

CHAMBER MUSIC RALEIGH, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

MADDISON & CAISON, LLP
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA

Independent Auditor's Report

To the Board of Directors
Chamber Music Raleigh, Inc.
Raleigh, North Carolina

We have audited the accompanying statements of financial position of Chamber Music Raleigh, Inc. as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's 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 consolidated 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 Chamber Music Raleigh, Inc., as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Maddison & Carson, LLP

Raleigh, North Carolina
December 13, 2018

CHAMBER MUSIC RALEIGH, INC.
STATEMENTS OF FINANCIAL POSITION

	Year Ended June 30, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 22,460	\$ -	\$ -	\$ 22,460
Marketable securities	3,327	-	-	3,327
Grants receivable	3,365	14,771	-	18,136
Total current assets	<u>29,152</u>	<u>14,771</u>	<u>-</u>	<u>43,923</u>
Other assets				
Cash and cash equivalents	-	-	3,671	3,671
Marketable securities	-	-	223,578	223,578
Total non-current assets	<u>-</u>	<u>-</u>	<u>227,249</u>	<u>227,249</u>
Fixed assets				
Equipment	3,380	-	-	3,380
Less accumulated depreciation	<u>(3,380)</u>	<u>-</u>	<u>-</u>	<u>(3,380)</u>
Total fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 29,152</u></u>	<u><u>\$ 14,771</u></u>	<u><u>\$ 227,249</u></u>	<u><u>\$ 271,172</u></u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 770	\$ -	\$ -	\$ 770
Payroll liabilities	1,185	-	-	1,185
Total current liabilities	<u>1,955</u>	<u>-</u>	<u>-</u>	<u>1,955</u>
Net assets				
Operating	23,708	14,771	-	38,479
Guild Trust	3,489	-	-	3,489
Winston Trust	-	-	104,515	104,515
Endowment Fund	-	-	122,734	122,734
Total net assets	<u>27,197</u>	<u>14,771</u>	<u>227,249</u>	<u>269,217</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 29,152</u></u>	<u><u>\$ 14,771</u></u>	<u><u>\$ 227,249</u></u>	<u><u>\$ 271,172</u></u>

See accompanying accountant's report.
See accompanying notes to financial statements.

Year Ended June 30, 2017

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 31,818	\$ -	\$ -	\$ 31,818
11,431	-	-	11,431
4,999	20,187	-	25,186
<u>48,248</u>	<u>20,187</u>	<u>-</u>	<u>68,435</u>
-	-	3,645	3,645
-	-	214,570	214,570
<u>-</u>	<u>-</u>	<u>218,215</u>	<u>218,215</u>
3,380	-	-	3,380
(3,142)	-	-	(3,142)
<u>238</u>	<u>-</u>	<u>-</u>	<u>238</u>
<u>\$ 48,486</u>	<u>\$ 20,187</u>	<u>\$ 218,215</u>	<u>\$ 286,888</u>
\$ 558	\$ -	\$ -	\$ 558
684	-	-	684
<u>1,242</u>	<u>-</u>	<u>-</u>	<u>1,242</u>
23,118	20,187	-	43,305
24,126	-	-	24,126
-	-	100,455	100,455
-	-	117,760	117,760
<u>47,244</u>	<u>20,187</u>	<u>218,215</u>	<u>285,646</u>
<u>\$ 48,486</u>	<u>\$ 20,187</u>	<u>\$ 218,215</u>	<u>\$ 286,888</u>

CHAMBER MUSIC RALEIGH, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenues				
Season tickets	\$ 4,050	\$ -	\$ -	\$ 4,050
Admissions	18,484	-	-	18,484
Contributions/corporate sponsorships	37,710	-	-	37,710
Grants	-	14,771	-	14,771
Interest and dividends	143	-	10,042	10,185
Realized gain (loss) on securities	329	-	4,327	4,656
Unrealized gain (loss) on securities	(41)	-	342	301
Advertising	3,015	-	-	3,015
Total support and revenues	<u>63,690</u>	<u>14,771</u>	<u>14,711</u>	<u>93,172</u>
Net assets released from restrictions	<u>24,187</u>	<u>(20,187)</u>	<u>(4,000)</u>	<u>-</u>
Total support and revenues after releases from restrictions	<u>87,877</u>	<u>(5,416)</u>	<u>10,711</u>	<u>93,172</u>
Expenses				
Program expenses	85,831	-	-	85,831
General and administrative expenses	19,315	-	1,677	20,992
Fundraising expenses	2,778	-	-	2,778
Total expenses	<u>107,924</u>	<u>-</u>	<u>1,677</u>	<u>109,601</u>
Change in net assets	(20,047)	(5,416)	9,034	(16,429)
Net assets, beginning of year	<u>47,244</u>	<u>20,187</u>	<u>218,215</u>	<u>285,646</u>
Net assets, end of year	<u>\$ 27,197</u>	<u>\$ 14,771</u>	<u>\$ 227,249</u>	<u>\$ 269,217</u>

See accompanying accountant's report.
See accompanying notes to financial statements.

Year Ended June 30, 2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 4,090	\$ -	\$ -	\$ 4,090
8,625	-	-	8,625
33,350	-	-	33,350
2,724	20,187	-	22,911
106	-	9,023	9,129
(4)	-	6,570	6,566
131	-	8,908	9,039
1,900	-	-	1,900
<u>50,922</u>	<u>20,187</u>	<u>24,501</u>	<u>95,610</u>
55,100	(23,100)	(32,000)	-
<u>106,022</u>	<u>(2,913)</u>	<u>(7,499)</u>	<u>95,610</u>
56,110	-	-	56,110
14,489	-	1,571	16,060
1,129	-	-	1,129
<u>71,728</u>	<u>-</u>	<u>1,571</u>	<u>73,299</u>
34,294	(2,913)	(9,070)	22,311
<u>12,950</u>	<u>23,100</u>	<u>227,285</u>	<u>263,335</u>
<u>\$ 47,244</u>	<u>\$ 20,187</u>	<u>\$ 218,215</u>	<u>\$ 285,646</u>

CHAMBER MUSIC RALEIGH, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2018	2017
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (16,429)	\$ 22,311
Adjustments to reconcile change in net assets to cash used for operating activities:		
Depreciation	237	376
Realized gain on marketable securities	(4,656)	(6,566)
Unrealized gain on marketable securities	(301)	(9,039)
Changes in operating assets and liabilities		
Grants receivable	7,050	(2,380)
Accounts payable	212	(139)
Payroll liabilities	501	(248)
	(13,386)	4,315
Net cash provided by (used for) operating activities		
Cash flows from investing activities		
Purchases of marketable securities	(41,417)	(47,467)
Proceeds from sale of marketable securities	45,471	60,335
	4,054	12,868
Net cash provided by investing activities		
Increase (decrease) in cash or cash equivalents	(9,332)	17,183
Cash or cash equivalents, beginning of year	35,463	18,280
Cash or cash equivalents, end of year	\$ 26,131	\$ 35,463
 <u>Reconciliation of cash and cash equivalents:</u>		
Cash available for operations	\$ 22,460	\$ 31,818
Cash in endowments	3,671	3,645
	\$ 26,131	\$ 35,463

See accompanying accountant's report.
See accompanying notes to financial statements.

CHAMBER MUSIC RALEIGH, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2018			
	Program	General & Administrative	Fundraising	Total
Salaries and benefits	\$ 22,606	\$ 5,652	\$ -	\$ 28,258
Contracted services	52,274	-	-	52,274
Office rent	-	1,807	-	1,807
Public relations/marketing	6,870	-	2,778	9,648
Postage	589	-	-	589
Telephone	144	144	-	288
Office supplies/expense	-	3,120	-	3,120
Printing	-	2,066	-	2,066
Insurance	-	1,964	-	1,964
Special events	-	-	-	-
Dues	-	981	-	981
Audit fee	-	2,896	-	2,896
Credit card fees	-	340	-	340
Investment fees	-	1,746	-	1,746
Depreciation	-	237	-	237
Travel	3,348	-	-	3,348
Interest	-	16	-	16
Other	-	23	-	23
	\$ 85,831	\$ 20,992	\$ 2,778	\$ 109,601
Total expenses	\$ 85,831	\$ 20,992	\$ 2,778	\$ 109,601

See accompanying accountant's report.
See accompanying notes to financial statements.

Year Ended June 30, 2017

Program	General & Administrative	Fundraising	Total
\$ 15,789	\$ 3,947	\$ -	\$ 19,736
33,550	-	-	33,550
-	1,679	-	1,679
5,630	-	-	5,630
314	-	-	314
123	123	-	246
50	987	-	1,037
-	1,633	-	1,633
-	1,899	-	1,899
-	-	1,129	1,129
-	470	-	470
-	2,869	-	2,869
-	435	-	435
-	1,618	-	1,618
-	376	-	376
654	-	-	654
-	-	-	-
-	24	-	24
\$ 56,110	\$ 16,060	\$ 1,129	\$ 73,299

CHAMBER MUSIC RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies

Chamber Music Raleigh, Inc. (the "Organization") was formed in 1941 to promote the public interest in chamber music through concerts, workshops, and other programs. The Organization was incorporated in 1971 as a non-profit corporation exempt from income taxes under Internal Revenue Code Section 501(c)(3). During the fall of 2015 the Board formally changed the name of the Organization from the Raleigh Chamber Music Guild, Inc. to Chamber Music Raleigh, Inc.

The Organization prepares its financial statements in accordance with Statement of Financial Accounting Standards "Accounting for Contributions Received and Contributions Made" and "Financial Statements for Not-For-Profit Organizations." Under these provisions, net assets, revenues, and expenses 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 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 cannot be released from restriction.

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and equipment of \$500 or more is recorded at cost when purchased or at fair market value on date of donation if donated and depreciation is calculated using the straight-line method over the estimated life of the asset, typically five years.

All contributions are considered to be for unrestricted purposes unless specifically restricted by the donor. Restricted contributions whose restrictions are satisfied within the reporting period are treated as unrestricted contributions.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between programs and general and administrative expenses as shown on the statements of functional expenses.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHAMBER MUSIC RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 2 – Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Organization maintains deposits at a local financial institution and in bank deposit accounts with a brokerage firm that are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per institution. As of June 30, 2018, the Organization had no amounts on deposit in excess of FDIC limitations. Management believes there is minimal risk regarding its cash and cash equivalents.

Cash is comprised of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Operating cash	\$ 22,298	\$ 19,123
Cash - Guild Trust	162	12,695
Cash - Winston Trust	1,666	1,407
Cash - Endowment	2,005	2,238
	<u>\$ 26,131</u>	<u>\$ 35,463</u>

Note 3 – Guild Trust

The Guild Trust, an investment account designated by the Board for future operations, is comprised of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash	\$ 162	\$ 12,695
Mutual funds	3,327	11,431
	<u>\$ 3,489</u>	<u>\$ 24,126</u>

Mutual funds held in the Guild Trust are stated at fair value and realized and unrealized gains and losses are reflected in the statements of activities. Cost basis and cumulative unrealized gain (loss) for these mutual funds are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cost basis	\$ 3,287	\$ 11,350
Unrealized gain	40	81
Fair market value	<u>\$ 3,327</u>	<u>\$ 11,431</u>

CHAMBER MUSIC RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 4 - Permanently Restricted Net Assets

In 1985, the Ellen Winston Concert Trust was established with a donation of one-twentieth share of the estate of Ellen Winston. The decedent's will provided that income from the donation should be used for the support of at least one concert sponsored by the Organization each season. The donated funds are kept in a separate account, and annually, a portion of investment earnings and capital appreciation are transferred to the Organization's operating fund by an action of the Board.

In 2000, the Board established an endowment fund ("Endowment") to allow donors to make contributions for the purpose of securing the future of the Organization and to support its efforts to perpetuate the chamber music form by providing an income stream from the yield of the corpus to promote the charitable and education purposes of Chamber Music Raleigh. The Endowment is kept in a separate trust and, annually, a portion of investment earnings and capital appreciation are transferred to the Organization's operating fund by an action of the Board.

Permanently restricted net assets are comprised of the following as of June 30, 2018:

	<u>Winston Trust</u>	<u>Endowment</u>	<u>Total</u>
Cash	\$ 1,666	\$ 2,005	\$ 3,671
Mutual funds	102,849	120,729	223,578
	<u>\$ 104,515</u>	<u>\$ 122,734</u>	<u>\$ 227,249</u>

Permanently restricted net assets are comprised of the following as of June 30, 2017:

	<u>Winston Trust</u>	<u>Endowment</u>	<u>Total</u>
Cash	\$ 1,407	\$ 2,238	\$ 3,645
Mutual funds	99,048	115,522	214,570
	<u>\$ 100,455</u>	<u>\$ 117,760</u>	<u>\$ 218,215</u>

Cost basis and unrealized gains for the Winston Trust and Endowment are as follows as of June 30, 2018:

	<u>Cost Basis</u>	<u>Unrealized Gain</u>	<u>Fair Market Value</u>
Winston Trust	\$ 91,043	\$ 13,472	\$ 104,515
Endowment	107,423	15,311	122,734
	<u>\$ 198,466</u>	<u>\$ 28,783</u>	<u>\$ 227,249</u>

CHAMBER MUSIC RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 4 – Permanently Restricted Net Assets (continued)

Cost basis and unrealized gains for the Winston Trust and Endowment are as follows as of June 30, 2017:

	<u>Cost Basis</u>	<u>Unrealized Gain</u>	<u>Fair Market Value</u>
Winston Trust	\$ 85,184	\$ 15,271	\$ 100,455
Endowment	100,990	16,770	117,760
	<u>\$ 186,174</u>	<u>\$ 32,041</u>	<u>\$ 218,215</u>

The Organization follows the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which sets out guidelines to be considered when managing and investing donor-restricted endowment funds. UPMIFA permits a nonprofit organization to appropriate investment income and appreciation on endowment funds for operations in absence of donor restrictions. In addition, the Organization’s policy is intended to allow for sufficient flexibility in the management process to capture investment opportunities, yet provide parameters that will ensure prudence and care in the execution of the investment program.

Note 5 – Fair Value Measurements

The Financial Accounting Standards Board (“FASB”) has issued an accounting standard related to fair value measurements. This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement establishes a fair value hierarchy regarding the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. It defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

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 a company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

CHAMBER MUSIC RALEIGH, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

Note 5 – Fair Value Measurements (continued)

The Organization has adopted this standard. The following is a description of the Organization's valuation methodologies used to measure and disclose the fair values of its financial assets and liabilities on a recurring or nonrecurring basis:

Money markets: Valued at the quoted market price of shares held by the plan at year-end.

Mutual funds: Valued at the quoted market price of shares held by the plan at year-end.

The carrying amounts of cash and cash equivalents, accounts receivable, grants receivable, prepaid expenses, and accounts payable all approximate their fair values.

All assets reflected on the statements of financial position are Level 1 assets. A summary of these assets is contained in Notes 3 and 4.

Note 6 – Uncertain Tax Positions

The Organization adopted the standard codified as FASB ASC 740-10 that prescribes when to measure and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken on its tax returns. This standard requires management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. The Organization believes its tax positions as of June 30, 2018 and 2017 exceed the "more likely than not" standard set by FASB ASC 740-10. Consequently, it has not recorded a liability for any potentially imposed taxes or any unallowed tax benefits. Tax years ending June 30, 2015, 2016, and 2017 remain open to examination by state and federal taxing authorities.

Note 7 – Subsequent Events Review

Subsequent events are defined as events or transactions that occur after the statement of financial position date but before the consolidated financial statements are issued or are available to be issued. Management has evaluated subsequent events through December 13, 2018, the date on which the financial statements were available to be issued.