

River Oaks Chamber Orchestra

Financial Statements
and Independent Auditors' Report
for the year ended June 30, 2016

River Oaks Chamber Orchestra

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Independent Auditors' Report

To the Board of Directors of
River Oaks Chamber Orchestra:

We have audited the accompanying financial statements of River Oaks Chamber Orchestra, which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility – Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion – In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River Oaks Chamber Orchestra as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

October 3, 2016

River Oaks Chamber Orchestra

Statement of Financial Position as of June 30, 2016

ASSETS

Cash	\$	195,603
Prepaid expenses		19,235
Pledges receivable		55,680
Property, net (<i>Note 2</i>)		<u>29,372</u>
TOTAL ASSETS	\$	<u>299,890</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$	42,600
Deferred revenue		<u>3,821</u>
Total liabilities		<u>46,421</u>
Commitments (<i>Note 3</i>)		
Net assets:		
Unrestricted		53,369
Temporarily restricted		<u>200,100</u>
Total net assets		<u>253,469</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>299,890</u>

See accompanying notes to financial statements.

River Oaks Chamber Orchestra

Statement of Activities for the year ended June 30, 2016

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 537,819	\$ 200,100	\$ 737,919
Special events	162,200		162,200
Direct donor benefits	(29,719)		(29,719)
Ticket sales	75,860		75,860
Other income	16,250		16,250
	<hr/>	<hr/>	<hr/>
Total revenue	762,410	200,100	962,510
Net assets released from restrictions:			
Expiration of time restriction	<hr/>	<hr/>	<hr/>
	240,836	(240,836)	
Total	<hr/>	<hr/>	<hr/>
	1,003,246	(40,736)	962,510
EXPENSES:			
Program	593,464		593,464
Supporting services:			
Management and general	149,326		149,326
Fundraising	182,093		182,093
	<hr/>		<hr/>
Total expenses	924,883		924,883
CHANGES IN NET ASSETS			
	78,363	(40,736)	37,627
Net assets, beginning of year	<hr/>	<hr/>	<hr/>
	(24,994)	240,836	215,842
Net assets, end of year	<hr/>	<hr/>	<hr/>
	\$ 53,369	\$ 200,100	\$ 253,469

See accompanying notes to financial statements.

River Oaks Chamber Orchestra

Statement of Functional Expenses for the year ended June 30, 2016

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 125,463	\$ 46,795	\$ 139,716	\$ 311,974
Artistic performance fees	291,829			291,829
Occupancy	35,716	6,473	4,464	46,653
Advertising		40,876		40,876
Professional fees	10,271	22,920	1,186	34,377
Travel	33,013	970		33,983
Conferences, meetings and entertainment	4,713	2,716	24,365	31,794
Production fees	29,715			29,715
Printing and reproduction	18,231	5,233	4,646	28,110
Music commissions and fees	26,129			26,129
Depreciation	7,036	4,001	2,759	13,796
Bank and merchant fees		11,943		11,943
Supplies	4,675	3,272	2,340	10,287
Information technology	4,405	2,837	1,728	8,970
Insurance	<u>2,268</u>	<u>1,290</u>	<u>889</u>	<u>4,447</u>
Total expenses	<u>\$ 593,464</u>	<u>\$ 149,326</u>	<u>\$ 182,093</u>	924,883
Direct donor benefits				<u>29,719</u>
Total				<u>\$ 954,602</u>

See accompanying notes to financial statements.

River Oaks Chamber Orchestra

Statement of Cash Flows for the year ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ 37,627
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	13,796
Changes in operating assets and liabilities:	
Prepaid expenses	(14,974)
Pledges receivable	(37,625)
Accounts payable and accrued expenses	16,942
Deferred revenue	<u>(9,014)</u>
Net cash provided by operating activities	<u>6,752</u>
NET CHANGE IN CASH	6,752
Cash, beginning of year	<u>188,851</u>
Cash, end of year	<u>\$ 195,603</u>

See accompanying notes to financial statements.

River Oaks Chamber Orchestra

Notes to Financial Statements for the year ended June 30, 2016

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – River Oaks Chamber Orchestra (ROCO) was incorporated under the laws of the State of Texas in 2005 for charitable purposes related to maintaining a symphony orchestra. The mission of ROCO is to shape the future of classical music through energizing, modernizing and personalizing the orchestral experience.

Federal income tax status – ROCO is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §170(b)(1)(A)(vi).

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows. At June 30, 2016, all pledges are expected to be collected within one year.

An allowance for uncollectible pledges is estimated based on management's periodic evaluation of outstanding pledges. It is possible that management's estimate regarding the collectability of these balances will change in the the near term resulting in a change in the carrying value of the pledges receivable.

Property with a cost of at least \$500 and a useful life of at least 3 years is reported at cost. Donations of property are reported at estimated fair value at the date of gift. Depreciation is reported on a straight-line basis over estimated useful lives of 3 to 15 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation. Donor-restricted contributions that are received and expended in the same year are classified as unrestricted.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets. At June 30, 2016, temporarily restricted net assets are all restricted for the next season.

Contributions – Contributions, including government grants, are recognized as revenue at fair value when an unconditional commitment is received from the donor. Generally, contributions received with donor restrictions that limit their use are recorded as temporarily restricted contributions. Restricted contributions whose purpose is met in the same reporting period are reported as unrestricted contributions and increase unrestricted net assets. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Donated services and materials are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is

used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No donated services or materials were recorded for the year ended June 30, 2016.

Revenue from ticket sales is recognized when the performance occurs. Amounts received but unearned are included in the statement of financial position as deferred revenue. Program costs related to future seasons are deferred as prepaid expenses when incurred and charged to expense when the performances are conducted.

Advertising costs are expensed as incurred, except for expenditures directly related to future seasons, which are recorded as prepaid expenses.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – PROPERTY

Property at June 30, 2016 is comprised of the following:

Website	\$ 41,060
Furniture and equipment	11,492
Leasehold improvements	<u>1,642</u>
Total property, at cost	54,194
Accumulated depreciation	<u>(24,822)</u>
Property, net	<u>\$ 29,372</u>

NOTE 3 – COMMITMENTS

Line of Credit – ROCO has a line of credit with a bank in the amount of \$100,000 that expires on October 26, 2016. There are no amounts outstanding under the line at June 30, 2016 and there were no draws on this line during the year.

Contract Commitments – ROCO has entered into artistic contacts for the 2016 season that total approximately \$50,000 as of June 30, 2016.

NOTE 4 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 3, 2016, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.