

DAYTON PERFORMING ARTS ALLIANCE
(A Nonprofit Organization)

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

DAYTON PERFORMING ARTS ALLIANCE

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BRADY WARE
& SCHOENFELD

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Dayton Performing Arts Alliance
Dayton, Ohio

We have audited the accompanying financial statements of **Dayton Performing Arts Alliance** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statement of activities 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 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 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.

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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, 2013, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brady, Ware & Schoenfeld, Inc.

Dayton, Ohio
October 22, 2013

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash	\$	141,045
Accounts receivable		
Pledges receivable		804,576
Grants receivable		534,611
Trade and other receivables		89,540
Prepaid expenses		465,498
Inventory and supplies		<u>30,520</u>

2,065,790

LONG-TERM PLEDGES RECEIVABLE - NET

116,000

PROPERTY AND EQUIPMENT, NET

350,136

INVESTMENTS

1,685,968

BENEFICIAL INTEREST IN FUNDS HELD AT THE DAYTON FOUNDATION

541,928

BENEFICIAL INTEREST IN PERPETUAL TRUSTS

3,502,916

\$ 8,262,738

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	307,389
Deferred revenue		<u>1,598,032</u>

1,905,421

NET ASSETS

Unrestricted	(556,763)
Temporarily restricted	2,322,755
Permanently restricted	<u>4,591,325</u>

6,357,317

\$ 8,262,738

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE				
Performance ticket sales	\$ 2,733,529	\$ -	\$ -	\$ 2,733,529
Performance other	72,478	-	-	72,478
Education	345,077	-	-	345,077
Special events	250,080	62,250	-	312,330
Other income	33,954	-	-	33,954
	<u>3,435,118</u>	<u>62,250</u>	<u>-</u>	<u>3,497,368</u>
SUPPORT				
Contributions and support	1,546,330	744,688	33,000	2,324,018
Merger grants	691,087	-	-	691,087
Government grants	161,815	183,970	-	345,785
Culture Works	180,276	256,200	-	436,476
Bequests	419,669	-	1,046	420,715
Contributed services and materials	398,387	-	-	398,387
Net assets released from restrictions	1,520,576	(1,275,553)	(245,023)	-
	<u>4,918,140</u>	<u>(90,695)</u>	<u>(210,977)</u>	<u>4,616,468</u>
Total Revenue and Support	<u>8,353,258</u>	<u>(28,445)</u>	<u>(210,977)</u>	<u>8,113,836</u>
COST OF EARNED REVENUE				
Performances	5,389,090	-	-	5,389,090
Education	849,484	-	-	849,484
Special events	125,795	-	-	125,795
	<u>6,364,369</u>	<u>-</u>	<u>-</u>	<u>6,364,369</u>
Total Cost of Earned Revenue	<u>6,364,369</u>	<u>-</u>	<u>-</u>	<u>6,364,369</u>
CONTRIBUTION MARGIN	<u>1,988,889</u>	<u>(28,445)</u>	<u>(210,977)</u>	<u>1,749,467</u>
OPERATING EXPENSES				
Marketing	898,128	-	-	898,128
Administration	656,961	-	-	656,961
Development	413,363	-	-	413,363
Merger costs	225,203	-	-	225,203
Depreciation	78,581	-	-	78,581
	<u>2,272,236</u>	<u>-</u>	<u>-</u>	<u>2,272,236</u>
Total Operating Expense	<u>2,272,236</u>	<u>-</u>	<u>-</u>	<u>2,272,236</u>
NET OPERATING DEFICIT	<u>(283,347)</u>	<u>(28,445)</u>	<u>(210,977)</u>	<u>(522,769)</u>
NON-OPERATING INCOME (EXPENSES)				
Interest and dividend	-	34,084	-	34,084
Investment management fees	-	(18,555)	-	(18,555)
Realized/unrealized gains	-	181,641	-	181,641
Change in beneficial interest in funds held at The Dayton Foundation	41,804	1,605	-	43,409
Change in value in beneficial interest in perpetual trusts	-	-	385,809	385,809
	<u>41,804</u>	<u>198,775</u>	<u>385,809</u>	<u>626,388</u>
NET NON-OPERATING INCOME	<u>41,804</u>	<u>198,775</u>	<u>385,809</u>	<u>626,388</u>
CHANGE IN NET ASSETS	<u>(241,543)</u>	<u>170,330</u>	<u>174,832</u>	<u>103,619</u>
NET ASSETS (DEFICIT)				
Beginning of Year	<u>(315,220)</u>	<u>2,152,425</u>	<u>4,416,493</u>	<u>6,253,698</u>
End of Year	<u>\$ (556,763)</u>	<u>\$ 2,322,755</u>	<u>\$ 4,591,325</u>	<u>\$ 6,357,317</u>

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013

OPERATING ACTIVITIES

Change in net assets	\$	103,619
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		78,581
Change in beneficial interest in funds held at The Dayton Foundation		192,288
Change in beneficial interest in perpetual trusts		(140,786)
Change in net present value of pledges		(64,986)
Net realized gain on investments		(75,873)
Net unrealized gain on investments		<u>(105,768)</u>
		(12,925)
Changes in operating assets and liabilities:		
Accounts receivable		(278,395)
Prepaid expenses		20,525
Inventory and supplies		(30,520)
Long-term pledges receivable		260,534
Accounts payable and accrued expenses		(107,034)
Deferred revenue		<u>17,203</u>
Net Cash Used by Operating Activities		<u>(130,612)</u>

INVESTING ACTIVITIES

Purchases of property and equipment		(243,998)
Proceeds from sale of investments		954,328
Purchases of investments		<u>(867,857)</u>
Net Cash Used by Investing Activities		<u>(157,527)</u>

NET DECREASE IN CASH

(288,139)

CASH

Beginning of year		<u>429,184</u>
End of year	\$	<u>141,045</u>

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of accounting policies of **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. See Note M.

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 revenues 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 - Accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The accounting standards also improve disclosures about an organization's endowment funds, both donor-restricted endowment funds and board-designated endowment funds, whether or not the organization is subject to UPMIFA.

The State of Ohio adopted UPMIFA effective June 1, 2009. As part of the merger of the organization, the Alliance has evaluated its temporarily and permanently restricted net assets, including amounts reported as endowment funds that are subject to UPMIFA and determined that balances are in conformance with accounting principles generally accepted in the United States of America and the provisions of UPMIFA.

Temporarily restricted net assets consist of the remaining portion of donor-restricted funds that are not classified as permanently restricted net assets as well as the unexpended net investments earnings allocated on permanently restricted net assets available to satisfy donor-imposed purpose restrictions on the monies earned on those funds. When donor restrictions are satisfied, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent the original fair value of gifts received that are to be retained in perpetuity.

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 unrestricted, temporarily restricted, or permanently restricted support, 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 unrestricted net assets. All other donor-restricted support is reported as an increase in temporarily or permanently 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), temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted contributions.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, 2013 were on deposit at times in several financial institutions which, at various times throughout the year, were in excess of FDIC insurance limits of \$250,000.

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. The Alliance believes other receivables amounts will be collected and, therefore, does not consider an allowance for doubtful accounts necessary at June 30, 2013.

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

Investments - The Alliance accounts for its investments in accordance with accounting standards. Accordingly, 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 permanently restricted net assets.

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.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original corpus of the funds the donor requires to be held in perpetuity. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2013.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Deferred Revenue - Sales of season ticket subscriptions for programs to be performed the following fiscal year are recorded as deferred revenue. Revenues 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.

Advertising Expense - Advertising costs are expensed in the same year as the performance in which they relate. Advertising expense was \$215,164 for the year ended June 30, 2013. Advertising costs for future performances are recorded as prepaid expenses. Prepaid advertising was \$82,805 at June 30, 2013.

Donated advertising is recorded separately from advertising expense, and totaled \$317,684 for the year ended June 30, 2013.

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, 2013. Federal tax returns of the previous Organizations for 2009, 2010 and 2011 are subject to examination by taxing authorities, generally for three years after their filing date.

Subsequent Events - In preparing these financial statements, the Alliance has evaluated events and transactions for potential recognition or disclosure through October 22, 2013, the date the financial statements were available to be issued.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE B - PLEDGES RECEIVABLE

Pledges	
Due in less than one year	\$ 804,576
Due in one to five year	<u>178,500</u>
	983,076
Less discount to net present value	<u>62,500</u>
	<u>\$ 920,576</u>

A discount rate of 5.25% was applied to contributions due in more than one year for the year ended June 30, 2013.

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 C - INVESTMENTS

The following reflects the cost and estimated fair values of marketable securities held at June 30, 2013. In addition, gross unrealized gains and unrealized losses are disclosed for the year ended June 30, 2013.

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Money market funds	\$ 72,705	\$ -	\$ -	\$ 72,705
U.S. Government obligations	372,505	-	(4,900)	367,605
Equity securities	<u>1,060,859</u>	<u>184,799</u>	<u>-</u>	<u>1,245,658</u>
	<u>\$ 1,506,069</u>	<u>\$ 184,799</u>	<u>\$ (4,900)</u>	<u>\$ 1,685,968</u>

Unrealized gains of \$105,768, and realized gains of \$75,873 from sales of investments, are included in the Statement of Activities for the year ended June 30, 2013.

NOTE D - FAIR VALUE MEASUREMENTS

In accordance with accounting standards, fair value is defined as a framework for measuring fair value (although it does not expand the required use of fair value) and details the required disclosures about fair value measurements. The standards require that certain non-financial assets and liabilities be recognized or disclosed at fair value. At the present time, the Alliance does not have any non-financial assets or liabilities that would require fair value recognition or disclosure under this standard.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE D - FAIR VALUE MEASUREMENTS - continued

Fair values of the Alliance's financial assets measured on a recurring basis at June 30, 2013 are as follows:

Assets	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments				
Money market funds	\$ 72,705	\$ 72,705	\$ -	\$ -
U.S. Government obligations	367,605	367,605	-	-
Equity securities	1,245,658	1,245,658	-	-
Beneficial interest in funds held at The Dayton Foundation	541,928	-	-	541,928
Beneficial interest in perpetual trusts	<u>3,502,916</u>	<u>-</u>	<u>-</u>	<u>3,502,916</u>
	<u>\$ 5,730,812</u>	<u>\$ 1,685,968</u>	<u>\$ -</u>	<u>\$ 4,044,844</u>

Level 1 - Fair values for investments are determined by reference to quoted market prices in an active market and other relevant information generated by market transactions.

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 - Fair values for investments are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

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, 2013.

Money market, U.S. Government obligations and equity securities: Valued 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, 2013.

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, 2013.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE D - 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 ended June 30, 2013:

	Beneficial Interest in Funds Held at The Dayton Foundation	Beneficial Interest in Perpetual Trusts
Value at the beginning of the year	\$ 734,216	\$ 3,362,130
Transfer of assets to beneficial interest	116,843	-
Transfer of assets from beneficial interest	(352,540)	-
Distributions	-	(245,023)
Change in fair value	<u>43,409</u>	<u>385,809</u>
Value at the end of the year	<u>\$ 541,928</u>	<u>\$ 3,502,916</u>

NOTE E - PROPERTY AND EQUIPMENT

Equipment, sets and costumes	\$ 572,729
Furniture and fixtures	413,912
Musical instruments and production equipment	336,587
Music library	150,182
Construction in progress	102,413
Leasehold improvements	<u>88,934</u>
	1,664,757
Less accumulated depreciation	<u>1,314,621</u>
	<u>\$ 350,136</u>

NOTE F - 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.

Time and purpose restriction - support for completed performances and general operations	<u>\$ 1,520,576</u>
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DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE G - NET ASSETS

Unrestricted

Unrestricted Fund	\$ <u>(556,763)</u>
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Temporarily Restricted

2013 - 2015 Programming	1,293,709
Olive Kettering Endowment Fund	795,295
Other Funds	<u>233,751</u>
	<u>2,322,755</u>

Permanently Restricted

Catterton Endowment Opera Fund	1,656,950
Catterton Endowment Philharmonic Fund	1,501,053
National Endowment for the Arts Fund	400,000
Ballet Arts and Cultural Development Fund	344,913
Dayton Philharmonic Endowment Fund	312,000
Dayton Opera Endowment Fund	250,000
Planned gift	54,318
Other Funds	<u>72,091</u>
	<u>4,591,325</u>
	<u>\$ 6,357,317</u>

Temporarily 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.

Permanently Restricted

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 I, 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 G - NET ASSETS - 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.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE H - ENDOWMENT FUNDS AND NET ASSETS

The following is a summary of changes in endowment net assets for the year ended June 30, 2013.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of period	\$ 85,025	\$ 22,598	\$ 1,054,363	\$ 1,161,986
Change in value in beneficial interest in funds held at The Dayton Foundation	39,116	8	-	39,124
Net investment income	-	93,109	-	93,109
Contributions to endowment fund	5,444	13,399	33,000	51,843
Change in net present value for long term receivables	-	-	1,046	1,046
Amounts appropriated for expenditure	<u>-</u>	<u>(62,315)</u>	<u>-</u>	<u>(62,315)</u>
Endowment net assets, end of period	<u>\$ 129,585</u>	<u>\$ 66,799</u>	<u>\$ 1,088,409</u>	<u>\$ 1,284,793</u>

The following is a summary of all Alliance net assets as of June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds	\$ 129,585	\$ 66,799	\$ 1,088,409	\$ 1,284,793
Non-endowment funds:				
Operating	(686,348)	-	-	(686,348)
Beneficial interest in perpetual trust - Catterton	-	-	3,158,003	3,158,003
Beneficial interest in perpetual trust - Ballet Fund	-	-	344,913	344,913
Time and purpose Restrictions	<u>-</u>	<u>2,255,956</u>	<u>-</u>	<u>2,255,956</u>
	<u>\$ (556,763)</u>	<u>\$ 2,322,755</u>	<u>\$ 4,591,325</u>	<u>\$ 6,357,317</u>

NOTE I - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Alliance has a Beneficial Interest in a Perpetual Trust of the "The Dayton Opera Trust Fund" and "The Dayton Philharmonic Trust Fund", trust arrangements established by the Hampden W. and Erma R. Catterton Charitable 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 \$155,853 and \$76,822 for the Opera and Philharmonic trusts, respectively, for year ended June 30, 2013.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE I - BENEFICIAL INTEREST IN PERPETUAL TRUST - continued

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, 2013, 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 \$1,656,950 and \$1,501,053 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.

The Alliance is an income beneficiary of another perpetual trust. 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, 2013, 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 \$344,913. Income distributions for the year ended June 30, 2013 was \$12,348.

NOTE J - CONTRIBUTIONS OF MATERIALS AND SERVICES

Printing, publicity, promotion	\$ 317,684
Hotels and airfare, use of facilities	56,570
Professional services	19,174
Goods and materials	<u>4,959</u>
	<u>\$ 398,387</u>

NOTE K - RETIREMENT PLAN

The Alliance participates in a defined contribution retirement plan administered by the American Federation of Musicians. Participation includes employees covered under a collectively bargained union agreement. This plan requires payments of 4.50% of certain components of participants' wages by the Alliance. Total payments made to the Plan for the year ended June 30, 2013 were \$82,184.

In addition, 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 2013.

NOTE L - LEASE COMMITMENTS

The Alliance leases office space, studios and warehouse storage expiring at various times through 2018. 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 year ended June 30, 2013 was \$148,899.

The Alliance leases various office equipment expiring at various times through 2017. Rental expense under these leases for the year ended June 30, 2013 was \$19,197.

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE L - LEASE COMMITMENTS - continued

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

2014	\$	173,970
2015		63,964
2016		60,658
2017		51,369
2018		<u>41,600</u>
	\$	<u>391,561</u>

NOTE M - MERGER OF OPERATIONS

On July 1, 2012, The Dayton Ballet Association, Dayton Opera Association, and Dayton Philharmonic Orchestra Association, Inc. completed a merger of their operations. As a result of the merger, the name was changed to The Dayton Performing Arts Alliance. Through the merger, the Alliance will be able to feature signature events which integrate and present the art forms of ballet, opera and philharmonic in single or multiple productions, improve the artistic quality and generate increased attendance. The Alliance will be able to implement a sustainable business model and provide a national model of arts integration for education, performances, and donor support.

As of July 1, 2012, the major classes of assets, liabilities, and net assets of The Dayton Ballet Association, Dayton Opera Association, and Dayton Philharmonic Orchestra Association are as follows:

	<u>Dayton Ballet</u>	<u>Dayton Opera</u>	<u>Dayton Philharmonic</u>	<u>Dayton Performing Arts Alliance</u>
Assets				
Cash	\$ 105,272	\$ 262,524	\$ 61,388	\$ 429,184
Receivables, net	183,698	421,325	545,309	1,150,332
Prepaid expenses and supplies	39,225	22,532	424,266	486,023
Long-term pledges receivable	-	110,124	201,424	311,548
Beneficial interest in fund held at The Dayton Foundation	-	734,216	-	734,216
Investments	-	-	1,590,798	1,590,798
Beneficial interest in perpetual trust	319,487	1,615,445	1,427,198	3,362,130
Property and equipment, net	<u>94,350</u>	<u>1,580</u>	<u>88,789</u>	<u>184,719</u>
	<u>\$ 742,032</u>	<u>\$ 3,167,746</u>	<u>\$ 4,339,172</u>	<u>\$ 8,248,950</u>

DAYTON PERFORMING ARTS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

NOTE M - MERGER OF OPERATIONS - continued

	<u>Dayton Ballet</u>	<u>Dayton Opera</u>	<u>Dayton Philharmonic</u>	<u>Dayton Performing Arts Alliance</u>
Liabilities				
Accounts receivable and accrued expenses	\$ 22,354	\$ 56,491	\$ 335,578	\$ 414,423
Deferred revenue	<u>126,766</u>	<u>211,747</u>	<u>1,242,316</u>	<u>1,580,829</u>
	<u>149,120</u>	<u>268,238</u>	<u>1,577,894</u>	<u>1,995,252</u>
Net Assets				
Unrestricted	(11,479)	578,523	(1,091,161)	(524,117)
Temporarily restricted	284,904	310,289	1,689,151	2,284,344
Permanently restricted	<u>319,487</u>	<u>2,010,696</u>	<u>2,163,288</u>	<u>4,493,471</u>
	<u>592,912</u>	<u>2,899,508</u>	<u>2,761,278</u>	<u>6,253,698</u>
	<u>\$ 742,032</u>	<u>\$ 3,167,746</u>	<u>\$ 4,339,172</u>	<u>\$ 8,248,950</u>

Subsequent to the issuance of the audited financial statements for the year ended June 30, 2012 for the three previous organizations, the Alliance determined the following restatements should be recorded to properly classify net assets:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Balances, as previously reported	\$ (524,117)	\$ 2,284,344	\$ 4,493,471
Satisfaction of purpose restrictions in prior periods	228,466	(228,466)	-
Restatement of temporarily restricted funds incorrectly reported as unrestricted funds - Philharmonic investments	(47,383)	47,383	-
Restatement of unrestricted net assets incorrectly recorded as temporarily and permanently restricted funds - Opera	56,250	(15,000)	(41,250)
Restatement of unrestricted net assets incorrectly recorded as permanently restricted funds (planned giving pledge) - Opera	35,728	-	(35,728)
Restatement of temporarily restricted net assets incorrectly recorded as unrestricted funds - Opera	<u>(64,164)</u>	<u>64,164</u>	<u>-</u>
Balances, as restated	<u>\$ (315,220)</u>	<u>\$ 2,152,425</u>	<u>\$ 4,416,493</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 year ended June 30, 2013, and have issued our report thereon dated October 22, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The following schedules are presented for the purposes of additional analysis and are 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 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
October 22, 2013

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DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES BY FUND - INVESTMENTS

JUNE 30, 2013

	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	Total
Contributions and support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Released from restrictions	(16,500)	(32,500)	(29,330)	(23,185)	-	(485)	-	(102,000)
Investment income, net	90,305	50,670	39,325	13,125	1,961	1,153	631	197,170
Net assets, beginning of year	<u>721,490</u>	<u>412,280</u>	<u>321,578</u>	<u>105,647</u>	<u>15,461</u>	<u>9,369</u>	<u>4,973</u>	<u>1,590,798</u>
Net assets, end of year	<u>\$ 795,295</u>	<u>\$ 430,450</u>	<u>\$ 331,573</u>	<u>\$ 95,587</u>	<u>\$ 17,422</u>	<u>\$ 10,037</u>	<u>\$ 5,604</u>	<u>\$ 1,685,968</u>
Net Assets								
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Temporarily restricted	795,295	30,450	19,573	95,587	2,422	946	5,604	949,877
Permanently restricted	<u>-</u>	<u>400,000</u>	<u>312,000</u>	<u>-</u>	<u>15,000</u>	<u>9,091</u>	<u>-</u>	<u>736,091</u>
	<u>\$ 795,295</u>	<u>\$ 430,450</u>	<u>\$ 331,573</u>	<u>\$ 95,587</u>	<u>\$ 17,422</u>	<u>\$ 10,037</u>	<u>\$ 5,604</u>	<u>\$ 1,685,968</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, 2013

	Dayton Opera Endowment Fund	Baritone Trust Investment	Dayton Philharmonic Endowment Fund	Dayton Opera Artistic	Dr. David DiChiera and Thomas Bankston Fund for Emerging Artists	Dayton Opera Gold Standard Fund	Total
Contributions and support	\$ 50,000	\$ -	\$ 51,843	\$ -	\$ 15,000	\$ -	\$ 116,843
Released from restrictions	-	(2,540)	-	(57,554)	-	(292,446)	(352,540)
Change in beneficial interest	36,207	6,756	2,908	(1,538)	8	(932)	43,409
Net assets, beginning of year	<u>285,026</u>	<u>64,164</u>	<u>-</u>	<u>91,648</u>	<u>-</u>	<u>293,378</u>	<u>734,216</u>
Net assets, end of year	<u>\$ 371,233</u>	<u>\$ 68,380</u>	<u>\$ 54,751</u>	<u>\$ 32,556</u>	<u>\$ 15,008</u>	<u>\$ -</u>	<u>\$ 541,928</u>
Net Assets							
Unrestricted	\$ 121,233	\$ 2,619	\$ 8,352	\$ 32,556	\$ -	\$ -	\$ 164,760
Temporarily restricted	-	65,761	13,399	-	8	-	79,168
Permanently restricted	<u>250,000</u>	<u>-</u>	<u>33,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>298,000</u>
	<u>\$ 371,233</u>	<u>\$ 68,380</u>	<u>\$ 54,751</u>	<u>\$ 32,556</u>	<u>\$ 15,008</u>	<u>\$ -</u>	<u>\$ 541,928</u>

See independent auditors' report on supplementary information.

DAYTON PERFORMING ARTS ALLIANCE

STATEMENT OF ACTIVITIES BY FUND - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

JUNE 30, 2013

	Catterton Trust- Opera Fund	Catterton Trust- Philharmonic Fund	Ballet Arts and Cultural Development Fund	Total
Contributions and support	\$ -	\$ -	\$ -	\$ -
Released from restrictions	(155,853)	(76,822)	(12,348)	(245,023)
Change in beneficial interest	197,357	150,678	37,774	385,809
Net assets, beginning of year	<u>1,615,446</u>	<u>1,427,197</u>	<u>319,487</u>	<u>3,362,130</u>
Net assets, end of year	<u>\$ 1,656,950</u>	<u>\$ 1,501,053</u>	<u>\$ 344,913</u>	<u>\$ 3,502,916</u>
Net Assets				
Unrestricted	\$ -	\$ -	\$ -	\$ -
Temporarily restricted	-	-	-	-
Permanently restricted	<u>1,656,950</u>	<u>1,501,053</u>	<u>344,913</u>	<u>3,502,916</u>
	<u>\$ 1,656,950</u>	<u>\$ 1,501,053</u>	<u>\$ 344,913</u>	<u>\$ 3,502,916</u>

See independent auditors' report on supplementary information.