

LEXINGTON SYMPHONY, INC.

REVIEWED FINANCIAL STATEMENTS

- CORRECTED -

YEAR ENDED JUNE 30, 2012

LEXINGTON SYMPHONY, INC.

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YEAR ENDED JUNE 30, 2012

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Independent Accountant's Review Report

To The Board of Directors
Lexington Symphony, Inc.
Lexington, Massachusetts

I have reviewed the accompanying corrected statements of financial position of Lexington Symphony, Inc. at June 30, 2012, and the related corrected statements of activities, cash flows and functional expenses for the year then ended. 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, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

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

Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with U.S. generally accepted accounting principles.

Respectfully submitted,

Joseph T. Twardy, Jr.. CPA LLC

February 25, 2014

LEXINGTON SYMPHONY, INC.

**CORRECTED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Current assets:</u>				
Cash	\$ 173,462	\$ -	\$ -	\$ 173,462
Investments	14,546	-	10,000	24,546
Accounts Receivable	548	-	-	548
Deposits and Prepaid Expenses	<u>5,338</u>	<u>-</u>	<u>-</u>	<u>5,338</u>
 Total assets	 <u>193,894</u>	 <u>-</u>	 <u>10,000</u>	 <u>203,894</u>
 <u>Current liabilities:</u>				
Accounts Payable	\$ 161	\$ -	\$ -	\$ 161
Other current liabilities:				
Deferred Revenue:				
Advance Ad Revenue	3,060	-	-	3,060
Advance Ticket Sales	34,095	-	-	34,095
Deferred Donations	32,000	-	-	32,000
Public Trust Endowment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Revenue	<u>69,155</u>	<u>-</u>	<u>-</u>	<u>69,155</u>
 Total current liabilities	 <u>69,316</u>	 <u>-</u>	 <u>-</u>	 <u>69,316</u>
 <u>Net assets:</u>				
Unrestricted	124,578	-	-	124,578
Temporarily restricted	-	-	-	-
Permanently restricted	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
 Total net assets	 <u>124,578</u>	 <u>-</u>	 <u>10,000</u>	 <u>134,578</u>
 <u>Total liabilities and net assets</u>	 <u>\$ 193,894</u>	 <u>\$ -</u>	 <u>\$ 10,000</u>	 <u>\$ 203,894</u>

See Accompanying Accountant's Review Report and Notes to Financial Statements.

LEXINGTON SYMPHONY, INC.

**CORRECTED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions	\$ 109,420	\$ -	\$ -	\$ 109,420
Ticket sales	154,319	-	-	154,319
Advertising income	13,135	-	-	13,135
Outreach and misc. performances	2,350	-	-	2,350
Special events	24,114	-	-	24,114
Other income	702	-	-	702
	<u>304,040</u>	<u>-</u>	<u>-</u>	<u>304,040</u>
Total revenues				
Expenses				
Concert production	217,686	-	-	217,686
Fundraising	34,030	-	-	34,030
Marketing	35,415	-	-	35,415
Support services	51,854	-	-	51,854
	<u>338,985</u>	<u>-</u>	<u>-</u>	<u>338,985</u>
Total expenses				
Increase (decrease) in net assets before investment income	(34,945)	-	-	(34,945)
Interest income	759	-	-	759
Investment income	1,235	-	-	1,235
Total investment income	1,995	-	-	1,995
	<u>1,995</u>	<u>-</u>	<u>-</u>	<u>1,995</u>
Increase (decrease) in net assets	(32,950)	-	-	(32,950)
Net assets, beginning of year	157,528	-	10,000	167,528
	<u>157,528</u>	<u>-</u>	<u>10,000</u>	<u>167,528</u>
Net assets, end of year	\$ 124,578	\$ -	\$ 10,000	\$ 134,578
	<u>\$ 124,578</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 134,578</u>

See Accompanying Accountant's Review Report and Notes to Financial Statements.

LEXINGTON SYMPHONY, INC.

**CORRECTED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Cash flows from operating activities:</u>				
Increase (decrease) in Net Assets	\$ (32,950)	\$ -	\$ -	\$ (32,950)
Adjustments to reconcile change in fund balance to net cash provided by (used for) operating activities:				
(Increase) decrease in Current Assets				
Accounts Receivable	10,808	-	-	10,808
Deposits and Prepaid Expenses	2,168	-	-	2,168
Increase (decrease) in Current Liabilities				
Accounts Payable	(1,115)	-	-	(1,115)
Deferred Revenue	(40,443)	-	-	(40,443)
Public Endowment Trust	(10,000)	-	-	(10,000)
Total adjustments	<u>(38,582)</u>	<u>-</u>	<u>-</u>	<u>(38,582)</u>
Net cash provided by (used for) operating activities	<u>(71,532)</u>	<u>-</u>	<u>-</u>	<u>(71,532)</u>
<u>Cash flows from investing activities:</u>				
(Increase) decrease in Lexington Symphony Fund	<u>(4,546)</u>	<u>-</u>	<u>-</u>	<u>(4,546)</u>
Net cash provided by (used for) investing activities	<u>(4,546)</u>	<u>-</u>	<u>-</u>	<u>(4,546)</u>
<u>Cash flows from financing activities:</u>				
Adjustments:				
Opening Bal Equity	(3,772)	-	-	(3,772)
Retained Earnings	(6,196)	-	-	(6,196)
Unrestricted Net Assets	(1,767)	-	-	(1,767)
Lexington Symphony Fund:				
Principal (from Lexington Symphony)	10,000	-	-	10,000
Supplemental donations	500	-	-	500
Net income (loss)	2,770	-	-	2,770
Unrealized capital gains (losses)	1,276	-	-	1,276
Permanently Restricted Net Assets	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Net cash provided by (used for) financing activities	<u>12,811</u>	<u>-</u>	<u>-</u>	<u>12,811</u>
<u>Net increase (decrease) in cash and equivalents</u>	(63,267)	-	-	(63,267)
Cash, beginning of year	<u>236,729</u>	<u>-</u>	<u>-</u>	<u>236,729</u>
<u>Cash, end of year</u>	<u>\$ 173,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,462</u>
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest expense	63	-	-	63
Income taxes	-	-	-	-

See Accompanying Accountant's Review Report and Notes to Financial Statements.

LEXINGTON SYMPHONY, INC.

**CORRECTED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Program services:				
Concert production:				
Concert recording	\$ 5,377	\$ -	\$ -	\$ 5,377
Instruments	4,303	-	-	4,303
Music director	11,000	-	-	11,000
Music	4,820	-	-	4,820
Outreach and misc. performances	2,785	-	-	2,785
Personnel	161,634	-	-	161,634
Program	11,548	-	-	11,548
Venue	16,004	-	-	16,004
Other expenses	<u>215</u>	<u>-</u>	<u>-</u>	<u>215</u>
Total concert production	<u>217,686</u>	<u>-</u>	<u>-</u>	<u>217,686</u>
Fundraising:				
Development:				
Contractor fees	1,075	-	-	1,075
Donor solicitation package	1,539	-	-	1,539
Post-concert receptions	1,064	-	-	1,064
Special events	<u>30,220</u>	<u>-</u>	<u>-</u>	<u>30,220</u>
Total development expenses	33,898	-	-	33,898
Credit card processing fees	<u>132</u>	<u>-</u>	<u>-</u>	<u>132</u>
Total fundraising	<u>34,030</u>	<u>-</u>	<u>-</u>	<u>34,030</u>
Marketing and promotion:				
Media advertising	7,838	-	-	7,838
Marketing consultants	5,812	-	-	5,812
Promotion expense	518	-	-	518
Printing, postage and brochures	<u>21,247</u>	<u>-</u>	<u>-</u>	<u>21,247</u>
Total marketing and promotion	<u>35,415</u>	<u>-</u>	<u>-</u>	<u>35,415</u>
Total program services	<u>287,131</u>	<u>-</u>	<u>-</u>	<u>287,131</u>
Support services:				
Accounting	4,600	-	-	4,600
Bank service charges	86	-	-	86
Bookkeeping / Office administration	1,500	-	-	1,500
Consultants	5,045	-	-	5,045
Conference and travel	2,468	-	-	2,468
Dues and subscriptions	2,095	-	-	2,095
General manager	24,700	-	-	24,700
Insurance	425	-	-	425
Interest expense	63	-	-	63
Licenses and fees	15	-	-	15
Office supplies and postage	1,065	-	-	1,065
Printing and copying	243	-	-	243
Rent and utilities	6,232	-	-	6,232
Telephone and internet	832	-	-	832
Other support services	<u>2,485</u>	<u>-</u>	<u>-</u>	<u>2,485</u>
Total support services	<u>51,854</u>	<u>-</u>	<u>-</u>	<u>51,854</u>
Total expenses	<u>\$ 338,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,985</u>

See Accompanying Accountant's Review Report and Notes to Financial Statements.

LEXINGTON SYMPHONY, INC.

NOTES TO CORRECTED FINANCIAL STATEMENTS JUNE 30, 2012

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. **Organization**

Lexington Symphony, Inc. (the "Organization") was founded in 1995 by a group of dedicated professional musicians and supporters, and incorporated as a charitable organization under the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts. The Organization is a nonprofit organization as described in §501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

2. **Nature of Activities**

The mission of Lexington Symphony, Inc. is to produce high-quality classical music performances that attract an ever-growing audience from Lexington, Massachusetts and surrounding communities. Passionate about educating the next generation about classical music, the Symphony presents a workshop and concert for children, and offers an educational outreach program for third and fourth graders. Working to make classical music accessible to all, Lexington Symphony offers outreach programs that serve all ages, provides tickets at affordable prices, and presents exciting concert experiences that audiences love. Orchestra members work with community members in all aspects of the organization, and it is this energetic collaboration between musicians, community, and conductor that makes Lexington Symphony special.

3. **Basis of Presentation**

The Organization prepares its financial statements utilizing the accrual method of accounting in accordance with generally accepted accounting principles adapted in the United States of America (US GAAP).

4. **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

LEXINGTON SYMPHONY, INC.

NOTES TO CORRECTED FINANCIAL STATEMENTS JUNE 30, 2012

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(cont'd.)*

5. **Net Assets**

The financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117 (ASC 958-205), "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, an organization's net assets (excess of its assets over its liabilities) and its revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that neither expire by actions of the Organization nor the passage of time.

SFAS No. 117 also requires that the amounts for each of the three classes of net assets – unrestricted, temporarily restricted, and permanently restricted – be displayed in the Statement of Financial Position, and that the amounts of change in each of those classes of net assets be displayed in the Statement of Activities.

All revenues are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

6. **Net Assets Classifications for Endowment Funds**

Endowment funds are recorded in accordance with SFAS No. 117 (ASC 958-205). "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, donor-restricted endowment funds are recorded as Permanently Restricted Net Assets. Endowment funds contributed by the Organization, net income realized from such funds, and unrealized capital gains or (losses) are recorded as Unrestricted Net Assets.

LEXINGTON SYMPHONY, INC.

NOTES TO CORRECTED FINANCIAL STATEMENTS JUNE 30, 2012

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(cont'd.)*

7. **Endowment Investment and Spending Policies**

The Lexington Symphony Public Trusts Centennial Endowment Fund (the "Lexington Symphony Fund", or the "Fund") was established by the Lexington Symphony, Inc. in conjunction with the Town of Lexington's Trustees of Public Trusts (the "Trustees"). The Trustees hold and manage investments in the Fund at part of a common trust of more than 100 such funds that the Trustees administer for the benefit of various Town of Lexington agencies and employee groups. The Fund's investment policies are determined by the Trustees, and reevaluated from time to time.

Net income that the Fund earned each year may be used for general operating expenses of the Organization including, but not limited to, musician and staff compensation, facilities rental, and marketing and development expenses.

8. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers cash equivalents to include highly liquid investments with an original maturity of three months or less.

Lexington Symphony maintains cash accounts at various financial institutions and from time to time balances can exceed the federally insured limits. All cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC), up to a limit of \$250,000 per account. Balances at June 30, 2012 did not exceed the FDIC limit.

9. **Investments**

Investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Financial instruments are categorized into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Investments in debt and equity securities, mutual funds, government obligations, certificates of deposit are based on quoted market prices in active markets and are therefore classified within Level 1.

LEXINGTON SYMPHONY, INC.

NOTES TO CORRECTED FINANCIAL STATEMENTS JUNE 30, 2012

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(cont'd.)*

9. **Investments** *(cont'd.)*

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

10. **Property and Equipment**

Furniture, fixtures, equipment and leasehold improvements are stated at cost. Amounts of \$500 or more are capitalized. Depreciation is computed based on the useful life for each asset type using the straight-line method and the half-year convention.

11. **Contributions and Donor Restrictions**

The Organization reports contributions in accordance with SFAS No. 116 (ASC 958-605), "Accounting for Contributions Received and Contributions Made." Use-restricted contributions are reported as restricted support, if received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. Either temporarily or permanently restricted net assets are increased, as appropriate.

When donor restrictions expire, either by use of funds for the specified purpose or by expiration of time restrictions, temporarily restricted net assets are reclassified as unrestricted and reported in the statement of activities as net assets released from restrictions.

12. **Donated Services**

The accompanying financial statements include no amounts for the substantial amounts of donated services performed by both directors and volunteers to the Organization, as there is no objective method available to calculate the value of these services. These services include fundraising, program development, marketing, outreach and management.

13. **Deferred Revenue**

Income from ticket sales is recognized in the fiscal year in which the related concert performance occurs. Sponsorships, donations and advertising receive for future concert performances are reported as deferred sponsorships, donations and advertising.

LEXINGTON SYMPHONY, INC.

NOTES TO CORRECTED FINANCIAL STATEMENTS JUNE 30, 2012

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(cont'd.)*

14. **Allocation of Expenses**

The Organization allocates general expenses to the program services from management and general expenses, utilizing best estimates and judgments as to how programs and supporting services benefited from such expenses.

15. **Uncertain Tax Positions**

Lexington Symphony, Inc. files informational income tax returns with the United States Treasury and the Commonwealth of Massachusetts. In accordance with FASB Interpretation No. (FIN) 48 (ASC-740), "Accounting for Uncertainty in Income Taxes", with few exceptions, the organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to the fiscal year ended June 30, 2010.

16. **Subsequent Events**

Management has evaluated all subsequent events through February 25, 2014, the date the financial statements were available to be issued, in accordance with SFAS No. 165 (ASC-855), "Subsequent Events".

B. **COMPENSATED ABSENCES**

As the Organization has no employees, compensated absences for vacation, sick pay and personal time have not been accrued.

C. **DONOR-DESIGNATED GRANTS**

The Organization has received grants from various foundations, charitable trusts and governmental units to conduct its performances, outreach and educational activities. The terms of some of the grants may require such funds to be segregated from other Organization funds.

E. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily Restricted Net Assets were \$0 at June 30, 2012.

F. **PERMANENTLY RESTRICTED NET ASSETS**

Permanently Restricted Net Assets were \$10,000 at June 30, 2012.

LEXINGTON SYMPHONY, INC.

NOTES TO CORRECTED FINANCIAL STATEMENTS JUNE 30, 2012

G. **ENDOWMENT**

Lexington Symphony, Inc. in conjunction with the Town of Lexington's Trustees of Public Trusts (the "Trustees") agreed to establish the Lexington Symphony Public Trusts Centennial Endowment Fund (the "Lexington Symphony Fund", or the "Fund") on June 14, 2010 in honor of the Trustees' 100th Anniversary. The purpose of the Fund is to provide income to supplement the costs associated with the operation of the Lexington Symphony.

The Fund was established by a \$10,000 donation from the Trustees, and a \$10,000 donation from the Lexington Symphony. The Trustees' donation was recorded as a Permanently Restricted Net Asset. The Organization's donation was recorded as a Board Designated Fund within Unrestricted Net Assets. Net income earned by the Fund, and unrealized capital gains (losses) reported by the Fund, are recorded as Board Designated Funds within Unrestricted Net Assets.

The Trustees hold and manage investments in the Fund at part of a common trust of more than 100 such funds that the Trustees administer for the benefit of various Town of Lexington agencies and employee groups.

Under the terms of the Fund agreement, three-quarters of the net income that the Fund earned each year may be paid to the Organization, pending a majority vote by the Board of Directors of the Lexington Symphony to request such a payment. These funds may be used for general operating expenses of the Organization including, but not limited to, musician and staff compensation, facilities rental, and marketing and development expenses.

The remaining one-quarter of the net income that the Fund earned each year would be added to the principal invested in the Fund. In addition, any amount of net income not requested pursuant to the terms of the above paragraph shall also be added to the principal invested in the Fund.

Principal and any accrued net income may be withdrawn from the Fund by the Organization, pending a two-thirds majority vote by the Board of Directors of the Lexington Symphony to authorize such a withdrawal, provided, however that at no such time shall such a withdrawal cause the principal amount of the Fund to be less than \$10,000.

The Organization did not make a request for payment of principal or net income from the Trustees during FY2012.

The Fund reported net income of \$1,603 and an unrealized capital loss of \$(368) at June 30, 2012.

The Fair Market Value of the Fund was \$24,546 at June 30, 2012.

LEXINGTON SYMPHONY, INC.

NOTES TO CORRECTED FINANCIAL STATEMENTS JUNE 30, 2012

G. **COMMITMENTS AND CONTINGENCIES**

1. **Office Lease**

The Organization incurred a lease obligation to rent an administrative office beginning November 1, 2010 through June 30, 2011 at a rate of \$500 per month. The Organization exercised its option to renew the lease through June 30, 2012 at substantially the same terms. The Organization has the option to renew the lease through June 30, 2013 at a rate of \$525 per month.