

DAYTON PERFORMING ARTS ALLIANCE
(A Nonprofit Organization)

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Dayton Performing Arts Alliance
Dayton, Ohio

We have audited the accompanying financial statements of the **Dayton Performing Arts Alliance** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, schedules of cost of revenue earned, and statements of operating 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

INDEPENDENT AUDITORS' REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Dayton Performing Arts Alliance** 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.

Effect of Adopting New Accounting Standards

As discussed in Note 1, the **Dayton Performing Arts Alliance** adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



Dayton, Ohio
September 26, 2019

DAYTON PERFORMING ARTS ALLIANCE

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 25,274	\$ 180,071
Accounts receivable		
Pledges receivable	1,716,754	1,857,682
Grants receivable	212,418	232,217
Trade and other receivables	173,366	84,984
Prepaid expenses	296,842	307,621
Inventory and supplies	<u>56,108</u>	<u>45,261</u>
	2,480,762	2,707,836
LONG-TERM PLEDGES RECEIVABLE, NET	1,878,936	1,363,130
PROPERTY AND EQUIPMENT, NET	417,276	392,780
INVESTMENTS	1,637,829	1,617,398
BENEFICIAL INTEREST IN FUNDS HELD AT THE DAYTON FOUNDATION	998,259	457,318
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	<u>2,221,650</u>	<u>2,752,224</u>
	<u>\$ 9,634,712</u>	<u>\$ 9,290,686</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 525,000	\$ 525,000
Short-term loan	-	10,000
Accounts payable and accrued expenses	431,106	400,494
Deferred revenue	<u>1,491,447</u>	<u>1,471,081</u>
	<u>2,447,553</u>	<u>2,406,575</u>
NET ASSETS (DEFICIT)		
Without donor restrictions		
Undesignated	(2,294,424)	(1,789,411)
With donor restrictions		
Time restrictions	720,087	633,113
Purpose restrictions	2,553,790	2,589,394
Perpetual in nature	<u>6,207,706</u>	<u>5,451,015</u>
	<u>7,187,159</u>	<u>6,884,111</u>
	<u>\$ 9,634,712</u>	<u>\$ 9,290,686</u>

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Performance ticket sales	\$ 3,031,908	\$ -	\$ 3,031,908
Performance other	165,882	57,729	223,611
Education	366,721	-	366,721
Other income	139,448	-	139,448
	<u>3,703,959</u>	<u>57,729</u>	<u>3,761,688</u>
SUPPORT			
Contributions and support	1,672,272	1,396,161	3,068,433
Advancing Together Campaign	113,306	-	113,306
One Dayton, One Alliance Campaign	75,000	1,161,500	1,236,500
Government grants	213,331	49,883	263,214
Culture Works	280	85,567	85,847
Bequests	5,728	-	5,728
Contributed services and materials	295,978	-	295,978
Special events, net	98,756	15,500	114,256
Endowment distributions	652,118	-	652,118
Endowment releases	-	(652,118)	(652,118)
Net assets released from restrictions	1,450,736	(1,450,736)	-
	<u>4,577,505</u>	<u>605,757</u>	<u>5,183,262</u>
Total Revenue and Support	<u>8,281,464</u>	<u>663,486</u>	<u>8,944,950</u>
COST OF EARNED REVENUE			
Performances	6,160,454	-	6,160,454
Education	753,014	-	753,014
Total Cost of Earned Revenue	<u>6,913,468</u>	<u>-</u>	<u>6,913,468</u>
CONTRIBUTION MARGIN	<u>1,367,996</u>	<u>663,486</u>	<u>2,031,482</u>
OPERATING EXPENSES			
Administration	574,039	-	574,039
Marketing	774,588	-	774,588
Development	581,423	-	581,423
Total Operating Expenses	<u>1,930,050</u>	<u>-</u>	<u>1,930,050</u>
NET OPERATING INCOME (DEFICIT)	<u>(562,054)</u>	<u>663,486</u>	<u>101,432</u>
NON-OPERATING INCOME			
Net investment return	21,678	11,771	33,449
Realized/unrealized gains	20,078	21,579	41,657
Change in beneficial interest in funds held at The Dayton Foundation	15,285	27,056	42,341
Change in value in beneficial interest in perpetual trusts	-	84,169	84,169
NET NON-OPERATING INCOME	<u>57,041</u>	<u>144,575</u>	<u>201,616</u>
CHANGE IN NET ASSETS	(505,013)	808,061	303,048
NET ASSETS (DEFICIT)			
Beginning of Year	<u>(1,789,411)</u>	<u>8,673,522</u>	<u>6,884,111</u>
End of Year	<u>\$ (2,294,424)</u>	<u>\$ 9,481,583</u>	<u>\$ 7,187,159</u>

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Performance ticket sales	\$ 2,773,004	\$ -	\$ 2,773,004
Performance other	57,135	10,271	67,406
Education	361,422	-	361,422
Other income	113,582	-	113,582
	<u>3,305,143</u>	<u>10,271</u>	<u>3,315,414</u>
SUPPORT			
Contributions and support	1,206,148	1,632,262	2,838,410
Advancing Together Campaign	251,250	-	251,250
One Dayton, One Alliance Campaign	-	1,482,500	1,482,500
Government grants	224,550	39,883	264,433
Culture Works	-	105,000	105,000
Bequests	148,293	-	148,293
Contributed services and materials	469,108	-	469,108
Special events, net	151,187	9,000	160,187
Endowment distributions	329,231	-	329,231
Endowment releases	-	(329,231)	(329,231)
Net assets released from restrictions	2,183,239	(2,183,239)	-
	<u>4,963,006</u>	<u>756,175</u>	<u>5,719,181</u>
Total Revenue and Support	<u>8,268,149</u>	<u>766,446</u>	<u>9,034,595</u>
COST OF EARNED REVENUE			
Performances	6,171,577	-	6,171,577
Education	910,849	-	910,849
Total Cost of Earned Revenue	<u>7,082,426</u>	<u>-</u>	<u>7,082,426</u>
CONTRIBUTION MARGIN	<u>1,185,723</u>	<u>766,446</u>	<u>1,952,169</u>
OPERATING EXPENSES			
Administration	539,824	-	539,824
Marketing	675,109	-	675,109
Development	467,616	-	467,616
Total Operating Expenses	<u>1,682,549</u>	<u>-</u>	<u>1,682,549</u>
NET OPERATING INCOME (DEFICIT)	<u>(496,826)</u>	<u>766,446</u>	<u>269,620</u>
NON-OPERATING INCOME			
Net investment return	17,462	16,130	33,592
Realized/unrealized gains	29,017	52,877	81,894
Change in beneficial interest in funds held at The Dayton Foundation	32,557	6,857	39,414
Change in value in beneficial interest in perpetual trusts	-	222,909	222,909
NET NON-OPERATING INCOME	<u>79,036</u>	<u>298,773</u>	<u>377,809</u>
CHANGE IN NET ASSETS	<u>(417,790)</u>	<u>1,065,219</u>	<u>647,429</u>
NET ASSETS (DEFICIT)			
Beginning of Year	<u>(1,371,621)</u>	<u>7,608,303</u>	<u>6,236,682</u>
End of Year	<u>\$ (1,789,411)</u>	<u>\$ 8,673,522</u>	<u>\$ 6,884,111</u>

DAYTON PERFORMING ARTS ALLIANCE

SCHEDULE OF COST OF REVENUE EARNED

YEAR ENDED JUNE 30, 2019

	<u>Dayton Ballet</u>	<u>Dayton Opera</u>	<u>Dayton Philharmonic</u>	<u>Total Performances</u>	<u>Educational Programs</u>	<u>Total</u>
Salaries and benefits	\$ 789,779	\$ 423,803	\$ 1,990,799	\$ 3,204,381	\$ 597,494	\$ 3,801,875
Professional fees	205,836	391,013	646,450	1,243,299	50,051	1,293,350
Production expenses	153,768	171,370	675,129	1,000,267	61,542	1,061,809
Telemarketing	63,936	26,048	146,817	236,801	-	236,801
Gifts in-kind	65,908	66,002	164,068	295,978	-	295,978
Occupancy	52,766	6,000	15,458	74,224	31,143	105,367
Supplies	1,487	222	1,154	2,863	1,612	4,475
Postage	505	662	104	1,271	1,288	2,559
Printing	-	-	220	220	3,009	3,229
Advertising and promotion	737	-	100	837	891	1,728
Bank and other fees	-	-	-	-	50	50
Copier and postage leases	-	-	5,902	5,902	3,798	9,700
Donor benefits and cultivation	-	-	11,016	11,016	-	11,016
Meals and travel	381	3	5,120	5,504	1,073	6,577
Insurance	7,000	149	-	7,149	-	7,149
Depreciation	39,960	12,750	13,755	66,465	-	66,465
Miscellaneous	260	2,371	1,646	4,277	1,063	5,340
Total expenses by function	<u>\$ 1,382,323</u>	<u>\$ 1,100,393</u>	<u>\$ 3,677,738</u>	<u>\$ 6,160,454</u>	<u>\$ 753,014</u>	<u>\$ 6,913,468</u>

See notes to financial statements.

DAYTON PERFORMING ARTS ALLIANCE

SCHEDULE OF COST OF REVENUE EARNED

YEAR ENDED JUNE 30, 2018

	<u>Dayton Ballet</u>	<u>Dayton Opera</u>	<u>Dayton Philharmonic</u>	<u>Total Performances</u>	<u>Educational Programs</u>	<u>Total</u>
Salaries and benefits	\$ 744,280	\$ 490,988	\$ 1,822,637	\$ 3,057,905	\$ 746,547	\$ 3,804,452
Professional fees	248,977	499,396	563,712	1,312,085	73,999	1,386,084
Production expenses	165,185	197,296	577,772	940,253	29,319	969,572
Telemarketing	62,609	25,507	143,770	231,886	-	231,886
Gifts in-kind	3,867	38,544	426,697	469,108	-	469,108
Occupancy	43,074	2,401	15,339	60,814	42,247	103,061
Supplies	1,145	11	2,596	3,752	2,744	6,496
Postage	4	650	832	1,486	1,008	2,494
Printing	67	-	-	67	3,833	3,900
Advertising and promotion	541	-	-	541	2,751	3,292
Copier and postage leases	-	-	7,854	7,854	3,946	11,800
Meals and travel	96	301	914	1,311	3,838	5,149
Insurance	7,000	37	-	7,037	-	7,037
Depreciation	33,789	11,824	27,880	73,493	-	73,493
Miscellaneous	201	1,469	2,315	3,985	617	4,602
Total Cost of Revenue Earned	<u>\$ 1,310,835</u>	<u>\$ 1,268,424</u>	<u>\$ 3,592,318</u>	<u>\$ 6,171,577</u>	<u>\$ 910,849</u>	<u>\$ 7,082,426</u>

See notes to financial statements.

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF OPERATING EXPENSES

YEAR ENDED JUNE 30, 2019

	<u>Administration</u>	<u>Marketing</u>	<u>Development</u>	<u>Total</u>
Salaries and benefits	\$ 331,593	\$ 196,895	\$ 358,053	\$ 886,541
Professional fees	17,418	195,323	35,754	248,495
Production expenses	141	2,357	462	2,960
Occupancy	42,910	6,674	-	49,584
Supplies	6,909	147	940	7,996
Postage	592	70,299	14,218	85,109
Printing	-	137,033	49,226	186,259
Telemarketing	-	-	17,238	17,238
Advertising and promotion	-	155,107	-	155,107
Bank and other fees	64,524	-	19,555	84,079
Benefit administration	34,641	-	-	34,641
Copier and postage leases	8,792	3,798	4,172	16,762
Donor benefits and cultivation	107	-	49,571	49,678
Meals and travel	3,016	6,082	4,825	13,923
Bad debt expense	-	-	22,586	22,586
Interest	27,877	20	-	27,897
Insurance	16,386	-	-	16,386
Depreciation	8,796	-	-	8,796
Miscellaneous	10,337	853	4,823	16,013
	<u>10,337</u>	<u>853</u>	<u>4,823</u>	<u>16,013</u>
Total expenses by function	<u>\$ 574,039</u>	<u>\$ 774,588</u>	<u>\$ 581,423</u>	<u>\$ 1,930,050</u>

See notes to financial statements.

DAYTON PERFORMING ARTS ALLIANCE
STATEMENT OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2018

	<u>Administration</u>	<u>Marketing</u>	<u>Development</u>	<u>Total</u>
Salaries and benefits	\$ 326,412	\$ 218,599	\$ 292,503	\$ 837,514
Professional fees	500	101,261	2,527	104,288
Production expenses	142	321	891	1,354
Occupancy	42,810	6,546	-	49,356
Supplies	5,616	91	807	6,514
Postage	-	63,711	8,704	72,415
Printing	-	120,633	22,302	142,935
Telemarketing	69	-	17,474	17,543
Advertising and promotion	125	159,274	-	159,399
Bank and other fees	60,371	277	19,416	80,064
Benefit administration	32,020	-	-	32,020
Copier and postage leases	10,049	3,946	4,910	18,905
Donor benefits and cultivation	-	351	34,370	34,721
Meals and travel	5,143	-	3,109	8,252
Bad debt expense	-	-	22,828	22,828
Interest	19,914	-	-	19,914
Insurance	15,846	-	-	15,846
Depreciation	8,000	-	-	8,000
Miscellaneous	12,807	99	37,775	50,681
Total expenses by function	<u>\$ 539,824</u>	<u>\$ 675,109</u>	<u>\$ 467,616</u>	<u>\$ 1,682,549</u>

See notes to financial statements.

DAYTON PERFORMING ARTS ALLIANCE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 303,048	\$ 647,429
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	75,261	81,493
Change in beneficial interest in funds held at The Dayton Foundation	(42,341)	(39,414)
Change in beneficial interest in perpetual trusts	(84,169)	(222,909)
Change in discount for net present value of pledges	70,844	124,670
Net realized gain on investments	(73,115)	(81,210)
Net unrealized (gain) loss on investments	<u>31,458</u>	<u>(684)</u>
	280,986	509,375
Changes in operating assets and liabilities:		
Accounts receivable	72,345	11,027
Prepaid expenses	10,779	42,171
Inventory and supplies	(10,847)	(6,398)
Long-term pledges receivable	(586,650)	(1,211,250)
Accounts payable and accrued expenses	30,612	549
Deferred revenue	<u>20,366</u>	<u>14,422</u>
	(182,409)	(640,104)
INVESTING ACTIVITIES		
Purchases of property and equipment	(99,757)	(49,471)
Proceeds from sale of investments	914,133	1,536,797
Purchases of investments	(892,907)	(1,323,270)
Transfers of assets from beneficial interest in funds held at The Dayton Foundation	14,700	13,700
Transfers of assets to beneficial interest in funds held at The Dayton Foundation	(513,300)	(35,000)
Distributions from beneficial interest in perpetual trusts	<u>614,743</u>	<u>396,205</u>
	37,612	538,961
FINANCING ACTIVITIES		
Net borrowings on line of credit	-	262,500
Payments on short-term loan	<u>(10,000)</u>	<u>(22,144)</u>
	(10,000)	240,356
NET INCREASE (DECREASE) IN CASH	(154,797)	139,213
CASH		
Beginning of year	<u>180,071</u>	<u>40,858</u>
End of year	\$ 25,274	\$ 180,071

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of accounting policies of the **Dayton Performing Arts Alliance** (the "Alliance") is presented to assist in understanding the Alliance's financial statements.

The Dayton Performing Arts Alliance was formed July 1, 2012, as a result of a groundbreaking and innovative merger between The Dayton Ballet Association, The Dayton Opera, and The Dayton Philharmonic Orchestra. Together it is the largest performing arts organization in the community, offering a tremendous variety of performance and education programs and setting a new standard for artistic excellence.

Nature of Business - The Alliance is a not-for-profit corporation primarily engaged in performing classical and contemporary dance works, producing opera performances, performing classical orchestral music, presenting educational and popular music programs, and sponsoring guest artists. The Alliance's concert revenue and ticket receivables are primarily generated from subscribers in metropolitan Dayton, Ohio. The Alliance also obtains the majority of its contributions from patrons in the Dayton area.

Net Asset Classification - Management has determined that the majority of the Alliance's net assets meet the definition of endowment under the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Alliance is governed subject to the governing documents for the Alliance, and most contributions are subject to the terms of the governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Alliance. Under the terms of the governing documents, the Board of Directors has the ability to distribute so much of the corpus of some specific endowment funds, or separate gift, devise, bequest, or fund, as the Board in its sole discretion shall determine. In accordance with UPMIFA, the Alliance 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 the Foundation and the donor-restricted endowment funds.
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 Alliance.
7. The investment policies of the Alliance.

As a result of the ability to distribute corpus from some specific endowment funds, the Board of Directors has determined that these contributions received subject to the governing document, and subject to UPMIFA, are classified as net assets with donor restrictions until appropriated, at which time the appropriation is reclassified to net assets without donor restrictions. Contributions that are subject to other gift instruments may be recorded as with or without donor restrictions, depending on the specific terms of the agreement.

Generally, if the corpus of a contribution will, at some future time, become available for spending, it is recorded as with donor restrictions. In addition, contributions that are promised to be given in a future period are presented as with donor restrictions. If the corpus never becomes available for spending, it will be reported as net assets with donor restrictions which are perpetual in nature. Net assets with donor restrictions that are perpetual in nature represent the fair value of the original gift as of the gift date, and the original value of subsequent gifts to donor-restricted endowment funds.

Net assets without donor restrictions include unrestricted resources, including donations, gifts, and bequests available for the use of the Alliance, over which the Board of Directors has discretionary control. The bylaws of the Alliance include a variance provision on the income of endowed gifts, giving the Board of Directors the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose, or to a specified organization if, in its sole judgment, the Board determines that the restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

Contributions - Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

Donated Materials and Services ("In-Kind") - Significant services and materials are donated to the Alliance by various individuals and companies. Donated materials are recorded at fair market value at the date of donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Alliance. In addition to the recorded contributions, a substantial number of volunteers have donated significant amounts of their time to the Alliance's program services and fundraising activities. Since these services do not meet the requirements for recognition, the value thereof is not reflected in the accompanying financial statements.

Concentrations - The Alliance's cash as of June 30, 2019 and 2018 was on deposit in several financial institutions which, at various times throughout the year, were in excess of FDIC insurance limits of \$250,000.

Functional Allocation of Expenses - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The main expenses that are allocated include salaries, payroll taxes and benefits, which are allocated on the basis of estimates of time and effort.

Pledges Receivable - Unconditional pledges receivable in less than one year are recorded at net realizable value. Unconditional pledges receivable expected to be received in one or more years are discounted to net realizable value.

Other Receivables - Receivable balances have been adjusted for all known uncollectible accounts. Accounts are written off when management determines that probability of collection is remote. The Alliance has established an allowance for doubtful accounts of \$5,000 at June 30, 2019 and 2018.

Inventory and Supplies - Balance consists of merchandise available for sale and dancers' shoes and equipment. Items are stated at the lower of cost or net realizable value.

Investments - The Alliance's investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position.

It is the Alliance's intention to designate a portion of its long-term investments in an amount equal to the underlying carrying value of its net assets with donor restrictions that are perpetual in nature.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Endowment Investment and Spending Policies - The Alliance has adopted investment and spending policies for endowment assets for those assets held by a trustee.

For those assets held by a trustee, the trustee's investment policy has the objective of being a balanced investor. The balanced investor wants to preserve assets and achieve a balance between income and growth. The focus is on long-term returns, while allowing for some shorter-term volatility.

The Board of Trustees has established that the targeted annual spending rate for the funds is 4%, calculated as a percentage of the 12-quarter average market value of the funds as of the beginning of each fiscal year. The Board of Trustees, however, in its sole discretion, may increase or decrease disbursements from the funds should circumstance warrant a change.

Property and Equipment - Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of receipt. In general, items capitalized are those with a cost or fair market value at time of donation of \$500 or greater. Depreciation of property and equipment is provided over the estimated useful lives of the assets using the straight-line method. Routine maintenance and repairs are charged to expense as incurred.

The Alliance reviews for impairment of long-lived assets in accordance with accounting standards. These standards require companies to determine if changes in circumstances indicate that the carrying amount of its long-lived assets may not be recoverable. If a change in circumstances warrants such an evaluation, undiscounted future cash flows from the use and ultimate disposition of the asset, as well as respective market values, are estimated to determine if an impairment exists. Management believes that there has been no impairment of the carrying value of its long-lived assets at June 30, 2019 and 2018.

Deferred Revenue - Sales of season ticket subscriptions for programs to be performed the following fiscal year are recorded as deferred revenue. Revenue from such sales are recognized during the fiscal year the programs are presented.

Income Taxes - The Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. However, any income from certain activities not directly related to the Alliance's tax-exempt purpose may be subject to taxation as unrelated business income.

Accounting for Uncertainty in Income Taxes - The Alliance has adopted accounting rules that prescribe when to recognize, and how to measure the financial statement effects of income tax positions taken, or expected to be taken, on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Alliance only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on its review, management does not believe the Alliance has taken any material uncertain tax positions, including any position that would place the Alliance's exempt status in jeopardy as of June 30, 2019.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Advertising Expense - Advertising costs are expensed in the same year as the performance in which they relate. Advertising expense was \$156,835 and \$162,691 for the years 2019 and 2018. Advertising costs for future performances are recorded as prepaid expenses. Prepaid advertising was \$35,788 and \$51,105 at June 30, 2019 and 2018.

Donated advertising is recorded separately from advertising expense and totaled \$187,037 and \$338,592 for the years 2019 and 2018.

Recently Issued Accounting Standards Not Yet Adopted - In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for the fiscal year ending June 30, 2020. The Alliance is currently in the process of evaluating the impact of adoption of these standards on the financial statements.

FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018. This standard will be effective for the fiscal year ending June 30, 2020. The Alliance is currently in the process of evaluating the impact of adoption of this standard on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require the recognition of right-to-use assets and lease liabilities for leases previously classified as operating leases by lessees. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for the fiscal year ending June 30, 2021. Early application will be permitted. The Alliance is currently in the process of evaluating the impact of adoption of these standards on the financial statements.

Adoption of New Accounting Standards - The Alliance adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during 2019. ASU 2016-14 addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been applied retrospectively to all periods presented.

Reclassifications - Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.

Subsequent Events - In preparing these financial statements, the Alliance has evaluated events and transactions for potential recognition or disclosure through September 26, 2019, the date the financial statements were available to be issued.

NOTE 2 - PLEDGES RECEIVABLE

	<u>2019</u>	<u>2018</u>
Pledges		
Due in less than one year	\$ 1,716,754	\$ 1,857,682
Due in one to five years	<u>2,126,150</u>	<u>1,539,500</u>
	3,842,904	3,397,182
Less discount to net present value	<u>247,214</u>	<u>176,370</u>
	<u>\$ 3,595,690</u>	<u>\$ 3,220,812</u>

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - PLEDGES RECEIVABLE - continued

A discount rate of 5.50% and 5.00% was applied to contributions due in more than one year for the years 2019 and 2018.

The Alliance uses the 20 year treasury yield rate as the discount rate.

The Alliance receives contributions from members of its Board of Trustees and employees who work for the Alliance. Total contributions from these parties were \$214,082 and \$149,842 for the years 2019 and 2018. Outstanding pledges receivable from these parties were \$24,069 and \$4,097 as of June 30, 2019 and 2018.

In addition to the above pledges, the Alliance has been informed by various individuals of their intentions to give to the Alliance in the future. Such communications are not unconditional promises to give because the individuals have not stipulated how or when they will give. Therefore, such intentions have not been recorded in the accompanying financial statements.

NOTE 3 - INVESTMENTS

The following reflects the cost and estimated fair values of marketable securities held at June 30, 2019 and 2018. In addition, gross unrealized gains and unrealized losses are disclosed for the years 2019 and 2018.

	2019			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	\$ 217,433	\$ -	\$ -	\$ 217,433
Mutual funds	510,815	15,267	-	526,082
Equity securities	754,271	140,043	-	894,314
	<u>\$ 1,482,519</u>	<u>\$ 155,310</u>	<u>\$ -</u>	<u>\$ 1,637,829</u>

	2018			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Money market funds	\$ 92,297	\$ -	\$ -	\$ 92,297
Mutual funds	479,813	2,531	-	482,344
Equity securities	850,807	191,950	-	1,042,757
	<u>\$ 1,422,917</u>	<u>\$ 194,481</u>	<u>\$ -</u>	<u>\$ 1,617,398</u>

Unrealized gains (losses) of \$(31,458) and \$684, and realized gains of \$73,115 and \$81,210 from sales of investments, are included in the statements of activities for the years 2019 and 2018. Gross investment return for the years 2019 and 2018 totaled \$47,606 and \$49,140, and is netted with investment management fees of \$14,157 and \$15,548 in net investment return in the statements of activities for the years 2019 and 2018.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair values of the Alliance's financial assets measured on a recurring basis at June 30, 2019 and 2018 are as follows:

	2019			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Money market funds	\$ 217,433	\$ 217,433	\$ -	\$ -
Mutual funds	526,082	526,082	-	-
Equity securities	894,314	894,314	-	-
Beneficial interest in funds held at The Dayton Foundation	998,259	-	-	998,259
Beneficial interest in perpetual trusts	<u>2,221,650</u>	<u>-</u>	<u>-</u>	<u>2,221,650</u>
	<u>\$ 4,857,738</u>	<u>\$ 1,637,829</u>	<u>\$ -</u>	<u>\$ 3,219,909</u>
	2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Money market funds	\$ 92,297	\$ 92,297	\$ -	\$ -
Mutual funds	482,344	482,344	-	-
Equity securities	1,042,757	1,042,757	-	-
Beneficial interest in funds held at The Dayton Foundation	457,318	-	-	457,318
Beneficial interest in perpetual trust	<u>2,752,224</u>	<u>-</u>	<u>-</u>	<u>2,752,224</u>
	<u>\$ 4,826,940</u>	<u>\$ 1,617,398</u>	<u>\$ -</u>	<u>\$ 3,209,542</u>

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used at June 30, 2019 and 2018.

Money market, mutual funds and equity securities: Value based on quoted prices in active markets.

Beneficial interest in funds held at The Dayton Foundation: Value determined based on the fair value of the underlying trust assets, which is estimated to approximate the present value of future cash flow of the funds held and the fair market value of the underlying assets at June 30, 2019 and 2018.

Beneficial interest in perpetual trusts: Value determined based on the fair value of the underlying trust assets, which is estimated to approximate the present value of the future cash flow of the trust distributions and the fair market value of the underlying assets at June 30, 2019 and 2018.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS - continued

The following table sets forth a summary of changes in the fair value of the Alliance's Level 3 assets for the years 2019 and 2018:

	<u>2019</u>	
	<u>Beneficial Interest in Funds Held at The Dayton Foundation</u>	<u>Beneficial Interest in Perpetual Trusts</u>
Value at the beginning of the year	\$ 457,318	\$ 2,752,224
Transfer of assets from beneficial interest	(14,700)	(614,743)
Contributions and support	513,300	-
Change in fair value	<u>42,341</u>	<u>84,169</u>
Value at the end of the year	<u>\$ 998,259</u>	<u>\$ 2,221,650</u>

	<u>Hedge Funds</u>	<u>2018</u>	
		<u>Beneficial Interest in Funds Held at The Dayton Foundation</u>	<u>Beneficial Interest in Perpetual Trust</u>
Value at the beginning of the year	\$ 27,447	\$ 396,604	\$ 2,925,520
Contributions	-	35,000	-
Transfer of assets from beneficial interest	-	(13,700)	-
Distributions	(27,332)	-	(396,205)
Change in fair value	<u>(115)</u>	<u>39,414</u>	<u>222,909</u>
Value at the end of the year	<u>\$ -</u>	<u>\$ 457,318</u>	<u>\$ 2,752,224</u>

NOTE 5 - PROPERTY AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Equipment, sets and costumes	\$ 1,076,781	\$ 989,524
Office and computer equipment	456,831	450,829
Musical instruments and production equipment	395,509	395,509
Music library	179,786	173,288
Leasehold improvements	<u>91,521</u>	<u>91,521</u>
	2,200,428	2,100,671
Less accumulated depreciation	<u>1,783,152</u>	<u>1,707,891</u>
	<u>\$ 417,276</u>	<u>\$ 392,780</u>

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LINE OF CREDIT

The Alliance has available a line of credit with a borrowing limit of \$525,000 that expires on May 31, 2020. The agreement was entered into with PNC Bank in May 2016. In October 2017, the line of credit was increased from \$262,500 to \$525,000. The line of credit was renewed in March 2019. The line of credit is secured by assets held at PNC Bank, and bears interest at the Daily LIBOR plus 2.50%. The Daily LIBOR at June 30, 2019 and 2018 was 2.370% and 1.935%. Interest expense for the line of credit was \$24,568 and \$16,511 for the years 2019 and 2018. The line of credit balance was \$525,000 at June 30, 2019 and 2018.

NOTE 7 - SHORT-TERM LOAN, NET

At June 30, 2019, the Alliance has a short-term loan of \$100,000 that matured on July 31, 2019. The agreement was entered into in April 2019 with a related party. The loan is interest-free and was paid in full in July 2019. At June 30, 2018, the Alliance had a short-term loan of \$70,000 that matured on July 31, 2018. The agreement was entered into in May 2018 with a related party. The loan was interest-free and was paid in full in July 2018. The short-term loan balance of \$100,000 and \$70,000 is shown net of related party pledges of \$150,000 and \$60,000 for a net balance of \$0 and \$10,000 at June 30, 2019 and 2018.

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

Temporary restrictions on assets are released by incurring expenses that satisfy the intended purpose or the occurrence of events specified by donors.

	<u>2019</u>	<u>2018</u>
Time and purpose restriction - support for completed performances and general operations	<u>\$ 1,450,736</u>	<u>\$ 2,183,239</u>

NOTE 9 - NET ASSETS

	<u>2019</u>	<u>2018</u>
Without Donor Restrictions		
Undesignated fund	<u>\$ (2,294,424)</u>	<u>\$ (1,789,411)</u>
With Donor Restrictions		
Time restricted	720,087	633,113
Purpose Restricted		
Investment returns on donor-restricted endowments	1,057,661	1,047,620
Future performances	1,110,729	1,265,574
Education programs	385,400	233,200
Other programs	<u>-</u>	<u>43,000</u>
	<u>2,553,790</u>	<u>2,589,394</u>
	<u>3,273,877</u>	<u>3,222,507</u>

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - NET ASSETS - continued

	<u>2019</u>	<u>2018</u>
Perpetual in Nature		
One Dayton, One Alliance Campaign	2,767,865	1,482,500
Catterton Endowment Opera Fund	965,216	1,206,898
Catterton Endowment Philharmonic Fund	860,643	1,149,805
National Endowment for the Arts Fund	400,000	400,000
Ballet Arts and Cultural Development Fund	395,791	395,521
Dayton Philharmonic Endowment Fund	332,000	332,000
Dayton Opera Endowment Fund	250,000	250,000
Q the Music Endowment Fund	100,000	100,000
Planned gift	64,100	62,200
Other Funds	<u>72,091</u>	<u>72,091</u>
	<u>6,207,706</u>	<u>5,451,015</u>
	<u>\$ 7,187,159</u>	<u>\$ 6,884,111</u>

Time and Purpose Restricted

Olive Kettering Endowment Fund

This fund was established by a gift from the Kettering Fund which specified that the income from the fund be used by the Alliance for the purpose of annually underwriting the fee for a performance of a recognized guest artist in connection with the regular series concerts. The donor also provides that if the stated purpose becomes impractical at any time in the future, the funds shall be used by the Alliance for its general musical and cultural purposes.

Perpetual in Nature

One Dayton, One Alliance Campaign

The Dayton Performing Arts Alliance has established funds at The Dayton Foundation as permanently restricted endowment funds. Only the earnings from these funds will be used to support the programming and mission of the Alliance. The funds can be restricted for Dayton Ballet, Dayton Opera, Dayton Philharmonic, Education programming, or the general mission of the Dayton Performing Arts Alliance.

Catterton Endowment Funds

The Dayton Opera Trust Fund and the Dayton Philharmonic Trust Fund were established through a bequest from Hampton W. and Erma R. Catterton and consists of a beneficial interest in a perpetual trust. The Trust permits interest and dividend income to be distributed annually to the Alliance for its unrestricted use. As described in Note 12, state law also allows additional amounts to be distributed to the Alliance.

National Endowment for the Arts Fund

This fund was established to meet a requirement set by the National Endowment for the Arts regarding a challenge grant received by the Alliance. This fund represents the aggregate amount of the challenge grant plus the required matching funds received by the Alliance.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - NET ASSETS - continued

Perpetual in Nature - continued

Ballet Arts and Cultural Development Fund

This fund was established at The Dayton Foundation for the exclusive purpose of accepting undesignated and designated gifts and encouraging planned and deferred giving to enhance the arts in the Miami Valley.

Endowment Funds

These funds were established to account for endowment contributions whose corpus was required by the donors to be held in perpetuity. Earnings from these funds are unrestricted or temporarily restricted determined by the intent of the donor.

Other Funds

Other Funds consist of the following:

Dr. Charles and Patricia Demirjian Fund

Contributions to endow chamber concert series or similar programs.

Musician Dinner Fund

This fund was established by a contribution from Solomon Rosenthal to provide an annual dinner for the orchestra's musicians.

Horine Memorial Endowment Fund

This fund was established by contributions from individuals in memory of David M. Horine, a former Dayton Philharmonic Orchestra member. Earnings from this fund are used to provide scholarships to Dayton Philharmonic Orchestra members for musical study.

David L. Pierson Young Musicians Competition Fund

This fund was established to fund cash prizes for the Pierson Competition.

Dr. David DiChiera and Thomas Bankston Fund for Emerging Artists

Fund established to provide support of the cultivation and training of emerging opera singers.

Q the Music Endowment Fund

This fund was established to provide support for the Q the Music after school orchestra elementary education program.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT FUNDS AND NET ASSETS

The following is a summary of changes in endowment net assets for the year ended June 30, 2019.

	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
	Undesignated	Time and Purpose Restrictions	Perpetual in Nature	
Endowment net assets, beginning of period	\$ 62,178	\$ 27,003	\$ 2,698,791	\$ 2,787,972
Change in value in beneficial interest in funds held at The Dayton Foundation	15,285	-	-	15,285
Net investment income (realized and unrealized)	41,756	3,881	-	45,637
Contributions to endowment fund	5,000	-	1,337,265	1,342,265
Amounts appropriated for expenditure	<u>(32,000)</u>	<u>(725)</u>	<u>(50,000)</u>	<u>(82,725)</u>
Endowment net assets, end of period	<u>\$ 92,219</u>	<u>\$ 30,159</u>	<u>\$ 3,986,056</u>	<u>\$ 4,108,434</u>

The following is a summary of all Alliance net assets as of June 30, 2019:

	2019			
	Without Donor Restrictions	With Donor Restrictions		Total
	Undesignated	Time and Purpose Restrictions	Perpetual in Nature	
Endowment funds	\$ 92,219	\$ 30,159	\$ 3,986,056	\$ 4,108,434
Non-endowment funds:				
Operating	(2,386,643)	-	-	(2,386,643)
Beneficial interest in perpetual trust - Catterton	-	-	1,825,859	1,825,859
Beneficial interest in perpetual trust - Ballet Fund	-	-	395,791	395,791
Time and purpose restrictions	-	<u>3,243,718</u>	-	<u>3,243,718</u>
	<u>\$ (2,294,424)</u>	<u>\$ 3,273,877</u>	<u>\$ 6,207,706</u>	<u>\$ 7,187,159</u>

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - ENDOWMENT FUNDS AND NET ASSETS - continued

The following is a summary of changes in endowment net assets for the year ended June 30, 2018:

	2018			
	Without Donor Restrictions	With Donor Restrictions		Total
	Undesignated	Time and Purpose Restrictions	Perpetual in Nature	
Endowment net assets, beginning of period	\$ 43,601	\$ 24,599	\$ 1,209,991	\$ 1,278,191
Change in value in beneficial interest in funds held at The Dayton Foundation	32,557	-	-	32,557
Net investment income (realized and unrealized)	50,520	4,243	-	54,763
Contributions to endowment fund	-	-	1,488,800	1,488,800
Amounts appropriated for expenditure	<u>(64,500)</u>	<u>(1,839)</u>	<u>-</u>	<u>(66,339)</u>
Endowment net assets, end of period	<u>\$ 62,178</u>	<u>\$ 27,003</u>	<u>\$ 2,698,791</u>	<u>\$ 2,787,972</u>

The following is a summary of all Alliance net assets as of June 30, 2018:

	2018			
	Without Donor Restrictions	With Donor Restrictions		Total
	Undesignated	Time and Purpose Restrictions	Perpetual in Nature	
Endowment funds	\$ 62,178	\$ 27,003	\$ 2,698,791	\$ 2,787,972
Non-endowment funds:				
Operating	(1,851,589)	-	-	(1,851,589)
Beneficial interest in perpetual trust - Catterton	-	-	2,356,703	2,356,703
Beneficial interest in perpetual trust - Ballet Fund	-	-	395,521	395,521
Time and purpose restrictions	<u>-</u>	<u>3,195,504</u>	<u>-</u>	<u>3,195,504</u>
	<u>\$ (1,789,411)</u>	<u>\$ 3,222,507</u>	<u>\$ 5,451,015</u>	<u>\$ 6,884,111</u>

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - BENEFICIAL INTEREST IN FUNDS HELD AT THE DAYTON FOUNDATION

The Alliance has a beneficial interest in several funds held at the Dayton Foundation, a community foundation that invests and manages donors' charitable funds. The Dayton Foundation manages these funds for the benefit of the Alliance. The funds were established with the Dayton Foundation to provide income and support to the Alliance. Net income from the funds shall be distributed not less than annually. Additionally, should an extraordinary need arise in an area consistent with the purpose of the fund, the Alliance, after the approval of its Board, may request from the Dayton Foundation an additional distribution, subject to the approval of the Dayton Foundation's Governing Board. The Alliance records the beneficial interest in these funds at fair market value. The fair market value of these funds was \$998,259 and \$457,318 at June 30, 2019 and 2018.

The Alliance is also the beneficiary of several Dayton Foundation funds. Donors established these funds with the Dayton Foundation to provide annual income and support to the Alliance in accordance with the Dayton Foundation spending policies.

The fair market value of these funds at June 30, 2019 was:

Beverly E. Cowden Opera Endowment Fund	\$ 257,210
Jesse Phillips Opera Fund	295,417
Performing Arts Field of Interest Fund	250,000
Performing Arts Field of Interest Fund Pledge Receivable	<u>500,000</u>
	<u>\$ 1,302,627</u>

NOTE 12 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Alliance has two Beneficial Interest in a Perpetual Trust arrangements established by the Hampden W. and Erma R. Catterton Charitable Trust Fund, "The Dayton Opera Trust Fund" and "The Dayton Philharmonic Trust Fund". The assets of the trust are not in the possession of the Alliance and are administered by an outside trustee, J.P. Morgan. Under the terms of the trust, the Alliance has the irrevocable right to receive the income earned on the trust assets in perpetuity. The Alliance's Board of Trustees may request, under certain circumstances, that the trustee make a distribution of some portion of the trust principal. However, the right to receive any of the trust principal is conditional, based on approved request, which is at the sole and absolute discretion of the outside trustee. Accordingly, the Alliance will only recognize any future distribution of trust principal when received from the trust. There were income distributions from the trusts in the amounts of \$275,000 and \$325,000 for the Opera and Philharmonic trusts, respectively, for year ended June 30, 2019. There were income distributions from the trusts in the amounts of \$192,222 and \$189,437 for the Opera and Philharmonic trusts, respectively, for year ended June 30, 2018.

Accounting principles generally accepted in the United States of America require the Alliance to record a permanently restricted net asset entitled "Beneficial Interest in a Perpetual Trust", representing the present value of the expected future cash flows of income from the trust. At June 30, 2019, the present value of the expected future cash flows of income from the trust was equal to the fair market value of the assets held in the trust and amounted to \$965,216 and \$860,643 for the Opera and Philharmonic trusts, respectively. At June 30, 2018, the present value of the expected future cash flows of income from the trust was equal to the fair market value of the assets held in the trust and amounted to \$1,206,898 and \$1,149,805 for the Opera and Philharmonic trusts, respectively. The adjustment to fair market value is recognized as permanently restricted gains or losses. Annual distributions from the trust are reported as investment income that increases unrestricted net assets.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - BENEFICIAL INTEREST IN PERPETUAL TRUST - continued

The Alliance is an income beneficiary of another perpetual trust from the Ballet Arts and Cultural Development Fund. The assets of this trust are maintained by The Dayton Foundation, a local charitable foundation, and are not under the control of the Alliance. The trust provides that the Alliance has the irrevocable right to receive the income earned on the trust assets in perpetuity. The Alliance has recorded a permanently restricted net asset entitled "Beneficial interest in a perpetual trust", representing the present value of the expected future cash flows of income from the trust. At June 30, 2019 and 2018, the present value of the expected future cash flows of income from the trust was equal to the fair market value of the assets held in the trust and amounted to \$395,791 and \$395,521. Income distributions for the years 2019 and 2018 were \$14,743 and \$14,546.

NOTE 13 - CONTRIBUTIONS OF MATERIALS AND SERVICES

	<u>2019</u>	<u>2018</u>
Printing, publicity, promotion	\$ 187,037	\$ 338,592
Hotels and airfare, use of facilities	95,486	84,428
Goods and materials	<u>13,455</u>	<u>46,088</u>
	<u>\$ 295,978</u>	<u>\$ 469,108</u>

NOTE 14 - LIQUIDITY AND AVAILABILITY

The following reflects the Alliance's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions or internal designations. Financial assets are considered unavailable when not convertible to cash within one year such as endowments which include board designated endowments. These board designations could be drawn upon if the Board of Trustees approves that action.

Cash	\$ 25,274
Pledges receivable, net	3,595,690
Grants receivable	212,418
Trade and other receivables	173,366
Investments	1,637,829
Beneficial interest in funds held at the Dayton Foundation	998,259
Beneficial interest in perpetual trusts	<u>2,221,650</u>
Total financial assets	8,864,486
Less those unavailable for general expenditure within one year due to:	
Purpose restrictions	(2,466,350)
Beneficial interest in funds held at the Dayton Foundation less the next year's approved draw	(411,394)
Pledges receivable and other assets restricted in perpetuity for the One Dayton One Alliance endowment	(2,648,737)
Pledges receivable collectible beyond one year or restricted by nature	(62,500)
Investments and other assets restricted by nature	(895,190)
Beneficial interest in perpetual trusts less next year's approved draw	<u>(2,095,567)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 284,748</u>

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - LIQUIDITY AND AVAILABILTY - continued

Subsequent to year-end, the Alliance received \$150,000 from a local foundation and a \$300,000 pledge receivable from an individual for operating support that was not recorded at June 30, 2019.

In addition to financial assets available to meet general expenditures over the year, the Alliance anticipates covering its general expenditures by collecting public support and earned revenue, utilizing donor-restricted resources from current gifts and appropriating the return on its investment portfolio. The Alliance also has available a line of credit with a borrowing limit of \$525,000 as described in Note 6.

The endowments consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use and the Alliance's mission. Donor-restricted endowment funds are not available for general expenditure.

The Alliance, as necessary, can request additional distributions from the beneficial interest in perpetual trusts for general expenditures. The planned request for 2020 is estimated at \$175,000 of the \$2,221,650 available. Additionally, the Alliance can request unrestricted earnings from beneficial interests in fund held at the Dayton Foundation. No request is planned for 2020 beyond the investment distribution policy.

NOTE 15 - MULTI-EMPLOYER PENSION PLAN

Effective September 1, 2014, the Alliance entered into a collective bargaining agreement which expired on August 31, 2017. A new agreement was entered into effective September 1, 2017 and expires on August 31, 2021.

The Alliance provides pension benefits to contracted musicians under a multi-employer defined benefit plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and requires payments of 5% of certain components of participants' wages by the Alliance. Total payments made to the Plan for the years 2019 and 2018 were \$81,342 and \$80,932.

The risks in participating in a multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to the employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if the Alliance chooses to stop participating in the plan, it may be required to pay a withdrawal liability to the plan. The Alliance has no plans to withdraw from its multi-employer pension plan.

The Alliance's participation in the Plan is outlined in the table below. The most recent Pension Protection Act ("PPA") zone status available in 2019 and 2018 is for the Plan's years ended March 31, 2019 and 2018. The Plan is in critical status (red zone) under the Pension Protection Act of 2006, meaning the funded status is less than 65%. A red zone status requires a rehabilitation plan ("RP") to improve the financial health of the Plan.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE 15 - MULTI-EMPLOYER PENSION PLAN - continued

Name of Pension Fund	EIN and Plan Number	Pension Protection Act Zone Status		FIP/RP Status	Contributions for the Year Ended June 30		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2019	2018		2019	2018		
American Federation of Musicians and Employers' Pension Plan	51-6120204 Plan No. 001	Red	Red	Implemented	<u>\$ 81,342</u>	<u>\$ 80,932</u>	No	8/31/2021

For the Plan years ended March 31, 2018 and 2017, the Company was not listed in the American Federation of Musicians and Employers' Pension Plan Form 5500 as providing more than 5% of the total contributions for the Plan. At the date these financial statements were issued, Form 5500 was not available for the Plan year ended March 31, 2019.

NOTE 16 - RETIREMENT PLAN

The Alliance maintains a 403(b)(7) retirement plan for any employee who is not covered under a collectively bargained union agreement. This plan is funded entirely by employees contributing a portion of their salary to this plan. No contributions were made to this plan by the Alliance during 2019 and 2018.

NOTE 17 - LEASE COMMITMENTS

The Alliance leases office space, studios and warehouse storage expiring at various times through 2023. The lessor and lessee share maintenance responsibilities, depending on the nature of the repair. The lessor is responsible for all real estate taxes and insurance, with the exception of liability insurance, which is the responsibility of the lessee. Rental expense under the lease for the years 2019 and 2018 was \$127,519 and \$121,663.

The Alliance leases various office equipment expiring at various times through 2024. Rental expense under these leases for the years 2019 and 2018 was \$26,307 and \$29,076.

Future minimum lease payments over the next five years are as follows:

2020	\$ 153,174
2021	61,870
2022	61,870
2023	54,745
2024	<u>10,650</u>
	<u>\$ 342,309</u>



BRADY WARE
& SCHOENFELD

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Dayton Performing Arts Alliance
Dayton, Ohio

We have audited the financial statements of **Dayton Performing Arts Alliance** as of and for the years ended June 30, 2019 and 2018, and our report thereon dated September 26, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The following schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The net asset information in the accompanying schedules presents the and balance and classification of the net assets associated with the funds presented and is not intended to be a complete presentation of total net asset.

The accompanying information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brady, Ware & Schoenfeld, Inc.

Dayton, Ohio
September 26, 2019

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DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES BY FUND - INVESTMENTS

JUNE 30, 2019

	Olive Kettering Endowment Fund	National Endowment for the Arts Fund	Dayton Philharmonic Endowment Fund	Musician Dinner Fund	Horine Memorial Endowment Fund	David L. Pierson Young Musicians Competition Fund	Q the Music Endowment Fund	Total
Net assets, beginning of year	\$ 766,086	\$ 402,540	\$ 354,222	\$ 25,253	\$ 12,116	\$ 6,855	\$ 50,326	\$ 1,617,398
Contributions and support	135,000	5,000	-	-	-	-	25,000	165,000
Released from restrictions	(198,700)	(14,000)	(6,000)	-	(400)	(250)	(325)	(219,675)
Net investment income and transfers	<u>29,176</u>	<u>21,066</u>	<u>20,689</u>	<u>1,128</u>	<u>521</u>	<u>294</u>	<u>2,232</u>	<u>75,106</u>
Net assets, end of year	<u>\$ 731,562</u>	<u>\$ 414,606</u>	<u>\$ 368,911</u>	<u>\$ 26,381</u>	<u>\$ 12,237</u>	<u>\$ 6,899</u>	<u>\$ 77,233</u>	<u>\$ 1,637,829</u>
Net Assets								
Undesignated	\$ -	\$ 14,606	\$ 36,958	\$ -	\$ -	\$ -	\$ -	\$ 51,564
Time and purpose restrictions	731,562	-	-	11,381	3,147	6,899	2,233	755,222
Perpetual in nature	<u>-</u>	<u>400,000</u>	<u>331,953</u>	<u>15,000</u>	<u>9,090</u>	<u>-</u>	<u>75,000</u>	<u>831,043</u>
	<u>\$ 731,562</u>	<u>\$ 414,606</u>	<u>\$ 368,911</u>	<u>\$ 26,381</u>	<u>\$ 12,237</u>	<u>\$ 6,899</u>	<u>\$ 77,233</u>	<u>\$ 1,637,829</u>

See independent auditors' report on supplementary information.

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES BY FUND - INVESTMENTS

JUNE 30, 2018

	Olive Kettering Endowment Fund	National Endowment for the Arts Fund	Dayton Philharmonic Endowment Fund	Dr. Charles and Patricia Demirjian Fund	Musician Dinner Fund	Horine Memorial Endowment Fund	David L. Pierson Young Musicians Competition Fund	Lovetta & Bertram Blanke Fund	Q the Music Endowment Fund	Total
Net assets, beginning of year	\$ 925,258	\$ 415,208	\$ 339,530	\$ 1,485	\$ 23,588	\$ 11,703	\$ 6,644	\$ 615	\$ 25,000	\$ 1,749,031
Contributions and support	-	-	5,000	-	-	-	-	-	25,000	30,000
Released from restrictions	(219,350)	(41,000)	(12,500)	(1,541)	-	(400)	(250)	(667)	(1,439)	(277,147)
Net investment income and transfers	<u>60,178</u>	<u>28,332</u>	<u>22,192</u>	<u>56</u>	<u>1,665</u>	<u>813</u>	<u>461</u>	<u>52</u>	<u>1,765</u>	<u>115,514</u>
Net assets, end of year	<u>\$ 766,086</u>	<u>\$ 402,540</u>	<u>\$ 354,222</u>	<u>\$ -</u>	<u>\$ 25,253</u>	<u>\$ 12,116</u>	<u>\$ 6,855</u>	<u>\$ -</u>	<u>\$ 50,326</u>	<u>\$ 1,617,398</u>
Net Assets										
Undesignated	\$ -	\$ 2,540	\$ 22,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,809
Time and purpose restrictions	766,086	-	-	-	10,253	3,025	6,855	-	326	786,545
Perpetual in nature	<u>-</u>	<u>400,000</u>	<u>331,953</u>	<u>-</u>	<u>15,000</u>	<u>9,091</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>806,044</u>
	<u>\$ 766,086</u>	<u>\$ 402,540</u>	<u>\$ 354,222</u>	<u>\$ -</u>	<u>\$ 25,253</u>	<u>\$ 12,116</u>	<u>\$ 6,855</u>	<u>\$ -</u>	<u>\$ 50,326</u>	<u>\$ 1,617,398</u>

See independent auditors' report on supplementary information.

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES BY FUND - BENEFICIAL INTEREST IN FUNDS HELD AT THE DAYTON FOUNDATION

JUNE 30, 2019

	Dayton Opera Endowment Fund	Baritone Trust Investment	Dayton Philharmonic Endowment Fund	Dr. David DiChiera and Thomas Bankston Fund for Emerging Artists	Dayton Performing Arts Alliance Endowment Fund	Dayton Performing Arts Alliance Ballet Endowment Fund	Dayton Performing Arts Alliance Opera Endowment Fund	Total
Net assets, beginning of year	\$ 275,821	\$ 73,549	\$ 55,949	\$ 16,999	\$ 35,000	\$ -	\$ -	\$ 457,318
Contributions and support	-	-	-	-	486,300	2,000	25,000	513,300
Transfer of assets from beneficial interest	(10,000)	(2,700)	(2,000)	-	-	-	-	(14,700)
Change in beneficial interest	<u>12,054</u>	<u>3,191</u>	<u>2,436</u>	<u>795</u>	<u>22,286</u>	<u>63</u>	<u>1,516</u>	<u>42,341</u>
Net assets, end of year	<u>\$ 277,875</u>	<u>\$ 74,040</u>	<u>\$ 56,385</u>	<u>\$ 17,794</u>	<u>\$ 543,586</u>	<u>\$ 2,063</u>	<u>\$ 26,516</u>	<u>\$ 998,259</u>
Net Assets								
Undesignated	\$ 27,875	\$ -	\$ 9,986	\$ 2,794	\$ -	\$ -	\$ -	\$ 40,655
Time and purpose restrictions	-	74,040	13,399	-	-	-	-	87,439
Perpetual in nature	<u>250,000</u>	<u>-</u>	<u>33,000</u>	<u>15,000</u>	<u>543,586</u>	<u>2,063</u>	<u>26,516</u>	<u>870,165</u>
	<u>\$ 277,875</u>	<u>\$ 74,040</u>	<u>\$ 56,385</u>	<u>\$ 17,794</u>	<u>\$ 543,586</u>	<u>\$ 2,063</u>	<u>\$ 26,516</u>	<u>\$ 998,259</u>

See independent auditors' report on supplementary information.

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES BY FUND - BENEFICIAL INTEREST IN FUNDS HELD AT THE DAYTON FOUNDATION

JUNE 30, 2018

	Dayton Opera Endowment Fund	Baritone Trust Investment	Dayton Philharmonic Endowment Fund	Dr. David DiChiera and Thomas Bankston Fund for Emerging Artists	Dayton Performing Arts Alliance Endowment Fund	Total
Net assets, beginning of year	\$ 259,056	\$ 69,392	\$ 52,730	\$ 15,426	\$ -	\$ 396,604
Contributions and support	-	-	-	-	35,000	35,000
Transfer of assets from beneficial interest	(9,000)	(2,700)	(2,000)	-	-	(13,700)
Change in beneficial interest	<u>25,765</u>	<u>6,857</u>	<u>5,219</u>	<u>1,573</u>	<u>-</u>	<u>39,414</u>
Net assets, end of year	<u>\$ 275,821</u>	<u>\$ 73,549</u>	<u>\$ 55,949</u>	<u>\$ 16,999</u>	<u>\$ 35,000</u>	<u>\$ 457,318</u>
Net Assets						
Undesignated	\$ 25,821	\$ -	\$ 9,550	\$ 1,999	\$ -	\$ 37,370
Time and purpose restrictions	-	73,549	13,399	-	-	86,948
Perpetual in nature	<u>250,000</u>	<u>-</u>	<u>33,000</u>	<u>15,000</u>	<u>35,000</u>	<u>333,000</u>
	<u>\$ 275,821</u>	<u>\$ 73,549</u>	<u>\$ 55,949</u>	<u>\$ 16,999</u>	<u>\$ 35,000</u>	<u>\$ 457,318</u>

See independent auditors' report on supplementary information.

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES BY FUND - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

JUNE 30, 2019

	Catterton Trust- Opera Fund	Catterton Trust- Philharmonic Fund	Ballet Arts and Cultural Development Fund	Total
Net assets, beginning of year	\$ 1,206,898	\$ 1,149,805	\$ 395,521	\$ 2,752,224
Released from restrictions	(275,000)	(325,000)	(14,743)	(614,743)
Change in beneficial interest	<u>33,318</u>	<u>35,838</u>	<u>15,013</u>	<u>84,169</u>
Net assets, end of year	<u>\$ 965,216</u>	<u>\$ 860,643</u>	<u>\$ 395,791</u>	<u>\$ 2,221,650</u>
Net Assets				
Perpetual in nature	<u>\$ 965,216</u>	<u>\$ 860,643</u>	<u>\$ 395,791</u>	<u>\$ 2,221,650</u>

See independent auditors' report on supplementary information.

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES BY FUND - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

JUNE 30, 2018

	Catterton Trust- Opera Fund	Catterton Trust- Philharmonic Fund	Ballet Arts and Cultural Development Fund	Total
Net assets, beginning of year	\$ 1,298,031	\$ 1,244,656	\$ 382,833	\$ 2,925,520
Released from restrictions	(192,222)	(189,437)	(14,546)	(396,205)
Change in beneficial interest	<u>101,089</u>	<u>94,586</u>	<u>27,234</u>	<u>222,909</u>
Net assets, end of year	<u>\$ 1,206,898</u>	<u>\$ 1,149,805</u>	<u>\$ 395,521</u>	<u>\$ 2,752,224</u>
Net Assets				
Perpetual in nature	<u>\$ 1,206,898</u>	<u>\$ 1,149,805</u>	<u>\$ 395,521</u>	<u>\$ 2,752,224</u>