

YOUNG CONCERT ARTISTS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Young Concert Artists, Inc.

We have audited the accompanying financial statements of Young Concert Artists, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Concert Artists, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
September 23, 2019

YOUNG CONCERT ARTISTS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents (Notes 1b and 10)	\$ 17,732	\$ 81,015
Unconditional promises to give (Notes 1c and 4)		
Without donor restrictions	54,649	73,136
With donor restrictions	15,000	20,250
Interest receivable	25,689	23,412
Investments, at fair value (Notes 1b, 1d, 1e, 5, 6 and 10)	9,177,133	9,535,064
Property and equipment, at cost (net of accumulated depreciation) (Notes 1f and 7)	17,371	20,952
Prepaid expenses and other assets	111,592	55,854
Security deposits	<u>120,993</u>	<u>120,993</u>
Total Assets	<u><u>\$9,540,159</u></u>	<u><u>\$9,930,676</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 90,810	\$ 82,703
Deferred income (Note 1g)	32,250	20,315
Deferred rent (Note 1h)	<u>134,303</u>	<u>98,408</u>
Total Liabilities	<u>257,363</u>	<u>201,426</u>
Commitment and Contingency (Notes 8 and 9)		
Net Assets (Notes 3 and 6)		
Without Donor Restrictions		
Board designated reserve	-	440,939
Operating	<u>57,021</u>	<u>141,421</u>
Total Without Donor Restrictions	<u>57,021</u>	<u>582,360</u>
With Donor Restrictions		
Time and purpose restrictions	2,837,940	2,785,188
Perpetual in nature	<u>6,387,835</u>	<u>6,361,702</u>
Total Net Assets With Donor Restrictions	<u>9,225,775</u>	<u>9,146,890</u>
Total Net Assets	<u>9,282,796</u>	<u>9,729,250</u>
Total Liabilities and Net Assets	<u><u>\$9,540,159</u></u>	<u><u>\$9,930,676</u></u>

See notes to financial statements.

YOUNG CONCERT ARTISTS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019						2018					
	Without Donor Restrictions			With Donor Restrictions			Without Donor Restrictions			With Donor Restrictions		
	Operating	Board Designated Fund	Total	Time and Purpose Restrictions	Perpetual in Nature	Total	Operating	Board Designated Fund	Total	Time and Purpose Restrictions	Perpetual in Nature	Total
Revenue, Gains and Public Support												
Contributions												
Individuals	\$ 345,632	\$ -	\$ 345,632	\$ 97,300	\$ 26,133	\$ 469,065	\$ 368,964	\$ -	\$ 368,964	\$ 29,200	\$ 5,732	\$ 403,896
Foundations	383,306	-	383,306	5,000	-	388,306	503,170	-	503,170	-	-	503,170
Corporations	5,527	-	5,527	-	-	5,527	1,156	-	1,156	-	-	1,156
Government	29,462	-	29,462	15,000	-	44,462	70,546	-	70,546	15,000	-	85,546
Bequests	10,000	-	10,000	-	-	10,000	2,103	-	2,103	-	-	2,103
Fees and expenses collected on behalf of artists	615,272	-	615,272	-	-	615,272	676,964	-	676,964	-	-	676,964
Benefit event income, net of direct expenses of \$254,112 (2019) and \$200,510 (2018)	581,245	-	581,245	-	-	581,245	648,845	-	648,845	-	-	648,845
Concert series ticket sales												
New York Concert series	45,698	-	45,698	-	-	45,698	63,062	-	63,062	-	-	63,062
Washington DC Concert series	24,500	-	24,500	-	-	24,500	37,329	-	37,329	-	-	37,329
Booking commissions	51,951	-	51,951	-	-	51,951	57,188	-	57,188	-	-	57,188
Audition fees	13,420	-	13,420	-	-	13,420	12,815	-	12,815	-	-	12,815
Net investment income (Note 5)	-	34,605	34,605	714,108	-	748,713	-	44,497	44,497	764,384	-	808,881
Miscellaneous income	7,212	-	7,212	-	-	7,212	6,277	-	6,277	-	-	6,277
Net assets released from restrictions - accumulated investment earnings (Note 6)	714,456	-	714,456	(714,456)	-	-	437,503	-	437,503	(437,503)	-	-
Net assets released from restrictions - grants and contributions	64,200	-	64,200	(64,200)	-	-	190,836	-	190,836	(190,836)	-	-
Transfer from reserve fund	475,544	(475,544)	-	-	-	-	112,497	(112,497)	-	-	-	-
Total Revenue, Gains and Public Support	3,367,425	(440,939)	2,926,486	52,752	26,133	3,005,371	3,189,255	(68,000)	3,121,255	180,245	5,732	3,307,232
Expenses												
Program Services												
New York Concert series	431,497	-	431,497	-	-	431,497	326,856	-	326,856	-	-	326,856
Washington DC Concert series	242,067	-	242,067	-	-	242,067	245,679	-	245,679	-	-	245,679
Auditions	159,691	-	159,691	-	-	159,691	219,986	-	219,986	-	-	219,986
Pyeong Chang Festival	-	-	-	-	-	-	215,241	-	215,241	-	-	215,241
Artist Management	960,272	-	960,272	-	-	960,272	953,241	-	953,241	-	-	953,241
Other Programs	63,245	-	63,245	-	-	63,245	-	-	-	-	-	-
Total Program Services	1,856,772	-	1,856,772	-	-	1,856,772	1,961,003	-	1,961,003	-	-	1,961,003
Supporting Services												
Management and general	520,000	-	520,000	-	-	520,000	314,446	-	314,446	-	-	314,446
Fundraising	456,583	-	456,583	-	-	456,583	357,616	-	357,616	-	-	357,616
Total Expenses (Before Fees and Expenses Paid to Artists)	2,833,355	-	2,833,355	-	-	2,833,355	2,633,065	-	2,633,065	-	-	2,633,065
Fees and expenses paid to artists	618,470	-	618,470	-	-	618,470	681,123	-	681,123	-	-	681,123
Total Expenses	3,451,825	-	3,451,825	-	-	3,451,825	3,314,188	-	3,314,188	-	-	3,314,188
Increase (decrease) in net assets	(84,400)	(440,939)	(525,339)	52,752	26,133	(446,454)	(124,933)	(68,000)	(192,933)	180,245	5,732	(6,956)
Net assets, beginning of year	141,421	440,939	582,360	2,785,188	6,361,702	9,729,250	266,354	508,939	775,293	2,604,943	6,355,970	9,736,206
Net Assets, End of Year	\$ 57,021	\$ -	\$ 57,021	\$ 2,837,940	\$ 6,387,835	\$ 9,282,796	\$ 141,421	\$ 440,939	\$ 582,360	\$ 2,785,188	\$ 6,361,702	\$ 9,729,250

See notes to financial statements.

YOUNG CONCERT ARTISTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services		Total Expenses	
	New York Concert Series	Washington DC Concert Series	Auditions	Artist Management	Other Programs	Total	Management and General		Fundraising
Salaries	\$177,577	\$ 107,395	\$ 78,931	\$ 531,673	\$ -	\$ 895,576	\$ 166,492	\$ 255,773	\$1,317,841
Employee benefits and payroll taxes	52,497	31,749	23,334	157,176	-	264,756	49,235	75,599	389,590
Orchestra	68,025	-	-	-	-	68,025	-	-	68,025
Hall rental, front office and crew	26,830	39,328	29,598	-	-	95,756	-	-	95,756
Awards	-	-	-	2,382	-	2,382	-	-	2,382
Occupancy	37,050	22,407	16,468	110,929	-	186,854	34,738	53,365	274,957
Insurance	2,531	1,530	1,125	7,577	-	12,763	5,803	214	18,780
Equipment and maintenance	1,695	1,025	753	5,074	-	8,547	1,589	2,440	12,576
Computer services	-	-	-	3,136	-	3,136	1,937	-	5,073
Professional fees	-	-	-	2,192	-	2,192	184,783	250	187,225
Printing	23,888	9,653	2,141	2,514	-	38,196	1,908	26,870	66,974
Postage and mailing	18,493	5,382	-	3,015	-	26,890	1,153	11,910	39,953
Promotion and advertising	2,700	354	2,157	15,294	-	20,505	-	2,395	22,900
Office supplies	-	57	159	118	-	334	10,891	1,641	12,866
Fees and expenses	-	-	-	27,898	-	27,898	-	-	27,898
Educational residencies	-	-	-	39,062	-	39,062	-	-	39,062
Composer-in-residence	-	-	-	5,106	-	5,106	-	-	5,106
Orchestra partners project	-	-	-	16,000	-	16,000	-	-	16,000
Production costs	7,107	4,037	2,507	12,394	13	26,058	2,363	4,801	33,222
Travel, meals and lodging	6,125	10,116	2,210	13,770	61,134	93,355	7,801	19,326	120,482
Indirect benefit expense	6,047	-	-	-	-	6,047	5,223	-	11,270
Telephone and internet	-	2,608	308	2,171	-	5,087	7,342	4	12,433
Miscellaneous	932	6,426	-	2,791	2,098	12,247	33,563	1,995	47,805
Depreciation and amortization	-	-	-	-	-	-	5,179	-	5,179
Total expenses before fees and expenses paid to artists	431,497	242,067	159,691	960,272	63,245	1,856,772	520,000	456,583	2,833,355
Fees and expenses paid to artists	-	-	-	618,470	-	618,470	-	-	618,470
Total Expenses	<u>\$431,497</u>	<u>\$ 242,067</u>	<u>\$159,691</u>	<u>\$ 1,578,742</u>	<u>\$ 63,245</u>	<u>\$2,475,242</u>	<u>\$ 520,000</u>	<u>\$ 456,583</u>	<u>\$3,451,825</u>

See notes to financial statements.

YOUNG CONCERT ARTISTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services					Supporting Services		Total Expenses	
	New York Concert Series	Washington DC Concert Series	Auditions	Pyeong Chang Festival	Artist Management	Total	Management and General		Fundraising
Salaries	\$158,462	\$ 98,151	\$ 78,980	\$ -	\$ 532,219	\$ 867,812	\$ 147,954	\$ 189,560	\$1,205,326
Employee benefits and payroll taxes	44,827	27,766	22,344	-	150,396	245,333	36,550	53,627	335,510
Orchestra	-	-	-	-	-	-	-	-	-
Hall rental, front office and crew	29,886	41,052	27,371	62,237	18	160,564	-	-	160,564
Awards	-	-	-	-	2,225	2,225	-	-	2,225
Occupancy	36,153	22,394	18,020	-	121,289	197,856	29,480	43,249	270,585
Insurance	2,101	1,301	1,047	-	7,047	11,496	1,713	2,513	15,722
Equipment and maintenance	1,761	1,091	878	-	5,910	9,640	1,436	2,107	13,183
Computer services	-	-	-	-	3,128	3,128	1,455	-	4,583
Professional fees	-	-	-	-	1,749	1,749	31,666	-	33,415
Printing	26,672	19,798	1,232	31,914	7,552	87,168	1,290	22,818	111,276
Postage and mailing	9,737	7,958	903	9,293	3,809	31,700	1,737	14,708	48,145
Promotion and advertising	-	2,477	273	12,117	7,124	21,991	-	-	21,991
Office supplies	301	4	372	-	1,386	2,063	27,185	4,640	33,888
Fees and expenses	-	-	-	-	29,719	29,719	-	-	29,719
Educational residencies	-	-	-	-	27,526	27,526	-	-	27,526
Composer-in-residence	-	-	-	-	6,441	6,441	-	-	6,441
Orchestra partners project	-	-	-	-	20,000	20,000	-	-	20,000
Production costs	11,713	9,751	190	57,837	13,250	92,741	11,016	3,380	107,137
Travel, meals and lodging	4,394	10,261	62,517	28,693	7,723	113,588	3,506	19,345	136,439
Indirect benefit expense	-	492	-	-	-	492	2,113	-	2,605
Telephone and internet	-	2,586	140	-	3,525	6,251	7,397	-	13,648
Miscellaneous	849	597	5,719	13,150	1,205	21,520	5,328	1,669	28,517
Depreciation and amortization	-	-	-	-	-	-	4,620	-	4,620
Total expenses before fees and expenses paid to artists	326,856	245,679	219,986	215,241	953,241	1,961,003	314,446	357,616	2,633,065
Fees and expenses paid to artists	-	-	-	-	681,123	681,123	-	-	681,123
Total Expenses	<u>\$326,856</u>	<u>\$ 245,679</u>	<u>\$219,986</u>	<u>\$215,241</u>	<u>\$ 1,634,364</u>	<u>\$2,642,126</u>	<u>\$ 314,446</u>	<u>\$ 357,616</u>	<u>\$3,314,188</u>

See notes to financial statements.

YOUNG CONCERT ARTISTS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (446,454)	\$ (6,956)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Endowment contributions	(26,133)	(5,732)
Depreciation and amortization expense	5,179	4,620
Donated securities	(28,155)	(75,962)
Net realized gain on investments	(241,946)	(319,201)
Net unrealized gain on investments	(421,254)	(399,160)
Deferred rent	35,895	97,403
(Increase) decrease in:		
Unconditional promises to give	23,737	56,698
Interest receivable	(2,277)	(756)
Prepaid expenses and other assets	(55,738)	79,318
Security deposits	-	15,066
Increase (decrease) in:		
Accounts payable and accrued expenses	8,107	(2,178)
Deferred income	11,935	7,855
Net Cash Used By Operating Activities	<u>(1,137,104)</u>	<u>(548,985)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,598)	(25,572)
Purchase of investments	(1,527,618)	(2,832,442)
Proceeds from sale of investments	2,576,904	3,382,503
Net Cash Provided By Investing Activities	<u>1,047,688</u>	<u>524,489</u>
Cash Flows From Financing Activities		
Endowment contributions received	<u>26,133</u>	<u>5,732</u>
Net decrease in cash and cash equivalents	(63,283)	(18,764)
Cash and cash equivalents, beginning of year	<u>81,015</u>	<u>99,779</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,732</u>	<u>\$ 81,015</u>

See notes to financial statements.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Young Concert Artists, Inc. (the "Organization") is not-for-profit organization of a cultural and educational nature. The principal purpose of the Organization is to discover and launch the careers of extraordinary young musicians.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, including money market funds, to be cash equivalents, except for those held in its investment portfolio as part of its long-term investment objectives.

c - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

d - Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the institute has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Fair Value Measurement (continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

e - Investments

Investments are measured at fair value on a recurring basis. The value of the Organization's cash equivalents, fixed income bonds, common stock and mutual funds are based on quoted market prices in active markets, and are therefore, classified within Level 1.

Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which gains and other investment income are recognized. All other donor restricted gains and other investment income are reported as increases in net assets with donor restrictions. When a net asset expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

f - Property and Equipment

Property and equipment are stated at cost and are being depreciated over their estimated useful lives on a straight-line basis. Leasehold improvements are being amortized over the shorter of the useful life of the improvement or the life of the lease.

g - Deferred Income

Concert series ticket revenue and composer fees are recognized in the period in which the performances take place.

h - Deferred Rent

The aggregate of the total minimum lease payments is amortized on the straight-line basis over the term of the lease. The difference between the straight-line expense and amounts paid in accordance with the terms of its lease is recorded as deferred rent in the statement of financial position.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

i - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

j - 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

k - Tax Status

Young Concert Artists, Inc. is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

l - Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial amount of the Organization's expenses are directly related to program activities which are made up of concert series, auditions, patrons trip, artist management and other programs. The expenses that are allocated include salaries, insurance, occupancy and other administrative costs, which are allocated based upon estimates of time and effort.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

m - New Accounting Pronouncement

In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the previous reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; (d) modifying the presentation of endowment funds in a deficit position and related disclosures; and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Organization opted not to disclose liquidity and availability information for 2018.

n - Subsequent Events

The Organization has evaluated subsequent events through September 23, 2019, the date that the financial statements are considered available to be issued.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. The Organization has a balanced stream of annual revenue, including a diverse range of both earned and contributed sources. The Organization considers general expenditures to consist of all expenses related to ongoing program activities, and the expenses related to management and general activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization's financial assets of as of June 30, 2019 and those available within one year to meet cash needs for general expenditures are summarized as follows:

Financial Assets at Year End:	
Cash and cash equivalents	\$ 17,732
Investments	9,177,133
Unconditional promises to give	69,649
Interest receivable	25,689
Miscellaneous receivables	<u>19,464</u>
Total Financial Assets	9,309,667
Less: Amounts not Available to be Used within One Year:	
Net assets with donor restrictions, subject to expenditure for programs, purposes or passage of time	(117,300)
Plus: Net assets with restrictions expected to be met in less than one year	57,300
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(9,108,475)
Plus: Amounts appropriated for use within one year	<u>714,456</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 855,648</u>

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Time and Purpose Restrictions:		
Subject to expenditure for specified purpose	\$ 117,300	\$ 64,200
Endowments Subject to Spending Policy and Appropriation:		
Investment above original gift amounts	<u>2,720,640</u>	<u>2,720,988</u>
	<u>2,837,940</u>	<u>2,785,188</u>
Perpetual in Nature:		
Endowments subject to spending policy and appropriation	<u>6,387,835</u>	<u>6,361,702</u>
Total Net Assets With Donor Restrictions	<u>\$9,225,775</u>	<u>\$9,146,890</u>

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 4 - Unconditional Promises to Give

Unconditional promises to give at June 30 are due in less than one year and are summarized by net asset classification as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in less than one year, 2019	<u>\$54,649</u>	<u>\$15,000</u>	<u>\$69,649</u>
Due in less than one year, 2018	<u>\$73,136</u>	<u>\$20,250</u>	<u>\$93,386</u>

Uncollectible promises are expected to be insignificant.

Note 5 - Investments

Investments at June 30 consist of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds and cash held for investment	\$ 2,384	\$ 2,384	\$ 114,345	\$ 114,345
Fixed income - corporate bonds	3,142,160	3,175,190	3,358,162	3,298,289
Common stock	3,727,655	5,802,281	4,280,626	6,026,351
Mutual funds	<u>201,749</u>	<u>197,278</u>	<u>100,000</u>	<u>96,079</u>
	<u>\$7,073,948</u>	<u>\$9,177,133</u>	<u>\$7,853,133</u>	<u>\$9,535,064</u>

Net investment income is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$157,811	\$ 166,800
Net realized gain on investments	241,946	319,201
Net unrealized gain on investments	<u>421,254</u>	<u>399,160</u>
	821,011	885,161
Investment management fees	<u>(72,298)</u>	<u>(76,280)</u>
Net Investment Income	<u>\$748,713</u>	<u>\$ 808,881</u>

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 5 - Investments (continued)

The following summarizes the Organization's investments by the levels within the fair value hierarchy used to measure their values at June 30, 2019 and 2018:

	2019			
	Total	Level 1	Level 2	Level 3
Money market funds and cash held for investment	\$ 2,384	\$ 2,384	\$ -	\$ -
Fixed income - corporate bonds	3,175,190	3,175,190	-	-
Common stock	5,802,281	5,802,281	-	-
Mutual funds	197,278	197,278	-	-
	\$9,177,133	\$9,177,133	\$ -	\$ -
	2018			
	Total	Level 1	Level 2	Level 3
Money market funds and cash held for investment	\$ 114,345	\$ 114,345	\$ -	\$ -
Fixed income - corporate bonds	3,298,289	3,298,289	-	-
Common stock	6,026,351	6,026,351	-	-
Mutual Funds	96,079	96,079	-	-
	\$9,535,064	\$9,535,064	\$ -	\$ -

Note 6 - Endowment Funds

The Organization's endowment consists of numerous donor-restricted funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 6 - Endowment Funds (continued)

Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act (NYPMIFA), the Organization classifies as net assets of a perpetual nature (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is classified as endowment subject to spending policy and appropriation until these amounts are appropriated for expenditure by the Organization

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Organization and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Organization;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization; and
- (viii) the investment policy of the Organization

The Organization's endowment funds are donor-restricted and are summarized by net asset classification at June 30, 2019 and 2018 as follows:

	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
	<u> </u>	<u> </u>	<u> </u>
Donor-restricted endowment funds, 2019	<u>\$2,720,640</u>	<u>\$6,387,835</u>	<u>\$9,108,475</u>
Donor-restricted endowment funds, 2018	<u>\$2,720,988</u>	<u>\$6,361,702</u>	<u>\$9,082,690</u>

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 6 - Endowment Funds (continued)

Changes in the Organization's endowment funds for the years ended June 30, 2019 and 2018 are summarized as follows:

	2019			Total
	Without Donor Restrictions	With Donor Restrictions		
	Without Donor Restrictions	Investment Income Above Original Gift Amount	Investment in Perpetuity	
Endowment funds, beginning year	\$ -	\$2,720,988	\$6,361,702	\$9,082,690
Net investment gain	-	714,108	-	714,108
Contributions received	-	-	26,133	26,133
Appropriation of endowment assets for expenditure	-	(714,456)	-	(714,456)
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$2,720,640</u>	<u>\$6,387,835</u>	<u>\$9,108,475</u>
	2018			
	Without Donor Restrictions	With Donor Restrictions		
	Without Donor Restrictions	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning year	\$ -	\$2,394,107	\$6,355,970	\$8,750,077
Net investment gain	-	764,384	-	764,384
Contributions received	-	-	5,732	5,732
Appropriation of endowment assets for expenditure	-	(437,503)	-	(437,503)
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$2,720,988</u>	<u>\$6,361,702</u>	<u>\$9,082,690</u>

The long-term objective of the Organization is to preserve, at least, the real (i.e. inflation-adjusted) purchasing power of the endowment, measured on a real total return basis, while making withdrawals from the endowment to support the budget of the Organization. The investment goal will be to earn an average annual real total return of at least 5% per year, net of management fees. The investment policies will be based on the assumption that withdrawals from the endowment to support the Organization's annual spending will, over the long term, average approximately 5% of the endowment's market value.

For purposes of investment, the endowment shall be diversified both by asset class (e.g., common stocks, bonds, cash) and within asset classes (e.g., within common stocks by economic sector, industry, quality, and market capitalization) to provide reasonable assurance that no single security or type of security will have a disproportionate impact on the market value of the endowment.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 7 - Property and Equipment

Property and equipment at June 30 consist of the following:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Furniture and fixtures	7 years	\$ 4,465	\$ 4,465
Office equipment	5 years	<u>22,705</u>	<u>21,107</u>
		27,170	25,572
Less: Accumulated depreciation		<u>(9,799)</u>	<u>(4,620)</u>
		<u>\$17,371</u>	<u>\$20,952</u>

During the year ended June 30, 2018, the Organization wrote off approximately \$356,000 of fully depreciated property and equipment related to the Organization's move to a new office space (Note 8a).

Note 8 - Commitment and Contingency

a - The Organization entered into a lease for new office space during 2017 which expires December 31, 2027. The lease provides for fixed rent payments with annual increases and charges for real estate taxes and utilities.

Approximate future minimum lease payments for the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 242,431
2021	268,175
2022	273,298
2023	285,694
2024	298,337
Thereafter, through December 31, 2027	1,089,268

Rent expense, including rent escalation charges, for the years ended June 30, 2019 and 2018 was \$274,957 and \$271,025, respectively.

b - Government supported projects are subject to audit by the granting agency.

YOUNG CONCERT ARTISTS, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 9 - Pension Plan

The Organization has a defined contribution pension plan that covers substantially all of its employees. Contributions to the plan are based on a percentage of salaries, as determined by the Board of Directors. The Organization contributed \$82,605 and \$76,202, respectively, to the plan for the years ended June 30, 2019 and 2018.

Note 10 - Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in financial institutions. At times, cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.