may be referred to as a “Board reserve” or “quasi-endowment,” is created when the Board takes unrestricted excess operating funds and imposes a spending restriction. Board restricted endowment funds are limited to excess operating funds that the board may choose to set aside for following years' operations. Such board designated endowment funds are generated from current year unrestricted fund net assets, and may be subject to separate board designated restrictions since, for accounting purposes, such fund transfers are characterized as unrestricted, and are treated separately from other permanently restricted endowment funds. The board–designated endowment shall not include donations, insurance proceeds, or other recoveries of lost or stolen funds.

Interpretation of Relevant Law and Spending Policy

The establishment and use of endowment funds shall be in compliance with applicable state and federal laws and regulations, including but not limited to California Corporations Code sections 5240 *et seq.*, and the Uniform Prudent Management of Institutional Funds Act (UPMIFA, California Probate Code Sections 18501-18510). Those provisions are attached to this policy and made part of the policy.

Decisions concerning withdrawal from the Endowment shall be made by the Organization’s Board at the same time the Board approves the annual budget. No funds shall be withdrawn from the Endowment without specific authorization as to the timing and amount of the withdrawal. In extraordinary circumstances, and with the approval of $\frac{3}{4}$ of the Board, expenditures may be authorized at times other than the adoption of the annual budget. However, in the event the board decides to disburse endowment funds at any time other than the adoption of the annual budget, the aggregate amount of disbursement shall not exceed 4% of the endowment in any 12-month period.

In making decisions concerning endowment expenditures, the Board shall consider the intent of the donor. In addition, the Board shall consider:

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Peninsula Symphony Association of Northern California
Notes to Financial Statements
June 30, 2016

3. ENDOWMENT (continued)

- (1) The duration and preservation of the endowment fund,
- (2) The purposes of the charity and the fund,
- (3) General economic conditions,
- (4) Effects of inflation and deflation,
- (5) Expected total return from income and appreciation,
- (6) The Organization's other resources, and
- (7) The Organization's investment policy.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy with the objective to maximize the return on invested assets while minimizing risk and expenses. This is done through prudent investing and planning, as well as through the maintenance of a diversified portfolio. An individual investment must be analyzed in the context of the total portfolio and the overall risk-reward objectives, and that the Organization cannot invest in any kind of property that is not inconsistent with the standard of care. Investment categories that have been deemed suitable for the needs of the Organization include: (1) Cash or cash equivalents (money market funds), (2) US Government Securities, (3) Bank Certificates of Deposit, (4) Common stocks listed on major stock exchanges, (5) Preferred stocks, (6) Corporate Bonds with S&P ratings of A or above, (7) Mutual funds and exchange traded funds.

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016:

	<u>Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ 40,897	\$ 40,897
Insurance repayment	50,000	50,000
Donor endowment contribution	29,000	29,000
Releases from restriction	(2,248)	(2,248)
Endowment net assets, June 20, 2016	<u>\$ 117,650</u>	<u>\$ 117,650</u>

There was \$117,650 in the endowment fund at June 30, 2016.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted by donors for specific programs and operations. Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2016</u>
Restricted for Women's philharmonic	\$ 500
Restricted for marketing expenses	32,000
Restricted for time purposes	<u>47,500</u>
Total	<u>\$ 80,500</u>

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Peninsula Symphony Association of Northern California
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5. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets, originally restricted by donors, were released as they were expended in accordance with donor restrictions for the years ended June 30 as follows:

	Temporary Restricted	Permanently Restricted	Total
Restriction met for endowmen legal fees:	\$ -	\$ 2,248	\$ 2,248
Restriction met for time purposes	16,750	-	16,750
Total	\$ 16,750	\$ 2,248	\$ 18,998

6. COMMITMENT

During 2016, the Organization entered into a one year facility lease agreement for office space with monthly rent of \$1,480 for calendar year 2016. Total rent expense related to the year was \$16,235. During 2015, the Organization entered into a lease agreement for a copier at \$190 per month. Total copier rent expense was \$2,644 for the year ended June 30, 2016. The agreement commenced December 18, 2015 and has a term of 5 years.

Year Ending June 30:

2017	\$	2,280
2018		2,280
2019		2,280
2020		1,140
2021		-
Thereafter		-
Total	\$	7,980

The Organization leases two practice facilities with pay per use agreements.

7. RISKS AND UNCERTAINTIES

The Organization is primarily funded through concerts and performances held in the San Francisco Bay Area; the donor base is concentrated to the area.

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Peninsula Symphony Association of Northern California
Notes to Financial Statements
June 30, 2016

8. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the date the financial statements were available to be issued. The Organization recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are available to be issued.

Subsequent events are evaluated through February 23, 2017, the date the financial statements were available to be issued and determined that with the exception of the above, no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2016.