

**NEW JERSEY SYMPHONY ORCHESTRA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2014 AND 2013**

# **NEW JERSEY SYMPHONY ORCHESTRA**

**JUNE 30, 2014 AND 2013**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
New Jersey Symphony Orchestra  
Newark, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of New Jersey Symphony Orchestra (a nonprofit organization) ("Organization") as of June 30, 2014 and 2013, the related statements of activities and changes in net assets, 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.

### **Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 auditors consider internal control relevant to the Organization'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 Organization'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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014 and 2013, 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.

**Other Matters**

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements of New Jersey Symphony Orchestra taken as a whole. The accompanying schedule of expenditures of state awards (page 22), and note to the schedule (page 23), are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular Letter 04-04, and are 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The accompanying schedule of functional expenses (page 21), which is “unaudited” and the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked “unaudited” has not been subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014, on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the Organization's 2013 financial statements, and our report, dated October 16, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Sobel & Co., LLC*

Certified Public Accountants

Livingston, New Jersey  
September 23, 2014

**NEW JERSEY SYMPHONY ORCHESTRA**  
**STATEMENTS OF FINANCIAL POSITION**

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<b>ASSETS</b>	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 540,000	\$ 457,000
Restricted cash and investments	11,626,000	10,648,000
Grants receivable	279,000	168,000
Unconditional promises to give, net	4,049,000	3,412,000
Prepaid expenses	202,000	214,000
Other receivables	176,000	140,000
Property and equipment, net	101,000	106,000
Music library, less accumulated amortization of \$376,000 and \$362,000	125,000	136,000
Funds held in trust	93,000	83,000
	<u>\$ 17,191,000</u>	<u>\$ 15,364,000</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Accounts payable and accrued expenses	\$ 1,241,000	\$ 1,279,000
Deferred revenue	1,630,000	1,640,000
Total Liabilities	<u>2,871,000</u>	<u>2,919,000</u>

**COMMITMENTS AND CONTINGENCIES**

**NET ASSETS:**

Unrestricted	(5,244,000)	(6,349,000)
Temporarily restricted	3,132,000	2,448,000
Permanently restricted	16,432,000	16,346,000
Total Net Assets	<u>14,320,000</u>	<u>12,445,000</u>
	<u>\$ 17,191,000</u>	<u>\$ 15,364,000</u>

**NEW JERSEY SYMPHONY ORCHESTRA**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended June 30, 2014				Year Ended June 30, 2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Changes in Unrestricted Net Assets:</b>					
Operating Revenues:					
Performance revenue	\$ 3,470,000	\$ -	\$ -	\$ 3,470,000	\$ 3,653,000
Other revenue	18,000	-	-	18,000	42,000
Total Operating Revenues	3,488,000	-	-	3,488,000	3,695,000
Operating Expenses and Supporting Services:					
Program costs	9,179,000	-	-	9,179,000	9,204,000
General and administrative	1,447,000	-	-	1,447,000	1,293,000
Total Operating Expenses	10,626,000	-	-	10,626,000	10,497,000
Loss from Operations	(7,138,000)	-	-	(7,138,000)	(6,802,000)
Supplemental Income:					
Government grants	1,117,000	-	-	1,117,000	1,117,000
Gain related to sale/valuation of instrument	-	-	-	-	924,000
Loss related to disposal of fixed assets	(1,000)	-	-	(1,000)	-
Interest and dividend income	-	101,000	-	101,000	150,000
Realized gain on investments	-	808,000	-	808,000	213,000
Unrealized gain on investments	-	944,000	-	944,000	1,007,000
Donated materials, facilities and services	333,000	-	-	333,000	362,000
	1,449,000	1,853,000	-	3,302,000	3,773,000
Fundraising:					
Annual giving	4,813,000	2,193,000	-	7,006,000	3,668,000
Endowment contributions	-	-	86,000	86,000	282,000
Special events	770,000	-	-	770,000	650,000
Net assets released from restrictions	3,362,000	(3,362,000)	-	-	-
	8,945,000	(1,169,000)	86,000	7,862,000	4,600,000
Fundraising expenses	2,151,000	-	-	2,151,000	2,177,000
Fundraising, Net	6,794,000	(1,169,000)	86,000	5,711,000	2,423,000
Supplemental Income, Net	8,243,000	684,000	86,000	9,013,000	6,196,000
Changes in Net Assets	1,105,000	684,000	86,000	1,875,000	(606,000)
Net Assets - Beginning of year	(6,349,000)	2,448,000	16,346,000	12,445,000	13,051,000
Net Assets - End of year	\$ (5,244,000)	\$ 3,132,000	\$ 16,432,000	\$ 14,320,000	\$ 12,445,000

**NEW JERSEY SYMPHONY ORCHESTRA**  
**STATEMENTS OF CASH FLOWS**

	<b>Year Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<b><u>OPERATING ACTIVITIES:</u></b>		
Changes in net assets	\$ 1,875,000	\$ (606,000)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	36,000	40,000
Bad debt expense	41,000	58,000
Deferred rent	(21,000)	(5,000)
Investment gains:		
Realized	(808,000)	(213,000)
Unrealized	(944,000)	(1,007,000)
Loss related to sale of fixed asset	2,000	-
Funds held in trust	(10,000)	(10,000)
Changes in certain assets and liabilities:		
Grants receivable	(111,000)	-
Unconditional promises to give	(678,000)	2,275,000
Prepaid expenses	12,000	66,000
Other receivables	(36,000)	131,000
Accounts payable and accrued expenses	(17,000)	18,000
Deferred revenue	(10,000)	(343,000)
Net Cash (Used for) Provided by Operating Activities	<u>(669,000)</u>	<u>404,000</u>
<b><u>INVESTING ACTIVITIES:</u></b>		
Payments for purchase of property and equipment and music library	(22,000)	(68,000)
Sale of investments	1,955,528	2,034,000
Purchase of investments	(1,181,528)	(2,497,000)
Net Cash Provided by (Used for) Investing Activities	<u>752,000</u>	<u>(531,000)</u>
<b><u>FINANCING ACTIVITIES:</u></b>		
Beneficial interest in perpetual trust held by others	<u>-</u>	<u>37,000</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>83,000</b>	<b>(90,000)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	<u>457,000</u>	<u>547,000</u>
End of year	<u><u>\$ 540,000</u></u>	<u><u>\$ 457,000</u></u>



**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 1 - NATURE OF ORGANIZATION:**

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New Jersey Symphony Orchestra ("NJSO" or "Organization") is a New Jersey not-for-profit Organization whose purpose is to engage the public by performing classical music at the highest caliber in a variety of settings for diverse audiences.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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***Basis of Accounting:***

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Financial Statement Presentation:***

Net assets and revenues, 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 not subject to donor-imposed stipulations and currently available for use by the Organization's Board of Trustees.

**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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

**Permanently Restricted Net Assets**

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

***Cash Equivalents:***

NJSO considers all highly liquid debt instruments with an original maturity of less than three months to be cash equivalents.

***Restricted Cash and Investments:***

Restricted cash and investments have been either temporarily or permanently restricted by donors.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Fair Value:***

Fair value measurements are defined as the amount 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. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data.
- Level 3:** Valuations based on unobservable inputs are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

***Property and Equipment:***

Property and equipment is stated at cost or fair market value, at date of gift for donated assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from five to ten years.

***Music Library:***

NJSO's music library was valued by an independent appraiser and recorded at the resulting fair value due to a lack of historical cost information. Subsequent additions have been recorded at cost. Although the value of the library may increase, the applicable sheet music is subject to physical deterioration and, accordingly, is being depreciated over a 25-year period.

***Revenue Recognition:***

Revenues are recorded in the period of the applicable performance. Subscriptions received for subsequent concert seasons are recorded as deferred subscription revenue. Costs applicable to the generation of such revenue are included in prepaid expenses and are amortized over the subsequent concert season. Grant income is recognized in the fiscal year earned. Additionally, contributions and other income are recognized as revenue when the contributions are given.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Deferred Rent:***

The Organization recognizes rent expense on the straight-line basis for financial reporting purposes. The difference between cash payments and expenses are included in accounts payable and accrued expenses as deferred rent.

***Advertising:***

NJSO uses advertising to promote its programs among the audiences it serves and expenses them as incurred. Advertising expense for the years ended June 30, 2014 and 2013, was approximately \$514,000 and \$505,000, respectively.

***Restricted and Unrestricted Revenue:***

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted net assets are available for periods after June 30, 2014. Permanently restricted net assets are restricted to endowments to be held indefinitely, with no restriction on the use of income. NJSO has received permission from certain donors to borrow against permanently restricted net assets for operating purposes.

***Donated Materials, Facilities, and Services:***

Significant materials, facilities and services are donated to the Organization by various individuals and other organizations. Donated materials, facilities and services were \$333,000 and \$362,000, in 2014 and 2013, respectively, and are recorded at their estimated fair value at the date of donation, and have been included in revenue and expenses for the respective years.

***Uncollectible Pledges:***

The Organization charges off unconditional promises to give when they are determined to be uncollectible. During the years ended June 30, 2014 and 2013, the Organization determined that uncollectible amounts totaled approximately \$41,000 and \$58,000, respectively. Allowances are estimates based on management's evaluation of outstanding pledges and consideration of historical write-off activity. These unconditional promises to give were charged off as uncollectible pledges in the statements of activities and changes in net assets.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Investments:***

Investment income is presented net of investment advisory/management fees in the statements of activities and changes in net assets. All investment income is credited directly to unrestricted net assets unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor. All investments are carried at fair value with the related gains and losses included in the statements of activities and changes in net assets.

***Income Taxes:***

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2014 and 2013. The tax years subject to audit by federal and state jurisdictions are 2011, and forward. At June 30, 2014 and 2013, there are no significant income tax uncertainties.

***Use of Estimates:***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's best estimates and judgment. Actual results could differ from those estimates.

***Summarized Comparative Information:***

The financial statements include certain prior-year, summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

***Subsequent Events:***

The Organization has evaluated its subsequent events and transactions occurring after June 30, 2014 through September 23, 2014, the date that the financial statements were available to be issued.

**NOTE 3 - RESTRICTED CASH AND INVESTMENTS:**

Restricted cash and investments at fair value are summarized as follows:

<b>FAIR VALUE MEASUREMENTS AS OF JUNE 30, 2014</b>				
	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Restricted cash	\$ 46,000	\$ -	\$ -	\$ 46,000
Money market	2,007,000	-	-	2,007,000
Certificates of deposit	-	303,000	-	303,000
Mutual funds	9,270,000	-	-	9,270,000
Investments at Fair Value	\$ 11,323,000	\$ 303,000	\$ -	\$ 11,626,000

<b>FAIR VALUE MEASUREMENTS AS OF JUNE 30, 2013</b>				
	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Restricted cash	\$ 46,000	\$ -	\$ -	\$ 46,000
Money market	1,888,000	-	-	1,888,000
Certificates of deposit	-	287,000	-	287,000
Mutual funds	8,427,000	-	-	8,427,000
Investments at Fair Value	\$ 10,361,000	\$ 287,000	\$ -	\$ 10,648,000

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 3 - RESTRICTED CASH AND INVESTMENTS: (Continued)**

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Summary of mutual fund strategies is as follows:

	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
World stock	27 %	24 %
Large-cap growth	26 %	10 %
Large-cap blend	18 %	39 %
Mid-cap growth	11 %	20 %
Small growth	11 %	- %
Pacific/Asia ex-Japan stock	7 %	7 %
Total Mutual Funds	100 %	100 %

**NOTE 4 - UNCONDITIONAL PROMISES TO GIVE:**

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Unconditional promises to give are comprised of the following:

	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
Receivable in less than one year	\$ 2,025,000	\$ 531,000
Receivable in one to five years	2,027,000	2,391,000
Receivable in more than five years	400,000	800,000
	4,452,000	3,722,000
Less: Discounts to net present value	(210,000)	(131,000)
Less: Allowance for uncollectible promises	(193,000)	(179,000)
Unconditional Promises to Give, Net	\$ 4,049,000	\$ 3,412,000

Unconditional promises to give in more than one year are discounted at 1.75% and 1.20% at June 30, 2014 and 2013, respectively.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 5 - PROPERTY AND EQUIPMENT:**

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Property and equipment is as follows:

	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
Sound stage	\$ 396,000	\$ 396,000
Office equipment	160,000	157,000
Musical instruments	137,000	133,000
Scenery and props	84,000	84,000
Leasehold improvements	4,000	-
Furniture and other equipment	187,000	181,000
	<u>968,000</u>	<u>951,000</u>
Less: Accumulated depreciation and amortization	867,000	845,000
Property and Equipment, Net	<u>\$ 101,000</u>	<u>\$ 106,000</u>

**NOTE 6 - RETIREMENT PLANS:**

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**Defined-Benefit Multiemployer Pension Plan**

NJSO participates in a defined-benefit multiemployer pension plan with the American Federation of Musicians and Employers' Pension Fund ("Plan") covering all eligible musicians. The Plan covers all eligible employees in which the participant earns \$750 in covered earnings by an employer who is required to make contributions to the Plan. Pension expense for this Plan for the years ended June 30, 2014 and 2013, was approximately \$357,000 and \$352,000, respectively, included in employee benefits on the schedules of functional expenses.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 6 - RETIREMENT PLANS: (Continued)**

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The Plan is a multiemployer plan and the individual information for each employer is not available. The actuarial information for the Plan as of March 31, 2014, indicates that the Plan is in “critical” status, as defined in the Pension Protection Act of 2006, because the Plan’s actuary determined that the Plan is projected to have an accumulated funding deficiency over the next nine years due to a projected deficiency for the Plan year ending March 31, 2019. The assumed rate of return used in determining actuarial values to present accumulated benefits was 7.50%. The actuarial information stated that there was a change from the prior year in actuarial assumptions (change in mortality assumption table and the current liability interest rate), but no changes in treatment of actuarial gains and losses, cost methods, or amortization of past or prior service cost. The Entry Age Normal actuarial cost method is used in the actuarial valuation, amortization of gains and losses is over ten years; and the amortization of past or prior service cost is ten years.

The risks of participating in multiemployer pension plans are different from the risks of participating in single-employer pension plans in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan allocable to such withdrawing employer may be borne by the remaining participating employers.
- If NJSO stops participating in its multiemployer pension plan, NJSO may be required to pay the plan an amount based on its allocable share of the underfunded status of the Plan, referred to as a withdrawal liability.

NJSO’s participation in the Plan is outlined in the following table. The “EIN/Pension Plan Number” column provides the Employer Identification Number (“EIN”) and the three-digit pension plan number. The most recent “Pension Protection Act Zone Status” available in 2013 and 2012, is for the Plan’s year-end at March 31, 2013 and March 31, 2012, respectively, unless otherwise noted. Among other factors, generally, plans in the red zone are less than 65% funded, plans in the yellow zone are between 65% and 80% funded, and plans in the green zone are at least 80% funded. The “FIP/RP Status Pending/Implemented” column indicates plans for which a funding improvement plan (“FIP”) or a rehabilitation plan (“RP”) is either pending or has been implemented.



**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 - RETIREMENT PLANS: (Continued)**

<b>Pension Fund</b>	<b>EIN/Pension Plan Number</b>	<b>Pension Protection Act Zone</b>		<b>FIP/RP Status</b>	<b>Contributions for the Year Ended</b>		<b>Surcharge Imposed</b>
		<b>2013</b>	<b>2012</b>		<b>3/31/2013</b>	<b>3/31/2012</b>	
American Federation of Musicians and Employers' Pension Fund (1)	51-6120204	Critical as of 4/1/2010	Critical as of 4/1/2010	RP - Implemented	\$397,723	\$392,762	No

(1) The information for this fund was obtained from the Form 5500 filed for the Plan's year-end at March 31, 2013, and the notes to the March 31, 2013, consolidated financial statements.

**Noncontributory, Defined-contribution Plan**

NJSO has a noncontributory defined-contribution plan for its nonunion employees who have met the Plan's eligibility requirements. For the years ended June 30, 2014 and 2013, contributions amounted to approximately \$59,000 and \$52,000, respectively, included in employee benefits on the schedules of functional expenses.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES:**

***Musicians Agreement:***

The NJSO has a master labor agreement with the Musicians Guild of Essex County, Local #16, American Federation of Musicians and the Organization's Orchestra Committee. This agreement, effective from September 1, 2011 through August 31, 2015, guarantees the aggregate minimum for 76 contract musicians for the year ended June 30, 2014, at approximately \$2.5 million.

***Leases:***

NJSO has an operating lease for administrative office space. Monthly office rent payments range from approximately \$10,000 to \$22,000 through August 2017. Total office rent expense amounted to approximately \$284,000 and \$252,000 for the years ended June 30, 2014 and 2013, respectively.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 7 - COMMITMENTS AND CONTINGENCIES: (Continued)**

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Future minimum rental payments under the lease are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 234,000
2016	250,000
2017	265,000
2018	34,000
Total	<u>\$ 783,000</u>

Total rent expense for concert halls was approximately \$626,000 and \$637,000 for the years ended June 30, 2014 and 2013, respectively.

The Organization has various office equipment leases and an auto lease under operating leases that expire at various dates through 2017.

Future minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	
2015	\$ 45,000
2016	33,000
2017	6,000
Total	<u>\$ 84,000</u>

Total rent expense for the various equipment and auto leases was approximately \$46,000 and \$47,000 for the years ended June 30, 2014 and 2013, respectively.

***Employment Agreements:***

NJSO has entered into an agreement with the Music Director/Conductor for the period from September 1, 2009 through August 31, 2016. The agreement provides for subscription and music directorship program fees as approved by the Board of Trustees.

NJSO has also entered into an agreement with the President/Chief Executive Officer for the period from July 1, 2013 through June 30, 2016. The agreement provides for a base salary and additional benefits as approved by the Board of Trustees.

NJSO has the right to terminate the agreements at any time for cause, or if for reasons other than cause, upon notice of not less than three months.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 8 - SIGNIFICANT RISKS AND UNCERTAINTIES:**

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The Organization maintains its funds at financial institutions which, at times, may exceed federally insured limits.

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**NOTE 9 - CONDITIONAL PROMISES TO GIVE:**

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The Organization was named as a beneficiary of various revocable trusts, and as such, the grantors may rescind the promise to give at any time. Since these promises to give do not meet the criteria for revenue recognition they are not reflected as a contribution in the statements of activities and changes in net assets until the promise to give is collected or becomes irrevocable.

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**NOTE 10 - NEW JERSEY CULTURAL TRUST:**

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The Organization is a recipient of a grant from the New Jersey Cultural Trust ("NJCT"). The grant provides that contributions made to the Organization that are submitted to NJCT for matching funds, and that are certified by NJCT, are to be held in perpetuity in the endowment and classified as permanently restricted net assets. Additionally, the matching funds received by the Organization from the NJCT are to be classified as permanently restricted. To date, the Organization has submitted to NJCT for matching funds contributions totaling \$6,529,982, which have been certified by the NJCT.

During the years ended June 30, 2014 and 2013, the Organization received matching funds from the NJCT totaling \$33,333 and \$31,061, respectively. As of June 30, 2014, the Organization has received approximately \$1,190,312 of matching funds from the NJCT, and these matching funds are included in permanently restricted net assets.

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**NOTE 11 - ENDOWMENT FUNDS:**

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The Organization follows accounting standards that provide clarification on accounting for donor-restricted endowment funds. The guidance prescribes that the portion of donor-restricted endowment funds that are classified as permanently restricted should not be reduced by losses on the investment of the fund or an organization's appropriations from the fund.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 11 - ENDOWMENT FUNDS: (Continued)**

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The Board of Trustees' interpretation requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the program
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

The Board of Trustees' primary objective, in this regard, is to add value and minimize risk in managing the assets of the fund while providing a hedge against inflation into the future. It is the intent of the Board of Trustees to grow the endowment and utilize the total return (income plus capital change) to further the mission of the Organization. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market and performance cycles cannot be accurately predicted. The funds may be held in individual securities or mutual funds, may be comprised of domestic and international securities, and will be further diversified into asset classes by their market capitalization.

It is the policy of the Organization to spend, on an annual basis, a maximum of 3% of the average endowment balance over the prior 18 quarters. Interest is accumulated for funds spent at an average market rate which approximates 3% for the years ended June 30, 2014 and 2013.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 11 - ENDOWMENT FUNDS: (Continued)**

Endowment Net Asset Composition by Type of Fund is as follows as of June 30, 2014:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted Endowment Funds	\$ (3,685,000)	\$ -	\$ 16,432,000	\$ 12,747,000

Changes in Endowment Net Assets, including Board-designated Funds for the year ended June 30, 2014:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, Beginning of year	\$ (4,516,000)	\$ -	\$ 16,346,000	\$ 11,830,000
Investment Return:				
Investment income	-	101,000	-	101,000
Net appreciation (realized and unrealized)	-	1,752,000	-	1,752,000
Investment Gain, Net	-	1,853,000	-	1,853,000
Contributions	-	-	86,000	86,000
Appropriation for expenditure	831,000	(1,853,000)	-	(1,022,000)
Endowment Net Assets, End of year	\$ (3,685,000)	\$ -	\$ 16,432,000	\$ 12,747,000

Endowment Net Asset Composition by Type of Fund is as follows as of June 30, 2013:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted Endowment Funds	\$ (4,516,000)	\$ -	\$ 16,346,000	\$ 11,830,000

**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE 11 - ENDOWMENT FUNDS: (Continued)**

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Changes in Endowment Net Assets, including Board-designated Funds for the year ended June 30, 2013:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, Beginning of year	<u>\$ (5,677,000)</u>	<u>\$ -</u>	<u>\$ 16,064,000</u>	<u>\$ 10,387,000</u>
Investment Return:				
Investment income	-	150,000	-	150,000
Net depreciation (realized and unrealized)	-	1,220,000	-	1,220,000
Investment Loss, Net	-	1,370,000	-	1,370,000
Contributions	-	-	282,000	282,000
Appropriation for expenditure	1,161,000	(1,370,000)	-	(209,000)
Endowment Net Assets, End of year	<u>\$ (4,516,000)</u>	<u>\$ -</u>	<u>\$ 16,346,000</u>	<u>\$ 11,830,000</u>

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**NOTE 12 - CONCENTRATIONS OF CREDIT RISK:**

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Financial instruments which potentially subject the Organization to significant concentrations of credit risk consist principally of cash and receivables.

The Organization maintains cash and cash equivalent balances at several financial institutions which in some instances may exceed insured limits.

For the years ended June 30, 2014 and 2013, one vendor represented 28% and 41% of the Organization's accounts payables, respectively. In addition, one constituent represented 26% and 27% of unconditional promises to give for the years ended June 30, 2014 and 2013, respectively.

For the years ended June 30, 2014 and 2013, approximately 18% and 27% of the Organization's total revenue was received from two sources, respectively.

**NEW JERSEY SYMPHONY ORCHESTRA**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF FUNCTIONAL EXPENSES - UNAUDITED**

	Year Ended June 30, 2014				Year Ended June 30, 2013
	Program	General and Administrative	Fundraising	Total	
Compensation	\$ 4,707,000	\$ 571,000	\$ 648,000	\$ 5,926,000	\$ 5,829,000
Artistic and professional fees	842,000	50,000	69,000	961,000	958,000
Payroll taxes	580,000	52,000	70,000	702,000	689,000
Employee benefits	1,361,000	95,000	91,000	1,547,000	1,507,000
Supplies	29,000	(1,000)	10,000	38,000	36,000
Insurance	4,000	87,000	-	91,000	116,000
Printing	50,000	-	97,000	147,000	139,000
Rent	626,000	284,000	-	910,000	913,000
Telephone	13,000	32,000	-	45,000	47,000
Postage	20,000	4,000	163,000	187,000	169,000
Maintenance, repairs and equipment rentals	84,000	84,000	14,000	182,000	180,000
Travel	336,000	34,000	26,000	396,000	381,000
Marketing and promotion	252,000	59,000	657,000	968,000	1,012,000
Library	135,000	-	-	135,000	117,000
Special events	-	-	269,000	269,000	237,000
Depreciation and amortization	31,000	4,000	1,000	36,000	40,000
Provision for uncollectible pledges	-	41,000	-	41,000	58,000
Banking and financing fees	-	3,000	-	3,000	3,000
Electronic media	71,000	-	-	71,000	65,000
Miscellaneous	38,000	48,000	36,000	122,000	178,000
	<u>\$ 9,179,000</u>	<u>\$ 1,447,000</u>	<u>\$ 2,151,000</u>	<u>\$ 12,777,000</u>	<u>\$ 12,674,000</u>

**NEW JERSEY SYMPHONY ORCHESTRA**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**YEAR ENDED JUNE 30, 2014**

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<u>Agency Grantor/Program Title</u>	<u>Grant/Contract Number</u>	<u>Expenditures</u>
New Jersey State Department Council on the Arts	1402X010022	<u>\$ 1,116,779</u>



**NEW JERSEY SYMPHONY ORCHESTRA**  
**NOTE TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**JUNE 30, 2014**

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**NOTE 1 - BASIS OF PRESENTATION:**

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The accompanying schedule of state awards includes the state grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey OMB Circular Letter 04-04. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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To the Board of Trustees  
New Jersey Symphony Orchestra  
Newark, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Jersey Symphony Orchestra (a nonprofit organization) ("Organization"), which comprise the statement of financial position as of June 30, 2014, the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sobel & Co., LLC*

Certified Public Accountants

Livingston, New Jersey  
September 23, 2014





## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR LETTER 04-04**

To the Board of Trustees  
New Jersey Symphony Orchestra  
Newark, New Jersey

### **Report on Compliance for Major State Program**

We have audited New Jersey Symphony Orchestra's ("Organization") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the Organization's major state program for the year ended June 30, 2014. The Organization's major state program is identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Organization's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on the Major State Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Sobel & Co., LLC*

Certified Public Accountants

Livingston, New Jersey  
September 23, 2014

**NEW JERSEY SYMPHONY ORCHESTRA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2014**

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**I. Summary of Auditors' Results**

**Financial Statements**

The auditors' report issued on the basic financial statements of New Jersey Symphony Orchestra was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified?        Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   No

Noncompliance material to financial statements noted?

       Yes   X   No

**State Financial Assistance**

Internal control over major program:

- Material weaknesses identified?        Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None reported

The auditors' report issued on compliance for the major program was an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 and NJ OMB Circular Letter 04-04

       Yes   X   No

The following program was designated as a major program:

<u>CFDA Number</u>	<u>Grant Number</u>	<u>Name of State Program or Cluster</u>
N/A	1402X010022	New Jersey State Council on the Arts

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

  X   Yes        No

**II. Financial Statement Finding**

NONE

**III. Compliance Finding**

NONE