

THE LAKE PLACID SINFONIETTA, INC.

Financial Statements

September 30, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Lake Placid Sinfonietta, Inc.

I have audited the accompanying statement of financial position of The Lake Placid Sinfonietta, Inc. as of September 30, 2010 and September 30, 2009, the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit 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 statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lake Placid Sinfonietta, Inc. as of September 30, 2010 and September 30, 2009, the results of its operations and the changes in its financial position for the years then ended in conformity with generally accepted accounting principles.

My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Barbara S. Dwyer, CPA

Lake Placid, New York
January 4, 2011

LAKE PLACID SINFONIETTA, INC.
Statement of Financial Position

ASSETS	Year ended September 30	
	<u>2010</u>	<u>2009</u>
Current Assets		
Cash	\$ 36,052	24,476
Accounts receivable	<u>8,200</u>	<u>10,405</u>
Total Current Assets	44,252	34,881
Investments	345,658	362,449
Office Equipment, net of accumulated depreciation	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$389,910</u>	<u>397,330</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	4,220	169
Payroll taxes payable	283	1,383
Accrued expenses	<u>13</u>	<u>13</u>
TOTAL LIABILITIES	4,516	1,565
NET ASSETS		
Unrestricted	267,535	279,898
Permanently Restricted	<u>117,859</u>	<u>115,867</u>
TOTAL NET ASSETS	<u>385,394</u>	<u>395,765</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$389,910</u>	<u>397,330</u>

LAKE PLACID SINFONIETTA, INC.
Statement of Activities

	Year ended September 30	
	<u>2010</u>	<u>2009</u>
PROGRAM SUPPORT		
Admissions	\$ 34,159	30,264
Program advertising	10,190	10,850
Education program events	1,730	2,004
Raffles	1,491	1,442
Incidental sales	24	295
Other	1,243	932
Total Program Support	<u>48,837</u>	<u>45,787</u>
ORGANIZATIONAL SUPPORT		
Fundraising events	31,546	32,375
Private contributions	92,601	88,603
Business contributions	5,700	12,405
Foundation grants	16,500	14,000
Government grants	13,400	14,510
Total Grants and Gifts	<u>159,747</u>	<u>161,893</u>
OTHER INCOME		
Interest and dividend income	8,191	8,511
Second Century Fund Grant	5,900	5,100
Unrealized gain (loss) on investments	12,870	(253)
Total Other Income (Loss)	<u>26,961</u>	<u>13,358</u>
TOTAL SUPPORT, GRANTS, GIFTS AND INCOME	<u>\$ 235,545</u>	<u>221,038</u>
FUNCTIONAL EXPENSES		
Orchestra Personnel expenses	\$ 138,400	126,978
Orchestra Performance expenses	23,096	22,156
Educational Program expenses	1,150	1,000
Administrative Personnel expenses	35,086	34,858
Administrative expenses	16,852	18,754
Fundraising expenses	31,332	29,355
TOTAL FUNCTIONAL EXPENSES	<u>245,916</u>	<u>233,101</u>
INCREASE IN PERMANENTLY RESTRICTED ASSETS	<u>-</u>	<u>1,350</u>
CHANGE IN NET ASSETS	(10,371)	(10,713)
Net assets, beginning of year	<u>395,765</u>	<u>406,478</u>
Net assets, end of year	<u>\$ 385,394</u>	<u>395,765</u>

See accompanying notes to financial statements

LAKE PLACID SINFONIETTA, INC.
Statement of Cash Flows

	Year ended September 30	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in unrestricted net assets	\$ (10,371)	(10,713)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by operating activities		
Depreciation	-	-
Unrealized (gain) loss on marketable equity securities	16,791	(11,945)
(Increase) decrease in assets-		
Accounts receivable	2,205	(9,060)
Increase (decrease) in liabilities -		
Accounts payable	4,051	(468)
Payroll taxes payable	(1,100)	(110)
Accrued expenses	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>11,576</u>	<u>(32,296)</u>
 NET INCREASE (DECREASE) IN CASH	 11,576	 (32,296)
 CASH, BEGINNING OF YEAR	 <u>24,476</u>	 <u>56,772</u>
 CASH, END OF YEAR	 <u>\$ 36,052</u>	 <u>24,476</u>

See accompanying notes to financial statements

LAKE PLACID SINFONIETTA
Notes to Financial Statements
September 30, 2010

NOTE 1: ORGANIZATION

Lake Placid Sinfonietta, Inc. (“the Sinfonietta”) was incorporated on December 23, 1981 to present musical performances and concerts in the Lake Placid and surrounding areas and for education purposes, including the awarding of scholarships to students who wish to obtain orchestral experience with the Sinfonietta to further their musical education.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sinfonietta have been prepared on the accrual basis of accounting.

The Sinfonietta records unconditional promises to give as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. The Sinfonietta reports external financial reporting by not-for-profit organizations resources classified for accounting and reporting purposes into three net asset categories according to donor imposed restrictions.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Sinfonietta and changes therein are classified and reported as follows:

- **Unrestricted net assets** include net assets that are not subject to donor or Board imposed stipulations.
- **Temporarily restricted net assets** include net assets subject to donor or Board imposed stipulations that may or will lapse either by actions of the Sinfonietta and/or the passage of time.
- **Permanently restricted net assets** include net assets subject to donor imposed restrictions with the intent that the Sinfonietta maintains the net assets permanently. Generally, the donors of these assets permit the Sinfonietta to use all of the income earned or realized on related investments for general or specific purposes.

Revenues and Expenses

Revenues are reported as increase 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.

Investment Income

Interest and dividend income, realized net gains and losses and unrealized net gains and losses are included in the statement of activities for the net asset category holding the related investment.

Cash and Cash Equivalents

The Sinfonietta considers cash and any appropriate investment with the initial maturity date of the three months or less to be cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the balance sheet. Unrealized gains and losses are included in the statement of activities for the net asset category holding the investment. The fair values of investments are based on quoted market prices.

LAKE PLACID SINFONIETTA
Notes to Financial Statements
September 30, 2010

NOTE 2: CONTINUED

Deferred Revenue and Prepaid Expenses

Deposits of grants relating to the following fiscal year are reported as deferred revenue on the statement of financial position and are recognized as revenue during the following year. Payments made for expenses related to the following year are shown as prepaid expenses on the statement of financial position and reported as expense in the following year.

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 assets and liabilities and applicable disclosures at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3: EXEMPTION FROM FEDERAL INCOME TAXES

The Sinfonietta is exempt from federal income taxes under section 501(c) (3) of the Internal Revenue Code as a charitable organization, not as a private foundation.

NOTE 4: EQUIPMENT

The Sinfonietta owns office equipment which is fully depreciated. The items were recorded at cost and have been depreciated using the straight-line method. This means that equal amounts of depreciation expense are charged against operations each year during the estimate useful life of each item. The useful life employed for computing depreciation on office equipment and computers is ten years and five years, respectively.

NOTE 5: MUSIC LIBRARY

The Sinfonietta owns an extensive music library of compositions for small orchestras. The library is currently insured for \$90,000.

NOTE 6: INVESTMENTS AND FAIR VALUE MEASUREMENT

The Sinfonietta accounts for investments in marketable equity or fixed income securities at readily determinable fair values in the balance sheet. All dividends, interest and capital gains earned are reinvested.

Investments stated at fair market value, are composed of the following:

Adirondack Community Trust	\$117,859
Equity Mutual Funds	76,215
Bond Mutual Funds	<u>151,584</u>
Total Investments	<u>\$345,658</u>

LAKE PLACID SINFONIETTA

Notes to Financial Statements

September 30, 2010

The Lake Placid Sinfonietta's financial assets, carried at fair value, have been classified, for disclosure purposes, based on a hierarchy defined by the Financial Accounting Standards Board. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets. (Level 1) and the lowest ranking fair values determined using methodologies and models with unobservable inputs (Level 3). The levels of the fair value hierarchy are as follows.

Level 1-Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2- Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3-Certain inputs are unobservable (supported by little or no market activity) significant to the fair value measurement. Unobservable inputs reflect the Center's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following table provides information as of September 30, 2010 about the Lake Placid Sinfonietta's financial assets measured at fair value on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Adirondack Community Trust	\$117,859	-	-
Equity Mutual Funds	76,215	-	-
Bond Mutual Funds	151,585	-	-

NOTE 7: GOVERNMENT GRANTS

The Sinfonietta received government grants for support as follows:

	<u>2010</u>	<u>2009</u>
Park Concerts	\$ 6,700	6,500
Other Concerts	-	-
Operations	<u>6,700</u>	<u>8,010</u>
Total	<u>\$13,400</u>	<u>\$14,510</u>

LAKE PLACID SINFONIETTA

Notes to Financial Statements

September 30, 2010

NOTE 8: FUND RAISING EVENTS

The Sinfonietta hosts a major fund-raising event each year. The board has designated the net proceeds of this fund-raising event for the board designated Orchestra Fund. The event is the annual gala. Total revenue and expenditures relating to the gala are as follows:

	Year ended September 30	
	<u>2010</u>	<u>2009</u>
Gala Revenue:		
Ticket sales	\$16,833	10,945
Contributions in lieu of ticket sales	2,560	6,525
Auction sales	7,900	7,559
Raffle	1,230	2,334
Other	-	<u>1,273</u>
Total Gala revenue	\$28,523	28,636
Gala expenditures:		
Food and beverage	11,612	8,210
Music and entertainment	1,345	3,200
Printing and postage	1,620	477
Other	<u>625</u>	<u>307</u>
Total Gala expenditures	\$15,202	12,194
Excess of revenue over expenditures, Gala	\$13,321	16,442

Other fund-raising events which were held are as follows:

	<u>2010</u>	<u>2009</u>
Golf Tournament	\$1,550	1,673
Fall Wine Tasting	1,090	702
High Notes Breakfast	<u>2</u>	<u>-</u>
Total Net Revenues	\$2,642	2,375

NOTE 9: FUNDS DESIGNATED BY THE BOARD FOR INVESTMENT (QUASI - ENDOWMENT)

In June, 1997 the board formally adopted a new financial plan, which designated that the orchestra fund be used for long-term support of musicians' salaries, guest artists and general operating expenses with the expectation that annual income is to be used regularly to support the Sinfonietta. The Board determined that five percent of the rolling three year averages of the fair market value of the investments are available to support the operations of the Sinfonietta. Additional funds can be withdrawn with Board Approval. The board also adopted a formal investment policy for these funds, which concentrates on the preservation of principal and maximizing return.

LAKE PLACID SINFONIETTA
Notes to Financial Statements
September 30, 2010

NOTE 10: UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at September 30, 2010:

Unrestricted	<u>\$ 267,535</u>
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NOTE 11: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of September 30, 2010 have been fully utilized.

Note 12: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of September 30, 2009 are \$117,859, all of which is invested with the Adirondack Community Trust as The Lake Placid Sinfonietta Second Century Endowment Fund. Income earned by these assets will be retained in the fund. Restricted gifts totaling \$-0- and \$1,350 were received for this fund in the fiscal years ended September 30, 2010 and September 30, 2009 respectively. Endowment gifts to this fund have totaled \$134,150 since inception.

The Sinfonietta is allowed to draw 5% of the three immediate years' average fair market value as a grant for operations. The Sinfonietta received grants of \$5,900 and \$5,100 during the fiscal years ended September 30, 2010 and September 30, 2009, respectively.

NOTE 13: FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 14: SUBSEQUENT EVENTS

The Sinfonietta has evaluated events and transactions between September 30, 2010 and November 11, 2010, which is the date the financial statements were available for issuance, for possible disclosure and recognition in the financial statements.

LAKE PLACID SINFONIETTA, INC.
Schedule of Functional Expenses

	Year ended September 30	
	<u>2010</u>	<u>2009</u>
ORCHESTRA PERSONNEL EXPENSES		
Orchestra compensation	\$ 117,600	\$ 110,300
Production manager/librarian	4,525	3,717
Guest artists' fees	5,950	3,000
Conductors expenses	1,236	422
Guests artists' travel expenses	350	961
Payroll taxes	<u>8,739</u>	<u>8,578</u>
Total Orchestra Personnel Expenses	138,400	126,978
ORCHESTRA PERFORMANCE EXPENSES		
Advertising and promotion	5,340	5,906
Cartage	2,110	2,029
Equipment/music rental	3,142	2,032
Hall rental	4,725	4,725
Orchestra extras	1,425	1,600
Other production costs	5,854	5,864
Student scholarship	<u>500</u>	<u>-</u>
Total Orchestra Performance Expenses	23,096	22,156
EDUCATIONAL PROGRAM EXPENSES	1,150	1,000
ADMINISTRATIVE PERSONNEL EXPENSES		
Executive Director	30,000	30,000
Payroll taxes	2,176	2,285
Administor benefits	<u>2,910</u>	<u>2,573</u>
Total Administrative Performance Expenses	35,086	34,858
ADMINISTRATIVE EXPENSES		
Dues and membership	921	890
Insurance	2,945	5,203
Staff/Board development	1,055	306
Miscellaneous	822	2,760
Office supplies and expenses	3,460	3,630
Postage	2,627	1,897
Receptions	380	279
Telephone	1,878	2,079
Professional fees	1,710	1,710
Investment fees	<u>1,054</u>	<u>-</u>
Total Administrative Expenses	16,852	18,754
DEVELOPMENT EXPENSES		
Gala	15,202	12,194
Development salary	11,400	11,400
Payroll taxes	827	978
Development office expense	972	1,211
Development expenses	<u>2,931</u>	<u>3,572</u>
Total Fundraising Expenses	31,332	29,355
TOTAL FUNCTIONAL EXPENSES	<u>\$ 245,916</u>	<u>\$ 233,101</u>

See accompanying notes to financial statements