THE DISCOVERY ORCHESTRA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019

(With Comparative Totals For the Year Ended 2018)

NISIVOCCIA LLP
Certified Public Accountants & Advisors

The Discovery Orchestra, Inc.
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Independent Auditors' Report

To the Board of Trustees of
The Discovery Orchestra, Inc.
Millburn, NJ 07041

Report on the Financial Statements

We have audited the accompanying financial statements of The Discovery Orchestra, Inc. ("TDO") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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.

To the Board of Trustees of
The Discovery Orchestra, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Discovery Orchestra, Inc. as of June 30, 2019, and the 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 Discovery Orchestra, Inc.'s 2018 financial statements, and our report dated September 17, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nisivoccia LLP

September 6, 2019
Mt. Arlington, New Jersey

The Discovery Orchestra, Inc.
Statement of Financial Position
June 30, 2019 and 2018

ASSETS	2019	2018
Current assets:		
Cash	$ 85,208	$ 137,391
Restricted cash	171,076	4,795
Grant receivable	7,002	7,002
Prepaid expenses	5,659	10,742
Investments	50,523	
Inventory	2,675	3,327
Total current assets	$ 322,143	$ 163,257
Property and equipment, net	3,975	5,301
Total assets	$ 326,118	$ 168,558
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 12,876	$ 14,239
Total current liabilities	12,876	14,239
Net assets:		
Without donor restrictions:		
Operating	111,666	139,524
Board designated	23,500	
	135,166	139,524
With donor restrictions	178,076	14,795
Total net assets	313,242	154,319
Total liabilities and net assets	$ 326,118	$ 168,558

The Discovery Orchestra, Inc.
Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals For the Year Ended 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Revenue and Support:				
Government grants	$ 28,006		$ 28,006	$ 28,007
Donations	171,512	$ 221,711	393,223	257,626
Program admissions	9,594		9,594	16,975
Special events, net	18,668		18,668	28,602
Total revenue and support	227,780	221,711	449,491	331,210
Other revenue and gains:				
Interest income	2,900		2,900	247
Net investment loss	(971)		(971)	(173)
Royalties	3,001		3,001	11,949
Miscellaneous other income	1,694		1,694	3,802
Total other revenue and gains	6,624		6,624	15,825
Net assets released from restrictions	58,430	(58,430)		
Total revenue, gains and support	292,834	163,281	456,115	347,035
Expenses:				
Program services:				
Music education	194,013		194,013	250,388
Supporting services:				
General and administrative	61,834		61,834	69,862
Fundraising	41,345		41,345	41,221
Total expenses	297,192		297,192	361,471
Change in net assets	(4,358)	163,281	158,923	(14,436)
Net assets, beginning of year	139,524	14,795	154,319	168,755
Net assets, end of year	$ 135,166	$ 178,076	$ 313,242	$ 154,319

The Discovery Orchestra, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Comparative Totals For the Year Ended 2018)

	Program Services	Supporting Services			Total	
	Music Education	General and Administrative	Fundraising	Total	2019	2018
Salaries - staff and musicians	$ 99,739	$ 27,585	$ 23,417	$ 51,002	$ 150,741	$ 149,562
Payroll taxes	7,979	2,176	1,935	4,111	12,090	11,768
Fringe benefits	19,064	5,687	4,107	9,794	28,858	29,898
Total salaries and related benefits	126,782	35,448	29,459	64,907	191,689	191,228
Rent - office	4,490	1,225	1,088	2,313	6,803	13,500
Rent - program venues	4,995				4,995	6,600
Advertising	1,521				1,521	2,440
Merchant fees	563		187	187	750	829
Insurance	4,719	5,359		5,359	10,078	13,815
Professional services	250	8,000	250	8,250	8,500	8,250
Equipment	593	162	143	305	898	948
Dues and fees	2,378	4,938	1,134	6,072	8,450	3,549
Printing	1,961	621	1,321	1,942	3,903	5,781
Office expenses	7,190	2,418	1,766	4,184	11,374	10,214
Postage	822	352	1,499	1,851	2,673	4,285
Utilities	570	155	138	293	863	2,987
Graphic design	670	565	1,455	2,020	2,690	3,240
Consulting	23,053	1,575	1,112	2,687	25,740	69,251
Telephone	801	218	194	412	1,213	1,275
Travel	2,883				2,883	
Gifts and food	74	204	490	694	768	568
Instrumental/equipment rental	700				700	1,816
Payroll service	1,208	355	297	652	1,860	1,941
Sales tax	38				38	101
Cost of goods sold	652				652	1,142
Distribution fees - Fall in Love with Music series	4,750				4,750	7,773
Production fees - WWFM radio program	450				450	300
Production fees - chat videos/other	1,025		600	600	1,625	6,616
Total expenses before depreciation	193,138	61,595	41,133	102,728	295,866	358,449
Depreciation expense	875	239	212	451	1,326	3,022
Total expenses	$ 194,013	$ 61,834	$ 41,345	$ 103,179	$ 297,192	$ 361,471

See accompanying notes to financial statements

The Discovery Orchestra, Inc.
Statement of Cash Flows
June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 158,923	$ (14,436)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation expense	1,326	3,022
Realized loss on investments	1,494	173
Donation of investments	(83,156)	(36,358)
Changes in operating assets and liabilities:		
Grant receivable		(1)
Bequest receivable		125,000
Prepaid expenses	5,083	8,836
Inventory	652	377
Accounts payable and accrued expenses	(1,363)	(1,552)
Deferred revenue		
Net cash provided by operating activities	82,959	85,061
Cash flows from investing activities:		
Proceeds from sale of investments	81,662	36,185
Purchase of investments	(50,523)	
Restricted cash	(166,281)	11,035
Net cash provided by (used in) investing activities	(135,142)	47,220
Net increase in cash	(52,183)	132,281
Cash, beginning of year	137,391	5,110
Cash, end of year	$ 85,208	$ 137,391

See accompanying notes to financial statements

1. Nature of Organization

The Discovery Orchestra, Inc. ("TDO") is a not-for-profit corporation whose mission is teaching the listening skills that help people emotionally connect with classical music. For over 20 years, Artistic Director George Marriner Maull and The Discovery Orchestra have offered 'Break Through' classical music experiences to students, teachers and the public, from classical fans to the *classical-curious*, to help them 'Listen Better.' Live programs in concert halls, schools, community centers and private homes supplement media programs on public television, radio, DVDs and the Internet. All programs employ the methodology of noticing musical detail to highten enjoyment and understanding of the pieces being explored. The Orchestra has transformed the listening experience for millions in the U.S. and abroad and has received three Emmy nominations and eight Telly Awards for its four public television productions to date, distributed by American Public Television.

Performance venues include the Concert Hall at Drew University in Madison, NJ, the Visual Arts Center of New Jersey in Summit, NJ, and the New Jersey Youth Symphony Music Center in New Providence, NJ. Funding is provided by the New Jersey State Council on the Arts, businesses, foundations and individuals. The Orchestra's media programs are also distributed to the educational marketplace by Films Media Group and the home video market via Amazon.com, with hundreds of thousands of streaming minutes of our public television programs and other educational videos.

During FY19, the 3-year initial national distribution concluded for our most recent educational program for public television, the 8-episode *Fall in Love with Music series*. Over the 3-year broadcast period, (April 2016 through March 2019) there were more than 2,400 broadcasts on 138 channels, in 59 markets, in 27 states, to a potential audience of over 120 million viewers. American Public Television Worldwide distributed the series to the Australian Broadcasting Company (ABC) beginning in FY19, and the Sydney Mozart Society shared on their website: "ABC TV presented an interesting, enjoyable and easy-to-listen-to program 'Our Musical Focus' as part of a series entitled 'Fall in Love with Music'...It is very well done – have a look at the episode on the ABC Website and enjoy!"

At fiscal year end 2018, the *Fall in Love with Music* series had been broadcast over 1,800 times on 108 channels in 53 markets in 23 states to a potential audience of over 113 million viewers. One Amazon Prime Video viewer of the series recently shared: "I am a vocalist and liturgical cantor; this series has inspired, educated and informed me. I highly recommend this remarkable musical experience!"

Beginning in January 2017, The Discovery Orchestra embarked on a 2-year partnership with The TASC Group public relations firm, based in New York City, to help us promote a national campaign for music listening.

Highlights from our partnership with TASC included: a feature piece in New Jersey Monthly magazine in print and online; several high-profile thought leadership pieces on such websites as BackTrack and The Violin Channel; and a radio interview on WWFM The Classical Station, based in Mercer County NJ, that led to a partnership with WWFM and the creation of a new regular educational radio show, "Inside Music" featuring Artistic Director George Marriner Maull.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Significant accounting policies are described below:

Basis of Presentation

TDO prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), 605-205-15, *Accounting for Contributions Received and Made*, and FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. FASB ASC 605-205-15, *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Net assets without donor restrictions are resources representing the portion of expendable funds available for support of the TDO's programs and general operations. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions are comprised of revenue and expenses related to the operations of TDO, which have no restrictions on the uses of the funds. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Trustees. Board designated net assets amounted to $23,500 as of June 30, 2019. There were no board designated assets as of June 30, 2018.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TDO or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions.

When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. As of June 30, 2019 and 2018, net assets with donor restrictions amounted to $178,076 and $14,795, respectively.

Revenue and Support Recognition

Contributions are recognized as revenue and receivables when they are received or unconditionally pledged. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are to be received.

TDO reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if the donor restriction is met during the accounting period in which the gift was received, the gifts are reported as contributions without donor restrictions in the statement of activities.

TDO accounts for contract and grant revenue, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. All amounts not expended in accordance with the grant or contract is recorded as a liability to the grantor as TDO does not maintain any equity in the grant or contract.

Restricted Cash

Restricted cash consists of monies received for the purpose of supporting TDO's Classical Music National Listening Campaign and *Discover The Firebird* TV Production. This cash is restricted for use and is considered cash for purposes of the statement of cash flows.

Contributions and Pledges Receivable and Provision for Uncollectible Contributions

Contributions and pledges are recorded as net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions and pledges receivable due in one year are recorded at their net realizable value. Contributions and pledges due in more than one year are recorded at the present value of their net realizable value using risk free interest rates applicable to the year in which the contributions are received to discount the amounts.

All donor-restricted support is reported as an increase in net assets with donor restrictions when restricted net assets 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.

Grants and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Uncollectible amounts are determined on a case by case basis. TDO believes its receivables are collectible; accordingly, there was no provision for uncollectible contributions at June 30, 2019 and 2018.

Income Taxes

TDO is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is thereby exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. TDO is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not for Profit Act*. Accordingly, no provision for federal or state income taxes has been presented in the accompanying financial statements. Management has stated that all required informational tax returns have been filed and registration fees have been paid.

TDO follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those positions.

TDO does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended June 30, 2019. However, TDO is subject to regular audit by tax authorities including a review of its nonprofit status, which Management believes would be upheld upon examination. TDO believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued each year.

As required by law, TDO files informational returns with both federal and New Jersey State governments on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State. TDO is subject to examinations at any time within certain statutorily defined periods from the latest filing date for federal and for New Jersey.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated amount program and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated equally to each program. Support costs are allocated to a program based on total program costs. Program expenses are those related to the provision of musical educational programs. Management and general relate to administrative expenses related to those programs. Fundraising includes the allocation of employees' salaries and other costs involved in fundraising based on methods considered by management to be reasonable.

Advertising

It is TDO's policy to expense advertising costs as incurred. Advertising expense for the years ended June 30, 2019 and 2018 was $1,521 and $2,440, respectively.

Production Fees

FASB ASC Topic 835 generally requires that the costs of producing an episodic television series should be capitalized, and then amortized in a manner that yields a constant rate of profit over the ultimate period for each production before various period expenses. TDO expects minimal revenue from the *Fall in Love With Music* series, and therefore, believes that this accounting standard is not applicable.

Fundraising Expense

It is TDO's policy to net direct fundraising expense with special event revenue. Direct fundraising expense for the years ended June 30, 2019 and 2018 was $8,522 and $14,242, respectively.

Fair Value Measurements

In accordance with FASB ASC *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that TDO has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability'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. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Cash, restricted cash, grant receivable, other assets, accounts payable and accrued expenses: the carrying amounts approximate fair value because of the short-term maturity of these instruments.

Certificates of Deposits: Valued at cost plus accrued interest earned as of June 30, 2019, which approximates market value.

Investments

TDO records investments in accordance with FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations.* Under this standard, securities purchased for investment are carried at market value; those received as gifts are recorded at market value at date of gift and all investments in debt securities are reported at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investment income or loss (including interest and dividends) and gains/losses on sale of investments are included in the statement of activities unless the income or loss is restricted by the donor or law. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the years ended June 30, 2019 and 2018, TDO did not record any impairment charge in the statement of activities.

Inventory

Merchandise inventory is valued at the lower of cost or net realizable value.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at date of gift, when donated. Proceeds from the sale of fixed assets, if unrestricted, are transferred to net assets without donor restrictions, or, if restricted, to net assets with donor restrictions for fixed asset acquisitions.

Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the term of the lease.

Maintenance, repairs and renewals which neither materially add to the value of property nor appreciably prolong its life are charged to expenses as incurred.

TDO continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein and disclosures of contingent assets and contingent liabilities and accompanying notes at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Donated Services

Volunteers contribute their time to TDO's operations and various programs. In addition, the officers and Board of Trustees make significant contributions of time relative to general management and operations of TDO.

The value of this contributed time is not reflected in these financial statements since it does not meet criteria for recognition under U.S. generally accepted accounting principles.

New Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016. The updated standard will be effective for the Organization for its year ending December 31, 2019. The Organization is currently evaluating the impact of this standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on the Organization's consolidated financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU will impact all organizations that receive or make contributions of cash or other assets. ASU 2018-08 includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on the Organization's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18 *Statement of Cash Flows (Topic 230)*: *Restricted Cash*. ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The ASU requires changes in the entity's restricted cash to be classified as either operating activities, investing activities or financing activities in the Statement of Cash Flows, depending on the nature of the activities that gave rise to the restriction. The new standard is effective for annual reporting periods beginning after December 15, 2018 including interim reporting periods within those annual reporting periods. Early adoption in an interim period is permitted, but any adjustments must be reflected as of the beginning of the fiscal year that includes that interim period. The entity is currently evaluating the impact of this standard.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after June 30, 2019 through the date of the independent auditors' report and the date the financials were available to be issued on September 6, 2019. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

	2019
Cash	85,028
Restricted cash	171,256
Grants receivable	7,002
Prepaid expenses	5,659
Investments	50,523
Inventory	2,675
Total financial assets	322,143
Less amounts not available to be used within one year:	
Net assets with purpose restrictions:	
National Classical Music Listening Campaign	4,975
Intimate Afternoons and Evenings	1,000
Fund-a-Need - Buses for Student Groups	6,000
Discover The Firebird TV Production	166,101
Total funds not available to be used within one year	178,076
Financial assets available to meet general expenditures within one year	$ 144,067

The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money markets and certificates of deposit. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event the need arises to utilize the board designated funds for liquidity purposes, the reserves could be drawn upon through board resolution as well.

4. Investments

Investments are stated at fair value, based on quoted market prices. It is TDO's policy to liquidate donated securities immediately upon receipt. There were no investments as of June 30, 2018.

Investments at June 30, 2019 are comprised of the following:

	2019		
	Cost Basis	Fair Value (Level 2)	Appreciation
Certificates of Deposits	$ 50,000	$ 50,523	$ 523
Total investments	$ 50,000	$ 50,523	$ 523

Investment activity at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Beginning balance	$ -	$ -
Donated securities	83,156	36,358
Sales	(81,662)	(36,185)
Purchases	50,523	
Realized loss	(1,494)	(173)
	$ 50,523	$ -

Investment return at June 30, 2019 and 2018 is comprised of the following:

	2019	2018
Interest and dividends	$ 523	$ -
Realized loss	(1,494)	(173)
	$ (971)	$ (173)

5. Property and Equipment

Property and equipment and their related estimated useful lives at June 30, 2019 and 2018 are as follows:

Assets	Estimated Useful Life (Years)	2019	2018
Furniture and equipment	3-7	$ 21,989	$ 60,210
Less: accumulated depreciation		(18,014)	(54,909)
		$ 3,975	$ 5,301

Depreciation expense charged to operations for the years ended June 30, 2019 and 2018 totaled $1,326 and $3,022, respectively.

6. Prepaid Expenses

Prepaid expenses at June 30, 2019 and 2018 consisted of the following:

	2019	2018
Prepaid insurance	$ 4,579	$ 4,912
Prepaid distribution fees		5,830
Prepaid music license	1,080	
	$ 5,659	$ 10,742

7. Leases

TDO was committed under an operating lease for office space which expired September 15, 2018. Total rent expense charged to operations for the year ended June 30, 2019 and 2018 was $2,813 and $13,500, respectively.

On September 16, 2018, TDO entered into a lease agreement for new office space which renews on a monthly basis. Basic rent required under the lease is $420 per month. Total rent expense charged to operations for the year ended June 30, 2019 was $3,990.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019 and 2018:

	2019	2018
National Classical Music Listening Campaign	$ 4,795	$ 4,795
Intimate Afternoons and Evenings	1,000	1,500
Fund-a-Need - Buses for Student Groups	6,000	6,000
Discover The Firebird TV Production	166,281	
Video Production		2,500
	$ 178,076	$ 14,795

Net assets were released from donor and program restrictions during the years ended June 30, 2019 and 2018 by satisfying the specified purpose restrictions placed by donors as follows:

	2019	2018
National Classical Music Listening Campaign		$ 15,830
Intimate Afternoons and Evenings	$ 1,500	2,000
Video Production	5,000	2,500
Fund-a-Need - Buses for Student Groups	10,850	
Discover The Firebird TV Production	41,080	
	$ 58,430	$ 20,330

9. Board Designated Funds

The Organization's Board of Trustees has designated $23,500 for their *Discover The Firebird* TV Production. The Organization's Board of Trustees retains control of such funds and may, at its discretion, use the funds for other activities. Board designated net assets amounted to $23,500 for the year ended June 30, 2019. There were no board designated net assets for the year ended June 30, 2018.

10. Related Parties

During the years ended June 30, 2019 and 2018, TDO's Executive Director and Artistic Director made contributions to the organization totaling $29,675 and $17,758, respectively.

11. Risks and Uncertainties and Funding Dependency

TDO charges for concert and other performances and receives support from a government grant, contributions from interested individuals (including board and committee members), corporations and foundation grants. TDO receives a substantial amount of its support from these sources. Accordingly, there is no guarantee that such support would continue and thus a significant reduction in the level of support, if this were to occur, would have an adverse effect on TDO's programs and activities. From time to time TDO produces public television programs for music education purposes, which can result in significant fluctuations in net assets and expenses due to production and distribution costs.

12. Line of Credit

During the years ended June 30, 2019 and 2018, TDO has available an unsecured line of credit with a bank in the amount of $25,000 which expires on December 1, 2021. Interest is charged on the outstanding balance at 1% above the bank's prime rate, which shall be no less than 5.50%. The effective interest rate at June 30, 2019 and 2018 was 6.50% and 5.50%, respectively. There was no outstanding balance at June 30, 2019 and 2018.