

THE SYMPHONY SPACE, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2016 AND 2015

THE SYMPHONY SPACE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Symphony Space, Inc.

We have audited the accompanying financial statements of The Symphony Space, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Symphony Space, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
December 8, 2016

THE SYMPHONY SPACE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|---|----------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents (Notes 1b and 8) | \$ 560,406 | \$ 390,197 |
| Unconditional promises to give (Notes 1c and 3) | | |
| Unrestricted | 205,543 | 165,798 |
| Temporarily restricted | 636,678 | 495,774 |
| Accounts and other receivables | 44,854 | 83,250 |
| Inventory (Note 1d) | 67,339 | 130,191 |
| Prepaid expenses | 81,231 | 52,177 |
| Investments (Notes 1b, 1e, 1f and 4) | 9,436,616 | 10,039,485 |
| Property and equipment, at cost, net of accumulated depreciation (Notes 1g and 5) | <u>10,541,053</u> | <u>10,802,611</u> |
| Total Assets | <u><u>\$21,573,720</u></u> | <u><u>\$22,159,483</u></u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 279,139 | \$ 472,173 |
| Deferred income (Note 1h) | 195,913 | 174,917 |
| Theatre rental deposits | 179,500 | 188,972 |
| Refundable advances (Note 6) | <u>500,000</u> | <u>-</u> |
| Total Liabilities | <u>1,154,552</u> | <u>836,062</u> |
| Commitments and Contingency (Note 9) | | |
| Net Assets | | |
| Unrestricted | | |
| Board designated endowment (Notes 2a and 7) | 3,027,091 | 3,288,030 |
| Property and equipment | 10,541,053 | 10,802,611 |
| Other | <u>(240,892)</u> | <u>(240,892)</u> |
| Total Unrestricted | <u>13,327,252</u> | <u>13,849,749</u> |
| Temporarily restricted (Note 2b) | 1,990,300 | 2,372,056 |
| Permanently restricted (Note 2c) | <u>5,101,616</u> | <u>5,101,616</u> |
| Total Net Assets | <u>20,419,168</u> | <u>21,323,421</u> |
| Total Liabilities and Net Assets | <u><u>\$21,573,720</u></u> | <u><u>\$22,159,483</u></u> |

See notes to financial statements.

THE SYMPHONY SPACE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

| | 2016 | | | | | | 2015 | | | | | | | |
|---|---------------------|------------------------|--------------------|---------------------|------------------------|------------------------|---------------------|---------------------|------------------------|--------------------|---------------------|------------------------|------------------------|---------------------|
| | Unrestricted | | | | | | Unrestricted | | | | | | | |
| | Operating | Property and Equipment | Board Designated | Total Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Operating | Property and Equipment | Board Designated | Total Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Changes in Net Assets | | | | | | | | | | | | | | |
| Revenue, Gains and Other Support | | | | | | | | | | | | | | |
| Contributions | | | | | | | | | | | | | | |
| Government | \$ 145,683 | \$ - | \$ - | \$ 145,683 | \$ 86,667 | \$ - | \$ 232,350 | \$ 216,472 | \$ - | \$ - | \$ 216,472 | \$ 64,500 | \$ - | \$ 280,972 |
| Foundations | 290,520 | - | - | 290,520 | 16,000 | - | 306,520 | 225,257 | - | - | 225,257 | 36,722 | - | 261,979 |
| Corporations | 227,000 | - | - | 227,000 | 31,250 | - | 258,250 | 32,875 | - | - | 32,875 | 52,500 | - | 85,375 |
| Individuals | 243,104 | - | - | 243,104 | 443,461 | - | 686,565 | 212,327 | - | - | 212,327 | 37,897 | - | 250,224 |
| Donated materials | 1,500 | - | - | 1,500 | - | - | 1,500 | - | - | - | - | - | - | - |
| Benefit income | 652,710 | - | - | 652,710 | - | - | 652,710 | 620,980 | - | - | 620,980 | - | - | 620,980 |
| Less: Direct benefit expenses | (85,878) | - | - | (85,878) | - | - | (85,878) | (87,081) | - | - | (87,081) | - | - | (87,081) |
| Membership | 333,530 | - | - | 333,530 | - | - | 333,530 | 300,374 | - | - | 300,374 | - | - | 300,374 |
| Rental income | 1,333,197 | - | - | 1,333,197 | - | - | 1,333,197 | 1,318,640 | - | - | 1,318,640 | - | - | 1,318,640 |
| Ticket sales, performance fees and related income | 1,346,342 | - | - | 1,346,342 | - | - | 1,346,342 | 1,291,889 | - | - | 1,291,889 | - | - | 1,291,889 |
| Concession and compact disc sales | 473,810 | - | - | 473,810 | - | - | 473,810 | 524,756 | - | - | 524,756 | - | - | 524,756 |
| Less: Cost of sales (including obsolete inventory write-off of \$61,635 (2016)) | (131,217) | - | - | (131,217) | - | - | (131,217) | (84,632) | - | - | (84,632) | - | - | (84,632) |
| Handling charges | 237,356 | - | - | 237,356 | - | - | 237,356 | 190,614 | - | - | 190,614 | - | - | 190,614 |
| Appropriations for use in operations | 744,344 | 31,137 | (301,481) | 474,000 | (474,000) | - | - | 516,465 | 133,716 | (350,181) | 300,000 | (300,000) | - | - |
| Net investment income (loss) (Note 4) | - | - | 40,542 | 40,542 | (169,410) | - | (128,868) | - | - | 117,710 | 117,710 | 108,424 | - | 226,134 |
| Miscellaneous | 159,547 | - | - | 159,547 | - | - | 159,547 | 70,628 | - | - | 70,628 | - | - | 70,628 |
| | 5,971,548 | 31,137 | (260,939) | 5,741,746 | (66,032) | - | 5,675,714 | 5,349,564 | 133,716 | (232,471) | 5,250,809 | 43 | - | 5,250,852 |
| Net assets released from restrictions | | | | | | | | | | | | | | |
| Satisfaction of time and program restrictions | 102,500 | 213,224 | - | 315,724 | (315,724) | - | - | 415,500 | 95,815 | - | 511,315 | (511,315) | - | - |
| Total Revenue, Gains and Other Support | 6,074,048 | 244,361 | (260,939) | 6,057,470 | (381,756) | - | 5,675,714 | 5,765,064 | 229,531 | (232,471) | 5,762,124 | (511,272) | - | 5,250,852 |
| Expenses | | | | | | | | | | | | | | |
| Program Services | | | | | | | | | | | | | | |
| Rental | 720,289 | 87,043 | - | 807,332 | - | - | 807,332 | 695,409 | 86,505 | - | 781,914 | - | - | 781,914 |
| Wall to Wall | 166,612 | 23,525 | - | 190,137 | - | - | 190,137 | 179,553 | 23,380 | - | 202,933 | - | - | 202,933 |
| Education | 701,031 | 89,396 | - | 790,427 | - | - | 790,427 | 652,659 | 88,843 | - | 741,502 | - | - | 741,502 |
| Broadcasting | 147,531 | 14,115 | - | 161,646 | - | - | 161,646 | 152,645 | 14,028 | - | 166,673 | - | - | 166,673 |
| Film | 518,124 | 47,050 | - | 565,174 | - | - | 565,174 | 432,285 | 46,760 | - | 479,045 | - | - | 479,045 |
| Music | 667,930 | 61,166 | - | 729,096 | - | - | 729,096 | 616,822 | 60,788 | - | 677,610 | - | - | 677,610 |
| Family | 394,717 | 39,993 | - | 434,710 | - | - | 434,710 | 374,818 | 39,746 | - | 414,564 | - | - | 414,564 |
| Literary programs | 821,991 | 77,633 | - | 899,624 | - | - | 899,624 | 747,256 | 77,153 | - | 824,409 | - | - | 824,409 |
| Other programs | 480,789 | 30,583 | - | 511,372 | - | - | 511,372 | 506,676 | 30,394 | - | 537,070 | - | - | 537,070 |
| Total Program Services | 4,619,014 | 470,504 | - | 5,089,518 | - | - | 5,089,518 | 4,358,123 | 467,597 | - | 4,825,720 | - | - | 4,825,720 |
| Supporting Services | | | | | | | | | | | | | | |
| Management and general | 751,287 | 15,178 | - | 766,465 | - | - | 766,465 | 740,750 | 15,084 | - | 755,834 | - | - | 755,834 |
| Internship | 53,263 | - | - | 53,263 | - | - | 53,263 | 48,788 | - | - | 48,788 | - | - | 48,788 |
| Fundraising | 558,696 | 20,237 | - | 578,933 | - | - | 578,933 | 575,382 | 20,112 | - | 595,494 | - | - | 595,494 |
| Special projects | 91,788 | - | - | 91,788 | - | - | 91,788 | 42,021 | - | - | 42,021 | - | - | 42,021 |
| Total Supporting Services | 1,455,034 | 35,415 | - | 1,490,449 | - | - | 1,490,449 | 1,406,941 | 35,196 | - | 1,442,137 | - | - | 1,442,137 |
| Total Expenses | 6,074,048 | 505,919 | - | 6,579,967 | - | - | 6,579,967 | 5,765,064 | 502,793 | - | 6,267,857 | - | - | 6,267,857 |
| Decrease in net assets | - | (261,558) | (260,939) | (522,497) | (381,756) | - | (904,253) | - | (273,262) | (232,471) | (505,733) | (511,272) | - | (1,017,005) |
| Net assets, beginning of year | (240,892) | 10,802,611 | 3,288,030 | 13,849,749 | 2,372,056 | 5,101,616 | 21,323,421 | (240,892) | 11,075,873 | 3,520,501 | 14,355,482 | 2,883,328 | 5,101,616 | 22,340,426 |
| Net Assets, End of Year | \$ (240,892) | \$10,541,053 | \$3,027,091 | \$13,327,252 | \$ 1,990,300 | \$ 5,101,616 | \$20,419,168 | \$ (240,892) | \$10,802,611 | \$3,288,030 | \$13,849,749 | \$ 2,372,056 | \$ 5,101,616 | \$21,323,421 |

See notes to financial statements.

THE SYMPHONY SPACE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Decrease in net assets | \$ (904,253) | \$(1,017,005) |
| Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 505,919 | 502,793 |
| Realized gains on sales of investments | (225,098) | (510,834) |
| Unrealized losses on investments | 517,848 | 471,974 |
| (Increase) decrease in: | | |
| Unconditional promises to give | (180,649) | 432,856 |
| Accounts and other receivables | 38,396 | 34,014 |
| Inventory | 62,852 | (11,539) |
| Prepaid expenses | (29,054) | 2,667 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (193,034) | (379) |
| Deferred income | 20,996 | 40,859 |
| Theater rental deposits | (9,472) | 23,813 |
| Refundable advances | 500,000 | - |
| Net Cash Provided (Used) By Operating Activities | <u>104,451</u> | <u>(30,781)</u> |
| Cash Flows From Investing Activities | | |
| Acquisition of equipment and theatre renovations | (244,361) | (229,531) |
| Purchases of investments | (5,985,383) | (4,021,264) |
| Proceeds from sale of investments | 6,295,502 | 4,392,522 |
| Net Cash Provided By Investing Activities | <u>65,758</u> | <u>141,727</u> |
| Cash Flows From Financing Activities | | |
| Proceeds from margin loan payable | 350,000 | - |
| Repayment of margin loan | (350,000) | - |
| Net Cash Used By Financing Activities | <u>-</u> | <u>-</u> |
| Net increase in cash and cash equivalents | 170,209 | 110,946 |
| Cash and cash equivalents, beginning of year | <u>390,197</u> | <u>279,251</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 560,406</u> | <u>\$ 390,197</u> |

See notes to financial statements.

THE SYMPHONY SPACE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Symphony Space, Inc. creates and presents original performing arts events, using inventive new formats, which bring audiences closer to the arts. The Organization serves multi-cultural artists in all fields by making available a well-equipped, professionally run theatre at a highly subsidized rental cost. It serves the diverse community with a continuing calendar of artistically and culturally diverse programs.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for cash and cash equivalents held in the Organization's investment portfolio. Cash and cash equivalents include amounts held as theatre rental deposits.

c - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Contributions that the donor requires to be used to acquire long-lived assets are reclassified to unrestricted net assets at the time long-lived assets are placed in service. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

d - Inventory

Merchandise inventory is stated at the lower of cost (first-in, first-out method) or market.

e - Investments

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in temporarily restricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

THE SYMPHONY SPACE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

f - Fair Value Measurements

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

Fair value measurements are categorized into three levels as follows:

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All of the Organization's investments are classified within Level 1 of the fair value hierarchy.

g - Property and Equipment

Property and equipment are stated at cost and are being depreciated using the straight-line method over the estimated useful life of the asset.

h - Deferred Income

Ticket sales revenue and theatre rental income are recognized in the period the performance takes place.

i - Advertising Costs

Advertising costs are charged to operations when incurred. Total advertising expense was \$341,284 and \$288,797 for the years ended June 30, 2016 and 2015, respectively.

THE SYMPHONY SPACE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

j - Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

k - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

l - Income Taxes

The Symphony Space, Inc. is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Organization is subject to federal and state income taxes on any net income derived from advertising revenue, a business activity which is regularly conducted and is, by statute, unrelated to its exempt purpose.

m - Subsequent Events

The Organization has evaluated subsequent events through December 8, 2016, the date that the financial statements are considered available to be issued.

Note 2 - Restrictions on Assets

a - Board Designated Endowment

The Board designated endowment was created with the net proceeds of a real estate sale for the long-term stability of the Organization. The Board authorizes transfers for use in operations of approximately 5% of the preceding rolling thirteen-quarter average market value of the portfolio and may authorize additional amounts to fund operations, construction projects or other purposes.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets consists of grants and contributions that are restricted for either future periods or programs of the Organization and accumulated investment earnings on donor-restricted endowment funds, which are restricted to either future periods or future programs of the Organization.

THE SYMPHONY SPACE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 2 - Restrictions on Assets (continued)

c - Permanently Restricted

Permanently restricted net assets consist of endowment contributions whereby the donor has directed that the principal remain intact and investment income used to support programs and general operations.

The Board authorizes transfers of endowment earnings of approximately 5% of the preceding rolling thirteen-quarter average market value of the portfolio for use in operations.

The original value of gifts donated to the initial permanently restricted endowment fund was \$3,621,331, and the original value of gifts donated to a second permanently restricted endowment fund was \$1,480,285 as of June 30, 2016.

Note 3 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

| | <u>2016</u> | | | |
|------------------------------------|---------------------|-----------------------------------|------------------|------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> | <u>2015</u> |
| Due in one year | \$205,543 | \$492,418 | \$697,961 | \$475,798 |
| Due in two to five years | - | <u>150,000</u> | <u>150,000</u> | <u>200,000</u> |
| | <u>205,543</u> | 642,418 | 847,961 | 675,798 |
| Less: Discount to present value | <u>-</u> | <u>(5,740)</u> | <u>(5,740)</u> | <u>(14,226)</u> |
| Net Present Value | <u>\$205,543</u> | <u>\$636,678</u> | <u>\$842,221</u> | <u>\$661,572</u> |

Unconditional promises to give due after one year are discounted to net present value using a discount rate of 3%. Uncollectible promises to give are expected to be insignificant.

THE SYMPHONY SPACE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 4 - Investments

Investments, all of which are classified within Level 1 of the fair value hierarchy, consist of the following at June 30:

| | 2016 | | 2015 | |
|---------------------------|--------------------|--------------------|--------------------|---------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Cash and cash equivalents | \$ 30,396 | \$ 30,396 | \$ 107,276 | \$ 107,276 |
| Fixed income | 4,331,977 | 4,365,937 | 3,409,982 | 3,401,962 |
| Equity | <u>4,815,697</u> | <u>5,040,283</u> | <u>5,745,833</u> | <u>6,530,247</u> |
| Total | <u>\$9,178,070</u> | <u>\$9,436,616</u> | <u>\$9,263,091</u> | <u>\$10,039,485</u> |

Investment income (loss) is comprised of the following at June 30:

| | 2016 | | |
|---------------------------------------|------------------|------------------------|--------------------|
| | Unrestricted | Temporarily Restricted | Total |
| Interest and dividends | \$85,485 | \$ 173,598 | \$ 259,083 |
| Realized gain on sale of investments | 71,348 | 153,750 | 225,098 |
| Unrealized loss on investments | (85,756) | (432,092) | (517,848) |
| Investment custodial fees | <u>(30,535)</u> | <u>(64,666)</u> | <u>(95,201)</u> |
| | <u>\$40,542</u> | <u>\$(169,410)</u> | <u>\$(128,868)</u> |
| | | | |
| | 2015 | | |
| | Unrestricted | Temporarily Restricted | Total |
| Interest and dividends | \$ 58,135 | \$231,418 | \$289,553 |
| Realized gains on sale of investments | 229,036 | 281,798 | 510,834 |
| Unrealized loss on investments | (132,516) | (339,458) | (471,974) |
| Investment custodial fees | <u>(36,945)</u> | <u>(65,334)</u> | <u>(102,279)</u> |
| | <u>\$117,710</u> | <u>\$108,424</u> | <u>\$226,134</u> |

THE SYMPHONY SPACE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 5 - Property and Equipment

Property and equipment consist of the following:

| | <u>Life</u> | <u>2016</u> | <u>2015</u> |
|-----------------------------------|-------------|---------------------|---------------------|
| Furniture, fixtures and equipment | 5-7 years | \$ 996,128 | \$ 964,991 |
| Theatre building and improvements | 10-39 years | 15,570,185 | 15,570,185 |
| Sprinkler system | 5 years | 30,557 | 30,557 |
| Work in progress | | <u>401,711</u> | <u>188,487</u> |
| | | 16,998,581 | 16,754,220 |
| Less: Accumulated depreciation | | <u>(6,474,043)</u> | <u>(5,968,124)</u> |
| | | 10,524,538 | 10,786,096 |
| Theatre property - land | | <u>16,515</u> | <u>16,515</u> |
| | | <u>\$10,541,053</u> | <u>\$10,802,611</u> |

Depreciation expense for the years ended June 30, 2016 and 2015 was \$505,919 and \$502,793, respectively.

The New York City Department of Cultural Affairs has supported the Organization through capital expenditures of \$19,483 during the fiscal year ended 2015. The equipment is owned by the City of New York.

The City's investment of capital expenditures obligates the Organization to continue to operate the facility as a non-profit entity, open to and used and maintained for the benefit of the people of the City for cultural, educational or artistic uses and/or related purposes approved by the City.

The Organization is planning to renovate its building. In connection with this project, New York City will provide \$4,115,000 in funding.

Note 6 - Refundable Advances

During 2016, the Organization received a restricted grant totaling \$500,000 that includes donor conditions, one of which requires that theatre renovations must begin by July 1, 2018. Since the grant is a promise conditioned on future uncertain events, it is not recorded as contribution revenue until donor conditions are met. This \$500,000 received from the donor in advance of the conditions being met are recorded as refundable advances, and will subsequently be recognized as contribution revenue when donor conditions are met.

THE SYMPHONY SPACE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

Note 7 - Endowment Funds

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

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

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

As of June 30, 2016 and 2015, the Organization's invested endowment funds composition, by type of fund and net asset classification, are summarized as follows:

| | 2016 | | | Total |
|----------------------------------|----------------------------|--------------------------------------|--------------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | |
| Donor-restricted endowment funds | \$ - | \$1,185,564 | \$5,101,616 | \$6,287,180 |
| Board designated endowment funds | <u>2,877,091</u> | - | - | <u>2,877,091</u> |
| Total | <u>\$2,877,091</u> | <u>\$1,185,564</u> | <u>\$5,101,616</u> | <u>\$9,164,271</u> |
| | 2015 | | | |
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | Total |
| Donor-restricted endowment funds | \$ - | \$1,828,974 | \$5,101,616 | \$ 6,930,590 |
| Board designated endowment funds | <u>3,138,030</u> | - | - | <u>3,138,030</u> |
| Total | <u>\$3,138,030</u> | <u>\$1,828,974</u> | <u>\$5,101,616</u> | <u>\$10,068,620</u> |

THE SYMPHONY SPACE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 7 - Endowment Funds (continued)

Changes in the Organization's endowment funds for the years ended June 30, 2016 and 2015 are summarized as follows:

| | 2016 | | | Total |
|---|----------------------------|--------------------------------------|--------------------------------------|---------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | |
| Endowment funds, beginning of year | \$3,138,030 | \$1,828,974 | \$5,101,616 | \$10,068,620 |
| Net investment return | 40,542 | (169,410) | - | (128,868) |
| Appropriation of endowment assets for expenditure | <u>(301,481)</u> | <u>(474,000)</u> | <u>-</u> | <u>(775,481)</u> |
| Endowment Funds, End of Year | <u>\$2,877,091</u> | <u>\$1,185,564</u> | <u>\$5,101,616</u> | <u>\$9,164,271</u> |
| | | | | |
| | 2015 | | | Total |
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | |
| Endowment funds, beginning of year | \$3,370,501 | \$2,020,550 | \$5,101,616 | \$10,492,667 |
| Net investment return | 117,710 | 108,424 | - | 226,134 |
| Appropriation of endowment assets for expenditure | <u>(350,181)</u> | <u>(300,000)</u> | <u>-</u> | <u>(650,181)</u> |
| Endowment Funds, End of Year | <u>\$3,138,030</u> | <u>\$1,828,974</u> | <u>\$5,101,616</u> | <u>\$10,068,620</u> |

The Organization has investment and spending policies for endowment assets that endeavor to provide a stream of funding for the Organization's operations while seeking to enhance the purchasing power of the endowment's assets.

The Organization has a policy of appropriating for distribution each year 5% of the preceding rolling thirteen-quarter average market value of the permanently restricted endowment funds. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization's objectives are to safeguard its assets and preserve the real purchasing power of its assets while earning investment returns commensurate with the Organization's risk tolerance and that are sufficient to meet its operational requirements.

THE SYMPHONY SPACE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 8 - Concentration of Credit Risk

The Organization maintains cash and cash equivalent balances in financial institutions, which from time to time, exceed the Federal Depository Insurance Corporation limit and subject the Organization to concentration of credit risk. However, the Organization monitors this risk on a regular basis.

Note 9 - Commitments and Contingency

- a - The Organization maintains a non-contributory 403(b) tax deferred retirement plan for all eligible employees. Participating employees may contribute up to the statutory maximum.
- b - Government supported projects are subject to audit by the applicable government granting agencies.
- c - The Organization has access to a margin loan collateralized by the investment portfolio. The available margin fluctuates not to exceed 10% of the value of the portfolio. As of June 30, 2016 there were no outstanding amounts due.

Note 10 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and the supporting services in reasonable ratios determined by management.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
The Symphony Space, Inc.

We have audited the financial statements of The Symphony Space, Inc. as of and for the years ended June 30, 2016 and 2015, and our report thereon dated December 8, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended June 30, 2016 with comparative totals for 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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 audits 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.

Lutz + Carr, LLP

New York, New York
December 8, 2016

THE SYMPHONY SPACE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

| | Program Services | | | | | | | | | Total Program Services (carried forward) |
|--------------------------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|----------------------|-------------------|--|
| | Rental | Wall to Wall | Education | Broadcasting | Film | Music | Family | Literary Programs | Other Programs | |
| Salaries, payroll taxes and benefits | \$437,484 | \$102,816 | \$441,106 | \$ 58,639 | \$245,622 | \$274,621 | \$197,525 | \$ 365,873 | \$308,485 | \$2,432,171 |
| Program consultants | - | 6,000 | 4,000 | - | - | 22,250 | - | 23,385 | - | 55,635 |
| Professional fees | - | - | - | - | - | - | - | - | - | - |
| Artistic fees and artist services | 116,046 | 5,884 | 92,921 | 60,948 | 172,755 | 140,828 | 51,705 | 175,034 | 34,488 | 850,609 |
| Occupancy costs | 39,863 | 10,774 | 40,940 | 6,464 | 21,547 | 28,012 | 18,315 | 35,553 | 19,413 | 220,881 |
| Postage and delivery | 271 | 73 | 1,704 | 44 | 1,200 | 190 | 124 | 1,438 | 95 | 5,139 |
| Insurance | 16,751 | 4,527 | 17,203 | 2,716 | 9,054 | 11,771 | 7,696 | 14,940 | 5,885 | 90,543 |
| Advertising and promotion | 11,758 | 11,054 | 10,860 | 5,863 | 20,747 | 111,333 | 68,851 | 102,536 | 13,239 | 356,241 |
| Office supplies and expenses | 22,781 | 6,157 | 23,397 | 3,694 | 12,314 | 16,008 | 10,467 | 20,318 | 14,913 | 130,049 |
| Telephone | 3,332 | 901 | 3,422 | 540 | 1,801 | 2,341 | 1,531 | 2,972 | 1,171 | 18,011 |
| Conference and travel | 2,883 | 779 | 2,961 | 468 | 1,559 | 2,026 | 1,325 | 2,572 | 1,013 | 15,586 |
| Storage rental | 1,109 | 300 | 1,139 | 180 | 600 | 780 | 510 | 989 | 390 | 5,997 |
| Production costs | 53,811 | 13,509 | 46,795 | 5,672 | 23,249 | 47,792 | 30,144 | 63,717 | 76,476 | 361,165 |
| Computer expense | 13,379 | 3,616 | 13,740 | 2,170 | 7,232 | 9,401 | 6,147 | 11,932 | 4,701 | 72,318 |
| Miscellaneous | 821 | 222 | 843 | 133 | 444 | 577 | 377 | 732 | 520 | 4,669 |
| Total expenses before depreciation | 720,289 | 166,612 | 701,031 | 147,531 | 518,124 | 667,930 | 394,717 | 821,991 | 480,789 | 4,619,014 |
| Depreciation | 87,043 | 23,525 | 89,396 | 14,115 | 47,050 | 61,166 | 39,993 | 77,633 | 30,583 | 470,504 |
| Total Expenses, 2016 | <u>\$807,332</u> | <u>\$190,137</u> | <u>\$790,427</u> | <u>\$ 161,646</u> | <u>\$565,174</u> | <u>\$729,096</u> | <u>\$434,710</u> | <u>\$ 899,624</u> | <u>\$511,372</u> | <u>5,089,518</u> |
| Total Expenses, 2015 | <u>\$781,914</u> | <u>\$202,933</u> | <u>\$741,502</u> | <u>\$ 166,673</u> | <u>\$479,045</u> | <u>\$677,610</u> | <u>\$414,564</u> | <u>\$ 824,409</u> | <u>\$537,070</u> | <u>4,825,720</u> |

See independent auditors' report on supplementary information.

THE SYMPHONY SPACE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

| | Total Program Services (brought forward) | Supporting Services | | | | Total | 2016 | 2015 |
|--------------------------------------|--|---------------------------|------------------|-------------------|---------------------|--------------------|--------------------|--------------------|
| | | Management and General | Internship | Fundraising | Special Projects | | Total Expenses | Total Expenses |
| Salaries, payroll taxes and benefits | \$2,432,171 | \$ 667,894 | \$ - | \$ 404,777 | \$ - | \$1,072,671 | \$3,504,842 | \$3,356,314 |
| Program consultants | 55,635 | - | 47,223 | - | - | 47,223 | 102,858 | 120,633 |
| Professional fees | - | 55,350 | 425 | - | 87,500 | 143,275 | 143,275 | 118,126 |
| Artistic fees and artist services | 850,609 | 3 | - | 38,939 | - | 38,942 | 889,551 | 845,555 |
| Occupancy costs | 220,881 | 6,950 | - | 9,268 | - | 16,218 | 237,099 | 247,485 |
| Postage and delivery | 5,139 | 48 | 63 | - | - | 111 | 5,250 | 11,544 |
| Insurance | 90,543 | 2,922 | 3,894 | - | - | 6,816 | 97,359 | 89,176 |
| Advertising and promotion | 356,241 | 4,272 | 1,658 | 4,120 | - | 10,050 | 366,291 | 308,977 |
| Office supplies and expenses | 130,049 | 3,974 | - | 5,296 | - | 9,270 | 139,319 | 114,455 |
| Telephone | 18,011 | 581 | - | 775 | - | 1,356 | 19,367 | 15,308 |
| Conference and travel | 15,586 | 503 | - | 670 | - | 1,173 | 16,759 | 17,191 |
| Storage rental | 5,997 | 193 | - | 258 | - | 451 | 6,448 | 6,201 |
| Production costs | 361,165 | 6,061 | - | 91,292 | 4,288 | 101,641 | 462,806 | 428,094 |
| Computer expense | 72,318 | 2,333 | - | 3,110 | - | 5,443 | 77,761 | 83,081 |
| Miscellaneous | 4,669 | 203 | - | 191 | - | 394 | 5,063 | 2,924 |
| Total expenses before depreciation | 4,619,014 | 751,287 | 53,263 | 558,696 | 91,788 | 1,455,034 | 6,074,048 | 5,765,064 |
| Depreciation | 470,504 | 15,178 | - | 20,237 | - | 35,415 | 505,919 | 502,793 |
| Total Expenses, 2016 | <u>\$5,089,518</u> | <u>\$ 766,465</u> | <u>\$ 53,263</u> | <u>\$ 578,933</u> | <u>\$ 91,788</u> | <u>\$1,490,449</u> | <u>\$6,579,967</u> | |
| Total Expenses, 2015 | <u>\$4,825,720</u> | <u>\$ 755,834</u> | <u>\$ 48,788</u> | <u>\$ 595,494</u> | <u>\$ 42,021</u> | <u>\$1,442,137</u> | | <u>\$6,267,857</u> |

See independent auditors' report on supplementary information.