

**GREATER NEW ORLEANS YOUTH ORCHESTRA  
AND RELATED ORGANIZATION**

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**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2009 AND 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/23/09

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**Independent Auditor's Report**

**To the Board of Directors  
Greater New Orleans Youth Orchestra  
New Orleans, Louisiana**

We have audited the accompanying consolidated statements of financial position of Greater New Orleans Youth Orchestra and Related Organization as of June 30, 2009 and 2008, and the related consolidated statements of activities, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Youth Orchestra's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greater New Orleans Youth Orchestra and Related Organization as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Roth Murphy Sanford L.L.P.*

November 30, 2009

**Greater New Orleans Youth Orchestra  
and Related Organization  
Consolidated Statements of Financial Position  
June 30, 2009 and 2008**

	2009	2008
<b>ASSETS</b>		
<b>Current assets -</b>		
Cash	\$ 114,868	\$ 152,168
<b>Property and equipment, net</b>	28,602	27,846
<b>Endowment Fund - restricted</b>	72,075	88,077
<b>Total assets</b>	\$ 215,545	\$ 268,091
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 6,252	\$ -
Other current liabilities	215	-
<b>Total current liabilities</b>	6,467	-
<b>Net assets:</b>		
Unrestricted	118,607	172,446
Temporarily restricted	39,080	44,254
Permanently restricted	51,391	51,391
<b>Total net assets</b>	209,078	268,091
<b>Total liabilities and net assets</b>	\$ 215,545	\$ 268,091

The accompanying notes are an integral part of the consolidated financial statements.

**Greater New Orleans Youth Orchestra  
and Related Organization  
Consolidated Statements of Activities  
Years Ended June 30, 2009 and 2008**

2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenues:</b>				
Contributions	\$ 110,783	\$ 42,500	\$ -	\$ 153,283
Earned revenue	94,607	-	-	94,607
Other income	14,249	-	-	14,249
Carnegie Hall	151,057	-	-	151,057
Investment return from Endowment Fund	-	(12,971)	-	(12,971)
Net assets released from restrictions	<u>34,702</u>	<u>(34,702)</u>	<u>-</u>	<u>-</u>
 Total support and revenues	 405,398	 (5,173)	 -	 400,225
<b>Expenses:</b>				
Orchestra programs	306,143	-	-	306,143
Carnegie Hall	<u>153,095</u>	<u>-</u>	<u>-</u>	<u>153,095</u>
 Total expenses	 459,238	 -	 -	 459,238
<b>Change in net assets:</b>				
	(53,840)	(5,173)	-	(59,013)
 Net assets, beginning of period	 <u>172,447</u>	 <u>44,253</u>	 <u>51,391</u>	 <u>268,091</u>
 Net assets, end of period	 <u>\$ 118,607</u>	 <u>\$ 39,080</u>	 <u>\$ 51,391</u>	 <u>\$ 209,078</u>

2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenues:</b>				
Contributions	\$ 96,339	\$ 55,590	\$ -	\$ 151,929
Earned revenue	99,102	-	-	99,102
Other income	30,402	-	-	30,402
Investment return from Endowment Fund	-	35	-	35
Net assets released from restrictions	<u>66,432</u>	<u>(66,432)</u>	<u>-</u>	<u>-</u>
 Total support and revenues	 292,275	 (10,807)	 -	 281,468
<b>Expenses -</b>				
Orchestra programs	<u>255,671</u>	<u>-</u>	<u>-</u>	<u>255,671</u>
 Change in net assets:	 36,604	 (10,807)	 -	 25,797
 Net assets, beginning of period	 <u>135,843</u>	 <u>55,060</u>	 <u>51,391</u>	 <u>242,294</u>
 Net assets, end of period	 <u>\$ 172,447</u>	 <u>\$ 44,253</u>	 <u>\$ 51,391</u>	 <u>\$ 268,091</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Greater New Orleans Youth Orchestra  
and Related Organization  
Consolidated Statements of Cash Flows  
Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (59,013)	\$ 25,797
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	5,992	5,313
Net unrealized loss on Endowment Fund	13,136	5,622
Increase in other current liabilities	215	-
Decrease in receivables	-	1,175
Increase (decrease) in accounts payable and accrued expenses	6,252	(1,791)
	<u>(33,418)</u>	<u>36,116</u>
<b>Net cash (used) in provided by operating activities</b>		
<b>Cash flows from investing activities:</b>		
Distributions from Endowment Fund	3,031	2,759
Realized net gains reinvested in Endowment Fund	(165)	(5,657)
Purchases of instruments and equipment	(6,748)	-
	<u>(3,882)</u>	<u>(2,898)</u>
<b>Net cash used in investing activities</b>		
	<u>(37,300)</u>	<u>33,218</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		
	(37,300)	33,218
<b>Cash and cash equivalents at beginning of year</b>	152,168	118,950
	<u>152,168</u>	<u>118,950</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 114,868</u>	<u>\$ 152,168</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Greater New Orleans Youth Orchestra  
And Related Organization  
Notes to Consolidated Financial Statements  
Years Ended June 30, 2009 and 2008**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS**

**Organization** - Greater New Orleans Youth Orchestra (Youth Orchestra) is a non-profit entity formed in February 1996 to provide the youth of the metropolitan New Orleans area an opportunity to participate in a high-quality full-orchestra program. Northshore Friends of GNOYO (Friends) is a non-profit entity formed in January 2004 to provide financial and other support for the Northshore (metropolitan area north of New Orleans) programs of the Youth Orchestra. The organizations are related through certain board members and officers in common. Contributions represent a significant source of support and revenue.

**Basis of presentation** - The consolidated financial statements include the accounts of the Youth Orchestra and Friends (collectively Youth Orchestra), which have been consolidated in accordance with Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*. All significant intercompany transactions have been eliminated in consolidation.

The Youth Orchestra's financial statements are presented using the accrual method of accounting. Under this method, revenues are recognized in the period earned, and expenses are recognized in the period in which the benefit is realized. Revenues from ticket sales are recognized when the performances are given.

The Youth Orchestra reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Tax status** - The Youth Orchestra is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Unrelated business taxable income (UBTI) is derived from any activity that constitutes a trade or business that is regularly carried on and is not substantially related to the organization's tax-exempt purposes. During 2009 and 2008, the Youth Orchestra did not earn significant income which was classified as UBTI.

Management believes that all tax positions would be sustained if audited. If applicable, any interest and penalties would be classified in the statement of activities as administrative expenses under Orchestra Programs.

**Donated services, facility usage and materials** - Donated services, facility usage and materials, if significant in amount, are recorded as contributions at their estimated fair market value provided the donor has a clearly measurable and objective basis for determining their value. No value is assigned to other donated items if there is no ascertainable basis for assigning the value. The Youth Orchestra recorded an amount for donated services and facility usage, both revenues and expenses, of \$29,314 and \$15,000 for the years ended June 30, 2009 and 2008.

**Property and equipment** - Property and equipment consists of donated and purchased musical instruments. Donated instruments are stated at the estimated fair market value at the donation date net of accumulated depreciation. Purchased instruments are stated at cost net of accumulated depreciation. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, which is seven years. The Youth Orchestra's practice is to capitalize significant acquisitions which benefit future periods.

**Greater New Orleans Youth Orchestra  
And Related Organization  
Notes to Consolidated Financial Statements  
(Continued)**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS - continued**

**Advertising costs** - Advertising costs are expensed in the year incurred. Advertising expenses were approximately \$10,640 and \$360 in 2009 and 2008.

**Cash and cash equivalents** - The Youth Orchestra considers all money market investment instruments and certificates of deposits with an original maturity of three months or less to be cash equivalents.

**Pledges receivable** - Periodically, the Youth Orchestra has a drive to raise money to cover special events as well as general expenses. Pledges are solicited and once a positive response is received, the pledge amount is recorded. The executive director reviews the pledge commitments and assesses the collectability based on payment history and economic factors prior to any write-offs.

**Investments** - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets. Fair value for the Greater New Orleans Youth Orchestra Endowment Fund is provided by The Greater New Orleans Foundation (Foundation).

**Net assets** - Under generally accepted accounting principles, the Orchestra is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Fee waivers** - The Youth Orchestra maintains a policy of not turning away interested youths based on financial need. Accordingly, the Youth Orchestra provides scholarships in the form of fee waivers or partial fee waivers. Fee waivers of \$9,485 and \$15,565 were recorded during the years ended June 30, 2009 and June 30, 2008.

**Use of estimates** - 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 net assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

**B. PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

	<u>2009</u>	<u>2008</u>
Musical instruments	\$ 43,894	\$ 40,879
Computer equipment	3,732	-
Less: accumulated depreciation	<u>(19,024)</u>	<u>(13,033)</u>
	<u>\$ 28,602</u>	<u>\$ 27,846</u>

**Greater New Orleans Youth Orchestra  
and Related Organization  
Notes to Consolidated Financial Statements  
(Continued)**

**C. LEASE COMMITMENT**

Until March 2009, the Orchestra leased space under an informal monthly arrangement. Since April 2009, the Orchestra's office space has been donated. See Note A. Rent expense for 2009 and 2008 was \$19,849 (of which \$14,314 was donated) and \$5,850.

**D. FUNCTIONAL EXPENSES**

The Youth Orchestra's expenses are summarized below by functional category for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Salaries and wages	\$ 187,054	\$ 177,311
Administration	56,987	35,317
Production	56,110	37,730
Depreciation	<u>5,992</u>	<u>5,313</u>
	<u>\$ 306,143</u>	<u>\$ 255,671</u>

**E. ENDOWMENT FUND**

The Endowment Fund is a permanently restricted endowment fund established by various supporters of the Youth Orchestra who raised funds to receive additional grant funds through a fundraising challenge. As part of the challenge agreement, the Endowment Fund has been invested with the Foundation, which has been authorized to accept additional contributions and invest the funds according to the Foundation's investment policy which invests the Foundation's total assets in a portfolio having two major components: an equity portion comprised of common stocks and convertible securities, and a fixed-income portion comprised of bonds. Both components invest in domestic and foreign investments with the foreign investment not to exceed ten percent of the total fund. The Foundation, through its Board of Trustees, has the right to make distributions from the Endowment Fund to accomplish the philanthropic intent of the donors. The donors have designated the Youth Orchestra as the beneficiary of all grants from the Endowment Fund. Distributions of \$3,031 and \$2,759 were made in 2009 and 2008.

The Endowment Fund is summarized as follows:

<u>June 30, 2009</u>			<u>June 30, 2008</u>		
<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
<u>\$ 64,056</u>	<u>\$ 72,075</u>	<u>\$ 8,019</u>	<u>\$ 66,922</u>	<u>\$ 88,077</u>	<u>\$ 21,155</u>

The investment return on the Endowment Fund is classified as temporarily restricted. Interest and dividend income was \$165 and \$5,657 in 2009 and 2008. Administration fees of \$375 and \$459 in 2009 and 2008 were netted against interest and dividend income. In 2009 and 2008, there was a net unrealized loss of \$13,136 and \$5,622.

**Greater New Orleans Youth Orchestra  
and Related Organization  
Notes to Consolidated Financial Statements  
(Continued)**

**F. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at June 30 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Outreach – Young Artists Academy	\$ 25,000	\$ 1,784
Investment return from the Endowment Fund investment held at The Greater New Orleans Foundation	10,685	26,687
Instruments	<u>3,395</u>	<u>15,783</u>
	<u>\$ 39,080</u>	<u>\$ 44,254</u>

Permanently restricted net assets consist of contributions to the Endowment Fund described in Note E. The income from the Endowment Fund is expendable for the general support of the Youth Orchestra upon satisfaction of certain income requirements.

**G. EMPLOYEE BENEFIT PLAN**

In 2004, a Simple IRA plan was adopted. Employees who have received \$5,000 compensation in both the prior and current year are eligible to participate. Under the plan the Youth Orchestra is required to make either a matching contribution equal to the amount of the employee's elective deferral not to exceed three percent but not less than one percent of the contributing employee's compensation or the Youth Orchestra may make a non-elective contribution to the plan of two percent of compensation of each eligible participant. The Youth Orchestra contributed \$889 and \$2,862 to the plan for the years ended June 30, 2009 and June 30, 2008.

**H. ECONOMIC ENVIRONMENT**

Participation fees and contributions are dependent upon maintaining sufficient participation and donor interest. Student participation in the Youth Orchestra is voluntary and consists primarily of individuals in the metropolitan New Orleans area. The effect on participation levels and contributions due to current economic conditions continues to be assessed by management.

**I. CONCENTRATION OF CREDIT RISK**

Investments held within the Endowment Fund represent a significant portion of total assets. Such investments are subject to interest rate and other risks including the possible loss of principal as reflected in the Statement of Financial Position. Future changes in the financial markets could affect the future earnings from these investments. There is no collateral for these investments.

The Youth Orchestra maintained cash accounts at local banks in 2009 and 2008. In 2009 and 2008, the Youth Orchestra had deposited funds in excess of the federal insurance limits.

**Greater New Orleans Youth Orchestra  
and Related Organization  
Notes to Consolidated Financial Statements  
(Continued)**

**J. FAIR VALUE MEASUREMENTS**

The Orchestra has determined the fair value of the Endowment Fund measured on a recurring basis through application of SFAS No. 157, *Fair Value Measurements*.

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Quoted Prices</u>			
	<u>Fair</u>	<u>in Active</u>	<u>Significant</u>	<u>Significant</u>
	<u>Value</u>	<u>Markets for</u>	<u>Other</u>	<u>Unobservable</u>
	<u>Value</u>	<u>Identical</u>	<u>Observable</u>	<u>Inputs</u>
	<u>Value</u>	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>
	<u>Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
 <b><u>As of June 30, 2009</u></b>				
Endowment Fund	\$ 72,075	\$ -	\$ 72,075	\$ -
 <b><u>As of June 30, 2008</u></b>				
Endowment Fund	\$ 88,077	\$ -	\$ 88,077	\$ -

SFAS No. 157, *Fair Value Measurements*, establishes a fair value hierarchy that prioritized the inputs to valuation techniques used to measure fair value. The defined fair value hierarchy prioritizes the inputs as follows:

Level 1 - Quoted market prices in active markets for identical assets at the measurement date.

Level 2 - Observable inputs (market data obtained from independent sources) other than quoted prices for the asset, either directly or indirectly observable, that reflect assumptions market participants would use to price the asset based on market data obtained from sources independent of the Orchestra.

Level 3 - Unobservable inputs that reflect the Orchestra's own assumptions about the assumptions market participants would use to price an asset based on the best information available in the circumstances.

**K. SUBSEQUENT EVENTS**

In preparing the financial statements, the Orchestra has evaluated events and transactions for potential recognition or disclosure through November 30, 2009, the date the financial statements were available to be issued.