



# New World Symphony

America's Orchestral Academy

Michael Tilson Thomas, Artistic Director

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

# **NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES**

## **CONSOLIDATED FINANCIAL STATEMENTS**

for the Year Ended

*June 30, 2016*

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# **NEW WORLD SYMPHONY AMERICA'S ORCHESTRAL ACADEMY**

## ***VISION STATEMENT***

*The New World Symphony envisions a strong and secure future for classical music and will redefine, reaffirm, express and share its traditions with as many people as possible.*

## ***MISSION STATEMENT***

*The mission of the New World Symphony is to prepare highly-gifted graduates of distinguished music programs for leadership roles in orchestras and ensembles around the world.*

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees, Finance Committee and Chief Executive Officer  
New World Symphony, Inc.

We have audited the accompanying consolidated financial statements of New World Symphony, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of New World Symphony, Inc. and Subsidiaries as of June 30, 2016, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the New World Symphony, Inc. and Subsidiaries' 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Miami, FL  
September 12, 2016

**NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

*With Comparative Totals for June 30, 2015*

	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,381	\$ 10,499
Endowment Investments (Note D, E)	90,414,513	99,016,162
Contributions Receivable, Net of Allowance (Note I)	3,492,841	4,030,354
Other Accounts Receivable	85,644	114,294
Prepaid Expenses and Other Current Assets	810,281	755,063
Deposit on Equipment	823,779	-
Property and Equipment, Net of Accumulated Depreciation (Note B)	<u>156,961,160</u>	<u>162,103,789</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 252,589,599</u></u>	<u><u>\$ 266,030,161</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 961,137	\$ 1,172,178
Deferred Revenue (Note A)	879,668	853,243
Credit Facilities (Note C)	<u>21,186,000</u>	<u>21,244,000</u>
Total Liabilities	<u>23,026,805</u>	<u>23,269,421</u>
Net Assets		
Unrestricted	134,100,972	139,104,774
Temporarily Restricted	14,074,182	22,812,962
Permanently Restricted	<u>81,387,640</u>	<u>80,843,004</u>
Total Net Assets ( Note A)	<u>229,562,794</u>	<u>242,760,740</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 252,589,599</u></u>	<u><u>\$ 266,030,161</u></u>

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

**NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

*With Comparative Totals for June 30, 2015*

	<b>UNRESTRICTED NET ASSETS</b>	<b>TEMPORARILY RESTRICTED NET ASSETS</b>	<b>PERMANENTLY RESTRICTED NET ASSETS</b>	<b>Total 2016</b>	<b>Total 2015</b>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>					
Foundations	\$ 2,253,021	\$ 289,379	\$ 445,324	\$ 2,987,724	4,424,495
Corporations	799,738	368,847	86,508	1,255,093	902,664
Governments (Note G)	1,675,464	92,726	-	1,768,190	1,369,682
Individuals	1,079,048	1,010,604	12,804	2,102,456	1,124,532
Contributed Services and Assets	122,972	-	-	122,972	142,478
Program Revenue	1,889,336	-	-	1,889,336	2,192,141
Special Events Revenue	1,214,535	35,000	-	1,249,535	1,328,013
Other Revenue (Note K)	1,464,308	3,101	-	1,467,409	1,722,065
Income on Long-Term Investments	-	740,568	-	740,568	1,449,919
Net Unrealized and Realized Gains and Losses	-	(4,816,050)	-	(4,816,050)	(1,723,945)
Total Revenue, Gain and Other Support	<u>10,498,422</u>	<u>(2,275,825)</u>	<u>544,636</u>	<u>8,767,233</u>	<u>12,932,044</u>
Net Assets Released from Restrictions	<u>6,462,955</u>	<u>(6,462,955)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>16,961,377</u>	<u>(8,738,780)</u>	<u>544,636</u>	<u>8,767,233</u>	<u>12,932,044</u>
<b>EXPENSES</b>					
Program Services	17,291,954	-	-	17,291,954	18,349,530
Supporting Activities					
Marketing and Fundraising	2,624,277	-	-	2,624,277	2,720,957
General and Administrative	2,048,948	-	-	2,048,948	2,350,527
Total Expenses	<u>21,965,179</u>	<u>-</u>	<u>-</u>	<u>21,965,179</u>	<u>23,421,014</u>
<b>CHANGE IN NET ASSETS</b>	(5,003,802)	(8,738,780)	544,636	(13,197,946)	(10,488,970)
<b>NET ASSETS, BEGINNING</b>	<u>139,104,774</u>	<u>22,812,962</u>	<u>80,843,004</u>	<u>242,760,740</u>	<u>253,249,710</u>
<b>NET ASSETS, END</b>	<u>\$ 134,100,972</u>	<u>\$ 14,074,182</u>	<u>\$ 81,387,640</u>	<u>\$ 229,562,794</u>	<u>\$ 242,760,740</u>

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

**NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (13,197,946)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	5,669,151
Provision for Uncollectible Promises to Give	43,977
Net Unrealized and Realized Gains and Losses on Investments	4,816,050
Net Investment Income Restricted for Long-Term Investment	(740,568)
Contributions Restricted for Long Term Investment	(544,636)
Amortization of Discount on Unconditional Promises to Give Restricted for Long Term Purposes	(71,319)
Change in Operating Assets and Liabilities:	
(Increase) Decrease in Assets:	
Contributions Receivable	(83,473)
Other Receivables	28,650
Prepaid Expenses and Other Current Assets	(55,218)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	(211,041)
Deferred Revenue	26,425

**NET CASH USED IN OPERATING ACTIVITIES**

(4,319,948)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Property and Equipment	(526,522)
Deposits on Equipment	(823,779)
Purchase of Investments	(28,088,534)
Proceeds from Sale of Investments	31,874,133

**NET CASH PROVIDED BY INVESTING ACTIVITIES**

2,435,298

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from Line of Credit	15,629,000
Payments on Line of Credit	(14,937,000)
Payments on Long Term Debt	(750,000)
Proceeds from Contributions Restricted for Long-Term Investment	1,192,964
Net Investment Income Restricted for Long-Term Reinvestment	740,568

**NET CASH PROVIDED BY FINANCING ACTIVITIES**

1,875,532

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(9,118)

**CASH AND CASH EQUIVALENTS, BEGINNING**

10,499

**CASH AND CASH EQUIVALENTS, ENDING**

\$ 1,381

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Interest paid in cash	<u>\$ 255,807</u>
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*The accompanying notes are an integral part of the consolidated financial statements.*



# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Organization**

The New World Symphony, America's Orchestral Academy (NWS), is dedicated to the artistic, professional and personal development of outstanding young musicians. Its fellowship program provides top graduates of music programs in the United States the opportunity to enhance their music education with the finest professional training. After an intensive three-year program of performance and training, NWS Fellows emerge from the experience prepared for professional positions in orchestras and ensembles around the world. Since its founding in 1987, more than 1,000 alumni have gone on to make a difference in the music profession worldwide. In the hopes of joining this program, over 1,000 musicians compete for about 35 available fellowships each year. NWS is an accredited institutional member of the National Association of Schools of Music and a member of the League of American Orchestras.

The NWS campus is located in Miami Beach, Florida. The facility, which opened in January 2011, functions as an educational and cultural facility to expand the limits of the educational and performance elements of classical music. The New World Center was designed by Frank O. Gehry and Gehry Partners, LLP and comprises approximately 106,000 gross square feet of space. It includes an acoustically superior and isolated rehearsal/broadcast/performance space with a variable seating capacity of up to 757 seats. Other elements include multiple acoustically-isolated rehearsal and ensemble practice rooms of various sizes, sophisticated Internet and Internet2 audio-visual systems and control rooms, reception and related support spaces, administrative office space, and various public amenities including lobbies, restrooms, and a roof-top garden.

Alton Pointe, a cohesive community of nine small apartment buildings, completes the campus environment. Located a half mile from New World Center, Alton Pointe is the principal residential housing facility for NWS fellows, faculty and artists.

#### **Alton Pointe LLC**

Alton Pointe LLC was organized on March 1, 2012 to purchase and operate an existing apartment and condominium complex that was converted to residential housing for NWS fellows, faculty and artists (see Note B).

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Basis of Presentation and Principles of Consolidation***

NWS follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958-210 which requires the presentation of a statement of financial position, a statement of activities, and a statement of cash flows, and requires that amounts be classified based on the presence or absence of donor-imposed restrictions (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets). Assets are presented according to their nearness of conversion to cash. Liabilities are presented according to the nearness of their maturity and resulting use of cash.

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States. These statements include the accounts of New World Symphony, Inc. and its wholly owned subsidiary Alton Pointe, LLC, referred to collectively going forward as NWS. All significant inter-company accounts and transactions have been eliminated in consolidation.

#### ***Classes of Net Assets***

The balances and activities of NWS have been segregated into the following classes according to the nature of the activity and related restrictions imposed by funding sources and the Board of Trustees:

**Unrestricted Net Assets** which includes resources and activities related to NWS’ general operations and facilities, including facilities’ operations. These net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Trustees.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Net realized and change in unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Classes of Net Assets (Continued)

**Temporarily Restricted Net Assets**, which includes resources and activities for which donor restrictions have not yet been met, including the discounted value of future promises. When a donor restriction expires, that is, when a stipulated time restriction ends or the 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 restriction. Restrictions on contributions of property and equipment (or contributions restricted to the purchase of property and equipment) expire when the asset is placed into service unless the donor has restricted the use for a specified term. Temporarily restricted net assets at June 30, 2016 primarily represent endowment fund assets from investment earnings as well as contributions for future operations, maintained to be appropriated for expenditure by NWS in a manner consistent with the Organization's policies and donors' restrictions on use.

**Permanently Restricted Net Assets**, which includes endowment resources that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity, and only the income be made available for NWS' general operations or other use as specified by the donor.

#### Cash and Cash Equivalents

NWS considers all unrestricted highly liquid investments with original maturities of three months or less and all interest-bearing cash accounts to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows.

#### Investments

Investments are reported at fair value. Fair value is the price 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. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. See Note E for a discussion of fair value measurements.

Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in value in the near term could materially affect the amounts reported in the accompanying financial statements.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Concentrations of Credit Risk**

Financial instruments that potentially subject NWS to concentrations of credit risk consist principally of cash and cash equivalents, investments and contributions receivable.

#### **Cash and Cash Equivalents**

NWS maintains its cash balances in multiple accounts at one financial institution. From time to time, balances may exceed the federally insured limits, which are \$250,000 for interest bearing deposits per entity. Cash is maintained at a high quality financial institution, which NWS believes limits its credit risk.

#### **Investments**

NWS maintains certain investment accounts with financial institutions which are not insured by the FDIC. These funds may be subject to insurance by Securities Investor Protection Corporation (“SIPC”). Management believes that the risk of loss with respect to the financial institutions has been limited by choosing strong institutions with which to do business.

#### **Contributions Receivable**

Concentrations of credit risk with respect to contributions receivable are limited due to the large number of contributors comprising NWS’ contributor base and their dispersion across different industries and geographical locations.

#### **Fair Value of Financial Instruments**

The carrying value of cash and cash equivalents, accounts payable, accrued expenses and the lines of credit approximated their fair value since they are short-term in nature. The carrying value of long term contributions receivable and long term debt approximate fair value as the terms approximate current market terms for similar instruments of comparable risk and maturities.

#### **Property and Equipment**

Property and equipment with a value in excess of \$5,000 and with a useful life greater than one year is capitalized. Property and equipment is recorded at cost if purchased or at fair value at the date of the gift if donated. Repairs and maintenance are expensed as incurred; major renewals and improvements are capitalized. Property and equipment, except for rare artwork which is not depreciated, is depreciated or amortized on a straight-line method over the estimated useful lives of the assets as follows:

Buildings and Building Improvements	40.0 Years
Furniture and Equipment	5.0 Years
Musical Instruments and Equipment	5.0 Years
Vehicles	3.0 Years

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition

##### **Contributions**

NWS accounts for contributions in accordance with the provisions of FASB ASC Topic 958-605, *Revenue Recognition for Not-for-Profit Entities* and FASB ASC Topic 720-25, *Contributions Made*. In accordance with Topic 958-605, contributions received, including unconditional promises to give, are recognized at their estimated fair value at the date of receipt.

Unconditional promises to give are recognized when the promise is made by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are 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 the restriction expires, temporarily restricted net assets are transferred to unrestricted net assets.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Gifts of noncash assets are recorded at their fair value at the date of contribution.

##### **Government**

Grant funds are reported as unrestricted support when the criteria stated in the grant agreement are met.

##### **Program Revenue**

Program revenue is recognized when earned, the period in which the concerts take place. Payments received for concerts occurring after June 30, 2016 are recorded as deferred revenue.

##### **Special Event Revenue**

The Organization generates Special Event Revenue during its annual Gala and other fundraising events. This revenue is recorded as unrestricted revenue when the events take place.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Contributions Receivable**

Unconditional promises expected to be collected in future years are recorded at estimated fair value, using the present value of expected future cash flows. The cash flows are discounted at a discount rate commensurate with the risks involved at the date the promise was made. When considered necessary, an allowance is recorded based on management's estimate of collectability including such factors as prior collection history, type of contribution, and the nature of the fund-raising activity.

#### **Contributed Services and Assets**

Contributed services are recognized as contributions if the services require specialized skills, the services are provided by individuals who possess those skills, and the services would typically need to be purchased. Contributed assets are recognized at their estimated fair value as revenue when received and expensed as used.

#### **Income Taxes**

New World Symphony is a non-profit corporation as defined by Section 501(c)(3) of the U.S. Internal Revenue Code and as such is subject to state and federal income taxes only on unrelated business taxable income. There were no income taxes resulting from unrelated business income during the year ended June 30, 2016. Alton Pointe is a single member limited liability company and accordingly is disregarded for tax purposes.

Accounting principles generally accepted in the United States require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of June 30, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. If the Organization were to incur an income tax liability in the future, interest would be reported as interest expense and penalties would be reported as income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2013.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period including, but not limited to, the determination of the net realizable value of receivables and the useful lives of donated and acquired assets. Accordingly, actual results could differ from those estimates.

#### Comparative Data

The consolidated financial statements include certain prior year summarized comparative information where applicable 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. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

#### Subsequent Events

Management has evaluated subsequent events to determine if events or transactions occurring through September 12, 2016, the date the consolidated financial statements were available to be issued, require adjustment to or disclosure in the consolidated financial statements.

### NOTE B – PROPERTY AND EQUIPMENT

As of June 30, 2016, property and equipment consisted of the following:

Land	\$ 11,165,000
Buildings and Building Improvements	165,301,983
Artwork	400,000
Furniture and Equipment	11,254,510
Music, Musical Instruments and Other Assets	<u>1,583,723</u>
Total	189,705,216
Less Accumulated Depreciation	<u>(32,744,056)</u>
Net Property and Equipment	<u>\$156,961,160</u>

Depreciation expense for the fiscal year ended June 30, 2016 was approximately \$5,669,000.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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### NOTE B – PROPERTY AND EQUIPMENT (Continued)

#### **Purchase of Alton Pointe**

In April 2012, Alton Pointe purchased an apartment complex and condominium units within close proximity to NWS to provide housing for NWS fellows. NWS fellows moved into the new facility in November 2012 and acquisition debt was retired in June 2013. The property consists of 128 units of which 102 units are used for program purposes. The remaining units are rented to the general public on a long term basis to provide supplemental income to the Organization. During the year ended June 30, 2016, NWS recognized approximately \$401,500 in gross rental income from this facility, which is included in Other Revenue in the accompanying consolidated statement of activities.

### NOTE C – CREDIT FACILITIES

#### **\$3,000,000 Operating Line of Credit**

NWS has a \$3,000,000 revolving line of credit agreement with a financial institution to provide working capital for operating purposes. This note currently carries interest at one-month LIBOR plus 84 basis points (1.30% at June 30, 2016). Interest only payments are due monthly with the principal due at maturity on June 26, 2017. Collateral for this agreement is an investment account maintained by the Organization which had a balance of approximately \$4,451,000 at June 30, 2016. As of June 30, 2016, this line of credit had a balance of \$1,786,000. During the year ended June 30, 2016, NWS incurred interest of approximately \$16,000 in relation to this obligation.

#### **\$18,400,000 Promissory Note**

On October 18, 2011, NWS converted a \$75,000,000 revolving line of credit related to the construction of New World Center into an \$18,400,000 promissory note. No future advances will be made against this note. This note currently carries interest at one-month LIBOR plus 84 basis points (1.30% at June 30, 2016). Interest only payments are due monthly with the principal due at maturity on June 30, 2017. The note requires mandatory principal payments to be made from time to time as required by the bank. A benefactor of NWS has provided a guarantee of this note in addition to collateral which includes an investment account maintained by the benefactor.

During the year ended June 30, 2016, NWS incurred interest of approximately \$189,000 in relation to this obligation and made principal payments of \$750,000. The principal balance outstanding on this note was \$15,400,000 at June 30, 2016.



# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

### NOTE C – CREDIT FACILITIES (Continued)

#### **\$4,000,000 Alton Pointe Completion Loan**

On July 24, 2012, NWS entered into a revolving line of credit with a financial institution to provide for borrowings up to \$4,000,000. This note was obtained to finance renovation costs to the residential property and the purchase of ten condominium units that were not part of the original acquisition. This note currently carries interest at one-month LIBOR plus 84 basis points (1.30% at June 30, 2016). Interest only payments are due monthly with the principal due at maturity on June 26, 2017. Collateral for this agreement is an investment account maintained by the Organization which had a balance of approximately \$6,291,000 at June 30, 2016. As of June 30, 2016, this line of credit had a balance of \$4,000,000. During the year ended June 30, 2016, NWS incurred interest of approximately \$51,000 in relation to this obligation.

#### **\$1,500,000 Capital Project Loan**

On June 28, 2016, NWS entered into a revolving line of credit with a financial institution to provide for borrowings up to \$1,500,000. This note was obtained to finance certain capital improvements. This note currently carries interest at one-month LIBOR plus 84 basis points (1.30% at June 30, 2016) and matures on June 26, 2017. As of June 30, 2016, no funds had been drawn. Subsequent to the fiscal year end, the organization drew approximately \$524,000 from the revolving line of credit.

The principal payment schedule for credit facilities is as follows:

<u>Fiscal Year</u>	<u>Payment Due</u>
2017	<u>\$ 21,186,000</u>

It is Management's intention to renew each of loans noted above on similar terms when they come due on June 26, 2017. While there can be no assurance that these renewals will be available, Management is confident its relationship with the lender will result in satisfactory renewal.

### NOTE D – ENDOWMENTS

In 1991, NWS established the New World Symphony Endowment Fund. The purpose of the Endowment Fund is to create a continuous development program that will enable individuals, corporations, and foundations to make gifts to NWS, to provide for the permanent financing of the programs of NWS, and to ensure the permanent existence of NWS.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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### NOTE D – ENDOWMENTS (Continued)

NWS utilizes the services of an investment advisor to assist the NWS Investment Committee in determining investment objectives and policies, asset allocation strategies, and identification of appropriate investment managers. The total time weighted return on the Endowment Fund after investment fees was -4.48% for the year ended June 30, 2016, compared to a weighted average composite benchmark return of -1.32%. Over the last seven years, NWS' portfolio has achieved an annual compound total rate of return of 7.94%, compared to a weighted average composite benchmark return of 8.05%.

#### ***Interpretation of Relevant Law***

NWS interprets the Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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 interpretation, NWS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation was added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets and maintained as such for appropriation for expenditure by NWS in a manner consistent with the standards of prudence prescribed by UPMIFA and donors' restrictions on use.

NWS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of NWS 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.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

### NOTE D – ENDOWMENTS (Continued)

For the year ended June 30, 2016 NWS had the following endowment activity in net assets:

	Temporarily Restricted	Permanently Restricted	Total
Beginning net assets	\$20,498,146	\$80,843,004	\$101,341,150
Contributions	-	544,636	544,636
Income on long-term assets	740,568	-	740,568
Realized and unrealized gains (losses)	(4,816,050)	-	(4,816,050)
Disbursements	(4,449,475)	-	(4,449,475)
Ending net assets	<u>\$11,973,189</u>	<u>\$81,387,640</u>	<u>\$ 93,360,829</u>

#### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor intended. As of June 30, 2016, there were no endowment funds with deficiencies.

#### **Return Objectives and Risk Parameters**

NWS has adopted investment policies and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that NWS must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Trustees, endowment assets are invested in a manner that is intended to produce a relatively stable stream of spendable revenue that increases over time at a rate not less than the general rate of inflation as measured by the Consumer Price Index while assuming a moderate level of investment risk. NWS recognizes that to achieve this objective over extended periods, investment returns must exceed the objective during some periods in order to compensate for shortfalls that might occur during other periods. Actual returns in any given year may vary.

#### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, NWS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NWS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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### NOTE D – ENDOWMENTS (Continued)

#### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

NWS has a policy of appropriating for distribution each year 5% of the endowment's average fair value over the period of 12 quarters through the fiscal year end immediately preceding the fiscal year in which the distribution is planned. The distributed amount may be increased by the affirmative vote of a majority of the members of each of the Finance, Investment and Executive Committees.

In establishing this policy, NWS considered the long-term expected return on its endowment which is measured against one or more benchmarks approved by the Investment Committee. Accordingly, over the long term, NWS expects the current spending policy to allow its endowment to grow at an amount greater than a composite, weighted benchmark, similarly approved. This is consistent with NWS' objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### NOTE E – FAIR VALUE MEASUREMENTS

NWS follows FASB ASC Topic 820-10 *Fair Value Measurement and Disclosure* for measuring fair value. This guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

This standard also establishes a three-level hierarchy for fair value measurements based upon the significant inputs used to determine fair value. Observable inputs are those which are obtained from market participants external to the company while unobservable inputs are generally developed internally, utilizing management's estimates, assumptions and specific knowledge of the assets/liabilities and related markets. The three levels are defined as follows:

**Level 1 inputs** are quoted prices (unadjusted) in active markets for identical assets or liabilities that NWS has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

**Level 2 inputs** are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

### NOTE E – FAIR VALUE MEASUREMENTS (Continued)

1. Quoted prices for similar assets and liabilities in active markets.
2. Quoted prices for identical or similar assets and liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
3. Inputs other than quoted prices that are observable for the asset and liability.
4. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Adjustments to Level 2 inputs will vary depending on factors specific to the asset or liability. Those factors include the condition and/or location of the asset or liability, the extent to which the inputs relate to items that are comparable to the asset or liability, and the volume and level of activity in the markets within which the inputs are observed. An adjustment that is significant to the fair value measurement in its entirety might render the measurement a Level 3 measurement, depending on the level in the fair value hierarchy within which the inputs used to determine the adjustment fall.

**Level 3 inputs** are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity.

An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

Level 1 investments are comprised of money market funds, fixed income bond funds, domestic equities, and global equities that are traded on the open market and valued using quoted prices.

Level 3 investments are comprised of Limited Partnerships. NWS accounts for Level 3 investments in accordance with Accounting Standards Update (“ASU”) 2009-12, Guidance for Measuring Fair Value of Certain Alternative Investments, which permits entities, as a practical expedient, to use net asset value (“NAV”) per share for measuring the fair value of certain alternative investments that do not have a readily determined fair value, such as quoted market price.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

### NOTE E – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth, by level within the fair value hierarchy, NWS' assets at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market	\$ 144,627	\$ -	\$ -	\$ 144,627
Fixed Income Bond Funds	17,379,634	-	-	17,379,634
Domestic Equity	28,262,656	-	-	28,262,656
Global Equity	<u>26,605,293</u>	-	-	<u>26,605,293</u>
Subtotal	<u>72,392,210</u>	-	-	<u>72,392,210</u>
Alternative Investments:	-	-	-	-
Hedge Fund	-	-	6,535,530	6,535,530
Private Equity	-	-	1,902,151	1,902,151
Equity Long/Short	-	-	2,642,615	2,642,615
Global Tactical Trading Fund	<u>-</u>	<u>-</u>	<u>6,942,007</u>	<u>6,942,007</u>
Total Alternative Investments	<u>-</u>	<u>-</u>	<u>18,022,303</u>	<u>18,022,303</u>
Totals	<u>\$72,392,210</u>	<u>\$ -</u>	<u>\$18,022,303</u>	<u>\$90,414,513</u>

The table below sets forth a summary of changes in the fair value of level 3 assets for the year ended June 30, 2016:

<u>Account</u>	<u>Beginning Balance</u>	<u>Purchases</u>	<u>Sales</u>	<u>Change in Unrealized Gain/Loss</u>	<u>Ending Balance</u>
Hedge Fund	\$ 8,228,094	\$ -	\$ -	(\$1,692,564)	\$ 6,535,530
Private Equity	769,734	1,497,392	(266,402)	(98,573)	1,902,151
Equity Long/Short	2,766,299	500,000	-	(623,684)	2,642,615
Global Tactical Trading Fund	<u>7,156,763</u>	<u>-</u>	<u>-</u>	<u>(214,756)</u>	<u>6,942,007</u>
	<u>\$18,920,890</u>	<u>\$1,997,392</u>	<u>(\$266,402)</u>	<u>(\$2,629,577)</u>	<u>\$18,022,303</u>

During the year ended June 30, 2016, NWS paid investment management fees of approximately \$225,800 which is netted against investment income on the consolidated statement of activities.

It is the Organization's policy to recognize transfers in and out of levels as of the end of the reporting period or change in circumstance that caused the transfer.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

### NOTE E – FAIR VALUE MEASUREMENTS (Continued)

The following table discloses the nature and risk of alternative investments (including hedge funds and limited partnerships) by strategy and style as of June 30, 2016:

	Fair Value at June 30, 2016	Valuation Method	Inputs	Input Rate Applied	Unfunded Commitments	Exit Frequency	Days Notice
Hedge Fund	\$6,535,530	Practical Expedient	Net Asset Value (NAV)	100%	\$ -	Annual	45 days
Private Equity	1,902,151	Practical Expedient	Net Asset Value (NAV)	100%	6,253,997	Redemption at end of partnership	N/A
Equity Long/Short	2,642,615	Practical Expedient	Net Asset Value (NAV)	100%	-	Semi-Annually	75 days
Global Tactical Trading Fund	<u>6,942,007</u> <u>\$18,022,303</u>	Practical Expedient	Net Asset Value (NAV)	100%	<u>-</u> <u>\$6,253,997</u>	Quarterly	62 days

### NOTE F – RELATED PARTY TRANSACTIONS

Contributions received from members of the Board of Trustees and their affiliates during the year ended June 30, 2016 totaled approximately \$ 4,150,000; these contributions represent 30% of total revenue, excluding net unrealized and realized gains and losses and assets released from restrictions. As of June 30, 2016, amounts due for these contributions from members of the Board of Trustees and their affiliates totaled \$172,630 which is included in contributions receivable on the accompanying consolidated statement of financial position.

# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

### NOTE G – GOVERNMENT SUPPORT

During the year ended June 30, 2016, NWS was the recipient of the following support from governmental agencies:

National Endowment for the Arts	
• Musician Professional Development Program	\$ 60,000
• The online classical music portal MUSAIC	50,000
Florida Department of State, Division of Cultural Affairs	
• General Program Support Grant – 2015-2016 season	72,936
• General Program Support Grant – 2016-2017 season	92,726
City of Miami Beach	
• Cultural Affairs Program and Cultural Arts Council	35,000
Miami-Dade County Department of Cultural Affairs	
• Youth Arts Enrichment Program	20,000
• Major Cultural Institutions Grants Program	408,708
• Tourist Development Council	11,250
• Capital Acquisitions Program	17,570
• Cultural Facilities Grant Program	<u>1,000,000</u>
Total	<u>\$1,768,190</u>

All grant funds were expended, obligated, or invested according to the specific terms of agreement with each governmental agency and were capitalized or recorded as program services under those agreements as unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets.

NWS was awarded a grant from Miami-Dade County for the development, construction and design of New World Center to be funded in annual increments from legally available convention development tax funds through the year ending 2030. Based on current information available, NWS estimates it will receive up to \$55,000,000 over that timeframe. The annual allocations are subject to approval and adjustment by the Board of County Commissioners as well as the availability of sufficient applicable tax revenues. NWS has recognized and collected a total of \$10,900,000 in relation to this grant through June 30, 2016 of which \$1,000,000 was recognized during the fiscal year ended June 30, 2016.



# NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

### NOTE G – GOVERNMENT SUPPORT (Continued)

As of June 30, 2016, \$88,750 in grant funds had been expended and not yet reimbursed; this amount is recorded in accounts receivable in the accompanying consolidated statement of financial position. Grants received by the Organization are subject to financial and compliance audits by the grantors or their representatives. The possible disallowance of any item charged to the program or the request for return of any unexpended funds cannot be determined at this time; therefore, no provision for any liability that may result has been made in the consolidated financial statements as the amount is not expected to be material.

### NOTE H – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs services and supporting activities benefited.

### NOTE I – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional promises to give to be received in future periods and are discounted to their present value based on anticipated payment streams. Uncollectible promises are expected to be insignificant. Contributions receivable at June 30, 2016 are as follows:

Due in less than one year	\$1,299,778
Due in one to five years	2,196,709
Due in more than five years	<u>195,000</u>
Total contributions receivable	3,691,487
Less allowance for uncollectible amounts	(47,839)
Less discount to net present value	<u>(150,807)</u>
Total contributions receivable, net	<u>\$3,492,841</u>

### NOTE J – CONTINGENCIES

NWS is involved in lawsuits from time to time that arise in the ordinary course of business. In the opinion of management, any liabilities resulting from such litigation would not be material in relation to the Organization's consolidated financial position. As of June 30, 2016 there were no active lawsuits.

# **NEW WORLD SYMPHONY, INC. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*June 30, 2016*

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### **NOTE K – OTHER REVENUE**

Unrestricted other revenue primarily consists of revenues related to the rental of New World Center by outside parties and rental income earned at Alton Pointe. See Note B.

### **NOTE L – RETIREMENT SAVINGS PLAN**

NWS has a 401k retirement savings plan available to all qualifying employees. NWS contributes a safe harbor matching contribution to each participant equal to 100% of the employee's contribution up to but not exceeding 4% of the employee's annual compensation. Total 401k expense for the years ended June 30, 2016 and 2015, was \$150,063 and \$147,399, respectively.