

**VERMONT SYMPHONY ORCHESTRA  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS  
AUGUST 31, 2009  
AND  
INDEPENDENT AUDITOR'S REPORT**

TABLE OF CONTENTS

Independent Auditor’s Report..... 1

Statement of Financial Position..... 2

Statement of Activities ..... 3 - 5

Statement of Cash Flows..... 6

Notes to Financial Statements ..... 7 - 14

# Wallace W. Tapia, P.C.

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## Independent Auditor's Report

Board of Directors  
Vermont Symphony Orchestra Association, Inc.  
Burlington, VT

We have audited the accompanying statement of financial position of the Vermont Symphony Orchestra Association, Inc. as of August 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Orchestra's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated November 3, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Vermont Symphony Orchestra Association, Inc. as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Wallace W. Tapia, P.C.*

Burlington, Vermont  
December 15, 2009  
Vermont Registration #333

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.  
STATEMENT OF FINANCIAL POSITION - AUGUST 31, 2009  
(With Summarized Information for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents (Note 4)	\$ 7,050	\$ -	\$ -	\$ 7,050	\$ 2,903
Accounts receivable	25,484	-	-	25,484	10,784
Grants & contributions receivable, net (Note 7)	19,744	7,500	-	27,244	34,050
Prepaid expenses (Note 1)	69,342	-	-	69,342	48,091
	<u>121,620</u>	<u>7,500</u>	<u>-</u>	<u>129,120</u>	<u>95,828</u>
Total current assets					
Non-current assets:					
Grants & contributions receivable, net (Note 7)	-	5,000	974,817	979,817	1,730,992
Investments (Note 11)	(57,964)	23,670	1,758,409	1,724,115	935,615
Music library, net of accumulated depreciation of \$17,061	22,281	-	-	22,281	23,028
Equipment and vehicle, net of accum. deprec. of \$132,310	84,756	-	-	84,756	100,221
Beneficial interest in assets held by others (Note 9)	2,515	-	116,251	118,766	129,681
Interfund receivables / (payables)	(154,694)	154,694	-	-	-
	<u>(103,106)</u>	<u>183,364</u>	<u>2,849,477</u>	<u>2,929,735</u>	<u>2,919,537</u>
Total non-current assets					
Total assets	<u>\$ 18,514</u>	<u>\$ 190,864</u>	<u>\$ 2,849,477</u>	<u>\$ 3,058,855</u>	<u>\$ 3,015,365</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Accounts payable	\$ 132,359	\$ -	\$ -	\$ 132,359	\$ 37,766
Accrued liabilities	9,519	-	-	9,519	12,805
Refundable advances (Note 1)	40,646	-	-	40,646	38,066
Deferred revenues (Note 1)	197,760	-	-	197,760	193,425
Current maturities of notes payable (Note 5)	95,000	-	-	95,000	25,000
	<u>475,284</u>	<u>-</u>	<u>-</u>	<u>475,284</u>	<u>307,062</u>
Total current liabilities					
Non-current liabilities:					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>475,284</u>	<u>-</u>	<u>-</u>	<u>475,284</u>	<u>307,062</u>
Net Assets (Notes 1, 11 & 13):					
Unrestricted	(456,770)	-	-	(456,770)	(250,137)
Temporarily restricted	-	190,864	-	190,864	211,090
Permanently restricted	-	-	2,849,477	2,849,477	2,747,350
	<u>(456,770)</u>	<u>190,864</u>	<u>2,849,477</u>	<u>2,583,571</u>	<u>2,708,303</u>
Total net assets					
Total liabilities and net assets	<u>\$ 18,514</u>	<u>\$ 190,864</u>	<u>\$ 2,849,477</u>	<u>\$ 3,058,855</u>	<u>\$ 3,015,365</u>

See accompanying notes to financial statements.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2009  
(With Summarized Information for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Operating revenues:					
Performance revenues:					
Ticket sales	\$ 365,296	\$ -	\$ -	\$ 365,296	\$ 428,186
Ensembles	64,729	-	-	64,729	82,202
Contracted services	<u>118,596</u>	<u>-</u>	<u>-</u>	<u>118,596</u>	<u>145,714</u>
Total performance revenues	<u>548,621</u>	<u>-</u>	<u>-</u>	<u>548,621</u>	<u>656,102</u>
Public support:					
State of Vermont General Fund	-	109,494	-	109,494	119,184
Other State of Vermont funds	-	-	-	-	3,600
Vermont Arts Council	-	5,000	-	5,000	5,000
National Endowment for the Arts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Total public support	<u>-</u>	<u>114,494</u>	<u>-</u>	<u>114,494</u>	<u>147,784</u>
Private support:					
Memberships	159,974	-	-	159,974	168,697
Other gifts, grants and bequests	23,601	263,329	-	286,930	191,030
Concert underwriting	228,309	-	-	228,309	222,595
Special events	79,018	-	-	79,018	86,965
In-kind contributions (Note 2)	<u>263,912</u>	<u>-</u>	<u>-</u>	<u>263,912</u>	<u>212,560</u>
Total private support	<u>754,814</u>	<u>263,329</u>	<u>-</u>	<u>1,018,143</u>	<u>881,847</u>
Other income:					
Program advertising	32,221	-	-	32,221	36,965
Concessions and product sales	8,320	-	-	8,320	21,958
Other	11,769	-	-	11,769	5,198
Net investment income appropriated for operations	<u>-</u>	<u>33,755</u>	<u>-</u>	<u>33,755</u>	<u>30,330</u>
Total other income	<u>52,310</u>	<u>33,755</u>	<u>-</u>	<u>86,065</u>	<u>94,451</u>
Net assets released from restrictions:	<u>411,831</u>	<u>(411,831)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>1,767,576</u>	<u>(253)</u>	<u>-</u>	<u>1,767,323</u>	<u>1,780,184</u>

See accompanying notes to financial statements.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2009  
(With Summarized Information for 2008)  
(Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
Operating expenses:					
Artistic personnel expenses:					
Orchestra & artistic staff	445,537	-	-	445,537	375,509
Travel expenses (Note 2)	177,956	-	-	177,956	139,439
Guest artists and chorus	60,940	-	-	60,940	51,077
Ensembles and residencies	83,531	-	-	83,531	90,790
Total artistic personnel expenses	<u>767,964</u>	<u>-</u>	<u>-</u>	<u>767,964</u>	<u>656,815</u>
Direct concert expenses:					
Production salaries & wages	68,029	-	-	68,029	75,353
Production benefits & taxes	16,084	-	-	16,084	19,625
Music rentals and royalties (Note 2)	58,906	-	-	58,906	13,026
Insurance for concerts	9,101	-	-	9,101	8,443
Performance space rentals (Notes 2 & 8)	59,353	-	-	59,353	67,257
Stagehands	20,193	-	-	20,193	19,706
Ticket expense	18,436	-	-	18,436	18,088
Printed program expense (Note 2)	27,074	-	-	27,074	24,348
Equipment rental & other (Note 2)	129,624	-	-	129,624	141,552
Total direct concert expenses	<u>406,800</u>	<u>-</u>	<u>-</u>	<u>406,800</u>	<u>387,398</u>
Marketing expenses:					
Marketing salaries & wages	17,610	-	-	17,610	5,784
Marketing benefits & taxes	1,939	-	-	1,939	1,368
Concession and product costs	9,920	-	-	9,920	32,203
Other marketing expenses (Notes 2 & 8)	230,037	-	-	230,037	198,930
Total marketing expenses	<u>259,506</u>	<u>-</u>	<u>-</u>	<u>259,506</u>	<u>238,285</u>
Fundraising expenses:					
Fundraising salaries & wages	105,563	-	-	105,563	97,868
Fundraising benefits & taxes	24,893	-	-	24,893	25,089
Fundraising expenses (Note 2)	66,582	-	-	66,582	67,824
Special events expense	30,929	-	-	30,929	38,315
Total fundraising expenses	<u>227,967</u>	<u>-</u>	<u>-</u>	<u>227,967</u>	<u>229,096</u>

See accompanying notes to financial statements.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2009  
(With Summarized Information for 2008)  
(Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
General and administrative expenses:					
General and administrative salaries & wages	90,330	-	-	90,330	93,327
General and administrative benefits & taxes	32,852	-	-	32,852	36,418
Professional services (Note 2)	30,250	-	-	30,250	32,127
Office rent (Note 3)	26,277	-	-	26,277	24,723
Insurance expense	20,660	-	-	20,660	18,470
Office supplies, etc. (Note 3)	25,979	-	-	25,979	28,881
Telephone, fax	6,228	-	-	6,228	6,986
Depreciation	17,435	-	-	17,435	16,600
Interest	4,042	-	-	4,042	6,304
Other (Note 2)	28,419	-	-	28,419	25,721
Total general and admin. expenses	<u>282,472</u>	<u>-</u>	<u>-</u>	<u>282,472</u>	<u>289,557</u>
 Total operating expenses	 <u>1,944,709</u>	 <u>-</u>	 <u>-</u>	 <u>1,944,709</u>	 <u>1,801,151</u>
 Change in net assets from operations	 <u>(177,133)</u>	 <u>(253)</u>	 <u>-</u>	 <u>(177,386)</u>	 <u>(20,967)</u>
Other changes:					
Permanently restricted contributions	-	-	102,127	102,127	1,702,704
Investment return not designated for operations	<u>(29,500)</u>	<u>(19,973)</u>	<u>-</u>	<u>(49,473)</u>	<u>(64,728)</u>
Total other changes	<u>(29,500)</u>	<u>(19,973)</u>	<u>102,127</u>	<u>52,654</u>	<u>1,637,976</u>
Change in net assets	<u>(206,633)</u>	<u>(20,226)</u>	<u>102,127</u>	<u>(124,732)</u>	<u>1,617,009</u>
Net assets at beginning of year, as originally stated	(209,467)	170,420	2,747,350	2,708,303	1,091,294
Effect of adoption of FAS 117-1 (Note 11)	<u>(40,670)</u>	<u>40,670</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at beginning of year, as restated	<u>(250,137)</u>	<u>211,090</u>	<u>2,747,350</u>	<u>2,708,303</u>	<u>1,091,294</u>
Net assets at end of year	<u>\$ (456,770)</u>	<u>\$ 190,864</u>	<u>\$ 2,849,477</u>	<u>\$ 2,583,571</u>	<u>\$ 2,708,303</u>

See accompanying notes to financial statements.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2009  
(With Summarized Information for 2008)

	2009	2008
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (124,732)	\$ 1,617,009
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation	17,435	16,600
Contributions restricted to endowment, net of change in perpetual trust	(110,127)	(1,696,404)
Investment loss not designated for operations	49,473	64,728
Changes in assets and liabilities:		
(Increase) / decrease in operating receivables	(2,894)	(2,277)
(Increase) / decrease in prepaid expenses	(21,251)	(12,865)
Increase / (decrease) in accounts payable	94,593	(6,095)
Increase / (decrease) in accrued liabilities	(3,286)	4,150
Increase / (decrease) in deferred revenues & refundable advances	6,915	(10,000)
Net cash provided by (used in) operating activities	(93,874)	(25,154)
Cash provided by (used in) investing activities:		
Additions to equipment and music library	(1,223)	(5,194)
Purchase of investments	(1,043,632)	(493,315)
Sale of investments and receipt of investment income not designated for operations	216,574	194,052
Net cash used in investing activities	(828,281)	(304,457)
Cash provided by (used in) financing activities:		
Payments on notes payable	-	(3,051)
Net advances on the line of credit	70,000	25,000
Contributions received restricted for endowment	856,302	293,499
Net cash provided by financing activities	926,302	315,448
Net increase / (decrease) in cash and cash equivalents	4,147	(14,163)
Cash and cash equivalents, beginning of year	2,903	17,066
Cash and cash equivalents, end of year	\$ 7,050	\$ 2,903
Supplemental Data:		
Interest paid	\$ 4,042	\$ 6,304

See accompanying notes to financial statements.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

1. Summary of Significant Accounting Policies:

The Vermont Symphony Orchestra Association, Inc. (the Orchestra) uses the accrual basis of accounting. The Orchestra is a member of the American Symphony Orchestra League, Inc., which publishes, from time to time, guidelines for the presentation of financial statements of its members. The guidelines adopted by the Orchestra and used in these financial statements conform to U.S. generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Orchestra 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.

Contributions

The Orchestra accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and / or nature of any donor-imposed restrictions.

All 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 statement of activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same period are shown as increases in temporarily restricted net assets with a corresponding transfer to unrestricted net assets.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received (currently 2%). Amortization of these discounts is included in contribution revenue. Conditional promises to give are not included in support until the conditions are substantially met.

Equipment, Vehicle and Music Library

Equipment, vehicle and music library are recorded at cost and are being depreciated over their useful economic lives (3-20 years for equipment and vehicle and 40 years for the music library) using the straight-line method.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

1. Summary of Significant Accounting Policies (continued):

Tax Status

The Orchestra is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, is a publicly-supported organization as described in Section 509(a)(1) of the Code and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

Temporarily Restricted Funds

Temporarily restricted funds consist of resources restricted by donors to be used for funding special projects of the Orchestra, primarily to bring musical performances to those who might not otherwise be able to attend orchestra performances.

Permanently Restricted Funds

Permanently restricted funds consist of bequests and other gifts received from donors, which are subject to the restriction that the principal be invested in perpetuity and that only the income be used to defray certain specified expenses.

Deferred Revenues, Prepaid Expenses

Deferred revenues and prepaid expenses primarily represent revenues received and expenses incurred prior to year-end relating to concerts performed subsequent to the end of the fiscal year.

Refundable Advances

Contributions received during a prior or current fiscal year, if any, which contain donor-imposed conditions are shown as refundable advances in the statement of financial position until the conditions have been substantially met.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Reclassification

Portions of the 2008 financial statements have been reclassified to conform to the 2009 financial statement presentation.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

2. In-Kind Contributions (Donated Materials, Facilities and Services):

Significant services, materials and facilities are donated to the Orchestra by various individuals and organizations and are included in the financial statements at fair value at the time of contribution. In-kind revenue and related expenses have been included in the accompanying statement of activities as follows:

	<u>2009</u>	<u>2008</u>
Travel and accommodations	\$ 98,841	\$ 77,586
Marketing expenses	108,656	75,090
Performance space rentals	8,550	8,550
Equipment rental & other expenses	9,061	8,505
Music rentals and royalties	750	750
Printed program expense	327	273
Professional services	2,019	2,664
Fundraising expenses	35,308	38,870
Office supplies	400	272
	<u>\$ 263,912</u>	<u>\$ 212,560</u>

In addition, the Orchestra received more than 2,500 hours of donated program-support time in both 2009 and 2008 that was not recorded in the financial statements because it did not meet the criteria for recognition under SFAS No. 116.

3. Leases:

The Orchestra occupies office space under a lease expiring May 2010 with monthly rent of \$2,288 per month. Rent expense (including incidental charges) was \$26,277 and \$24,723 for the years ended August 31, 2009 and 2008, respectively.

4. Cash and Cash Equivalents:

For the purposes of the statement of cash flows, the Orchestra considers all short-term investments purchased with an original maturity date of three months or less to be cash equivalents, except for those included in the investment portfolio.

5. Notes Payable: Line of Credit:

The Orchestra has a line of credit with a commercial bank in the amount of \$200,000 bearing interest at prime less .35% (2.90% at August 31, 2009), expiring in July 2010 and with an outstanding balance of \$95,000 at August 31, 2009. The balance on a prior line of credit with the same bank was \$25,000 at August 31, 2008. The line of credit is secured by substantially all of the Orchestra's non-endowment assets.

Interest expense on the current and prior lines of credit was \$4,042 and \$6,304 for 2009 and 2008, respectively.

6. Pension Plan:

The Orchestra maintains a 403 (b) Defined Contribution Retirement Plan through the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). For full-time employees who are 21 years of age and have completed a minimum term of service, the Orchestra makes an employer contribution equal to 5% of the employee's compensation. Participants are immediately vested in the benefits under the Plan. Pension expense for the years ended August 31, 2009 and 2008 was \$9,127 and \$10,874, respectively.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

7. Promises to Give:

Included in grants and contributions receivable are the following unconditional promises to give:

	<u>2009</u>	<u>2008</u>
Unrestricted	\$ 19,744	\$ 6,550
Temporarily restricted:		
For future concerts	<u>12,500</u>	<u>37,500</u>
Permanently restricted	<u>974,817</u>	<u>1,793,792</u>
Total unconditional promises to give	<u>\$ 1,007,061</u>	<u>\$ 1,837,842</u>
Receivable in less than one year	\$ 276,049	\$ 326,930
Receivable in one to five years	736,512	1,410,912
Receivable in more than five years	<u>77,500</u>	<u>100,000</u>
Total unconditional promises to give	1,090,061	1,837,842
Less discounts to net present value	(70,000)	(59,800)
Less allowance for uncollectible promises	<u>(13,000)</u>	<u>(13,000)</u>
Net unconditional promises to give	<u>\$ 1,007,061</u>	<u>\$ 1,765,042</u>

Permanently restricted contributions receivable and those restricted for capital acquisition are shown as non-current, regardless of when they are expected to be received. The \$13,000 allowance for uncollectible promises at August 31, 2009 and 2008, relates to *permanently restricted promises to give*.

At August 31, 2009, the Orchestra had \$32,000 remaining on a \$50,000 permanently restricted, one-to-one matching challenge grant related to the new capital campaign discussed below.

8. Related Party Transactions:

The Orchestra purchased \$5,400 and \$6,300 of advertising from radio stations owned by a board member during the fiscal years ended August 31, 2009 and 2008, respectively. In 2009 and 2008, the Orchestra also paid another board member approximately \$2,500 and \$9,000, respectively, for concert facilities and related expenses.

9. Beneficial Interest in Assets Held by Others:

The Orchestra has transferred \$45,151 in permanently restricted contributions to the Vermont Community Foundation for the establishment of the *Ann E. Cooper Fund for Artistic Leadership*. Income earned by the fund (i.e. the allocable amount of earnings from the Foundation's common pooled fund) is generally distributable to the Orchestra (at the direction of the Orchestra) on a quarterly basis. The Orchestra, however, has granted variance power to the Foundation, which means that the Board of Trustees of the Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

In 2003, the Symphony was named as a 10% income beneficiary of a perpetual trust with assets of approximately \$1,000,000. The Symphony will receive 10% of the income from the trust in perpetuity beginning upon a certain future event estimated to occur in 2015. The Symphony's interest, discounted at 5% annually, has been estimated at \$71,100 as of August 31, 2009 and included in "beneficial interest in assets held by others" with the current year change of \$8,000 recorded as a reduction in permanently restricted contributions for the year.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

10. Advertising Expenses:

The Orchestra expenses advertising expenses (included in marketing costs) as incurred.

11. Investments and Endowments:

The Orchestra has thirteen separate endowment funds including two related to an on-going capital campaign begun in 2007 and the remaining eleven representing various endowment gifts some of which date back more than twenty years. Twelve of the thirteen funds are maintained in a single pooled investment account at a local trust company while the thirteenth is held in a separate brokerage account. The Orchestra also has permanently restricted funds in “beneficial interest in assets held by others” as discussed in Note 9 above.

The Orchestra’s investment policies are as follows:

*Interpretation of Relevant Law:*

For purposes of disclosure in these financial statements, the Orchestra understands that state law (under the recently passed *Uniform Prudent Management of Institutional Funds Act – “UPMIFA”*) creates no requirement to add to the fair value of the original gift as of the gift date of its permanently restricted endowment funds absent explicit donor stipulations to the contrary. Pursuant to FASB Staff Position FAS 117-1, retained appreciation of the funds, if any, in excess of historical cost basis, is shown as temporarily restricted net assets until *appropriated* by management for operations. The management and the Board, in its fiduciary capacity, and with the guidance of professional investment managers, determine how the Funds are to be invested. The Orchestra considers the duration and preservation of the endowment funds, general economic conditions, the possible effect of inflation or deflation, the expected total return of the funds, the availability of other resources, and the Orchestra’s general investment policies when establishing investment allocations of the endowment funds.

*Return Objectives, Risk Parameters and Investment Strategies:*

The Orchestra has adopted investment and spending policies for the endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, permanently restricted endowment funds are invested in a manner that is intended to yield an average, long-term rate of return of approximately 7% (though actual returns in any given year may obviously vary from this amount). To satisfy its long-term rate of return objectives for its permanently restricted funds, the Orchestra relies on a total return strategy in which returns are achieved through a combination of capital appreciation (realized and unrealized capital gains) and current yield (interest and dividends). The Organization targets a diversified asset allocation weighted toward equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and its Relation to Investment Strategies and Objectives:*

The Orchestra’s spending policy is to transfer annually to operations no more than 4% of the market value of the funds, based on a rolling twelve-quarter average of the fair market values of the investment accounts, subject to Finance Committee and Board approval. Based on guidance from investment managers, the Orchestra projects that, over the long-term and after amounts appropriated for operations, its endowment funds will grow at an average of approximately 3% annually – an amount that it believes will protect the purchasing power of the endowment assets held in perpetuity.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

11. Investments and Endowments: (Continued)

The Orchestra reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The cost, fair market value, and unrealized appreciation (depreciation) of the Orchestra's investments, by investment class are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
As of August 31, 2009:			
Cash and cash equivalents	\$ 467,055	\$ 467,055	\$ -
Bonds and bond funds	354,194	371,283	17,089
Equities and equity mutual funds	861,775	885,777	24,002
	<u>\$ 1,683,024</u>	<u>\$ 1,724,115</u>	<u>\$ 41,091</u>
As of August 31, 2008:			
Cash and cash equivalents	\$ 102,572	\$ 102,572	\$ -
Bonds and bond funds	360,004	370,241	10,237
Equities and equity mutual funds	455,522	462,802	7,280
	<u>\$ 918,098</u>	<u>\$ 935,615</u>	<u>\$ 17,517</u>

A reconciliation of the beginning and ending balances of the Orchestra's endowment funds, including the components of investment income for the years ended August 31, 2008 and 2009, by net asset class is summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Value of Endowment Funds 9/1/07: (as restated for FAS 117-1 implementation)	\$ -	\$ 94,101	\$ 608,608	\$ 702,709
Contributions received	-	-	293,499	293,499
Interest and dividends	-	27,953	-	27,953
Realized & unrealized gains / (losses)	-	(52,155)	-	(52,155)
Fees	-	(8,352)	-	(8,352)
Current year FAS 117-1 effect on net assets	(7,162)	7,162	-	-
Net investment income (loss)	<u>(7,162)</u>	<u>(25,392)</u>	<u>-</u>	<u>(32,554)</u>
Appropriated for operations	-	(28,039)	-	(28,039)
Value of Endowment Funds 8/31/08:	<u>\$ (7,162)</u>	<u>\$ 40,670</u>	<u>\$ 902,107</u>	<u>\$ 935,615</u>

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

11. Investments and Endowments: (Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Value of Endowment Funds 8/31/08:	\$ (7,162)	\$ 40,670	\$ 902,107	\$ 935,615
Contributions deposited	-	-	835,000	835,000
Contributions received not yet deposited	(21,302)	-	21,302	-
Total contributions	<u>(21,302)</u>	<u>-</u>	<u>856,302</u>	<u>835,000</u>
Interest and dividends	-	27,793	-	27,793
Realized & unrealized gains / (losses)	-	(30,972)	-	(30,972)
Fees	-	(9,566)	-	(9,566)
Current year FAS 117-1 effect on net assets	(29,500)	29,500	-	-
Net investment income (loss)	<u>(29,500)</u>	<u>16,755</u>	<u>-</u>	<u>(12,745)</u>
Appropriated for operations	<u>-</u>	<u>(33,755)</u>	<u>-</u>	<u>(33,755)</u>
Value of Endowment Funds 8/31/09:	<u>\$ (57,964)</u>	<u>\$ 23,670</u>	<u>\$ 1,758,409</u>	<u>\$ 1,724,115</u>

The \$57,964 deficit in unrestricted endowment net assets represents the cumulative amounts of the permanent funds whose fair values were below the amounts that must be retained. The \$23,670 in temporarily restricted endowment net assets represents the cumulative unappropriated appreciation for those permanent funds whose fair values exceed the amounts that must be retained.

For 2009, in addition to the amounts above, the investment loss as shown on the Statement of Activities includes a decrease in the beneficial interest in assets held by others (as discussed in Note 9) of \$2,914 and \$59 in cumulative losses on donated stock. For 2008, in addition to the amounts above, the investment loss as shown on the Statement of Activities includes a decrease in the beneficial interest in assets held by others of \$2,610 and \$766 in cumulative gains on donated stock.

12. Subsequent Events and Report Issuance Date:

Management has evaluated "events" subsequent to August 31, 2009 through January 28, 2010 (the date these financial statements were available to be issued) for potential recognition or disclosure as required under U.S. generally accepted accounting principles.

VERMONT SYMPHONY ORCHESTRA ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009

13. Net Asset Balances:

The temporarily restricted and permanently restricted net assets at August 31, 2009 and 2008 are composed of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
As of August 31, 2009:				
May D. Goodman Memorial Fund	\$ -	\$ 8,989	\$ 247,556	\$ 256,545
Frank Hensel Memorial Fund	-	1,311	10,429	11,740
Hilda Gollnick Fund	-	4,483	18,335	22,818
Morris Block Memorial Fund	-	2,443	25,164	27,607
Natalie Lisman Soloist Fund	(364)	-	18,981	18,617
William Gray Memorial Fund	(779)	-	17,655	16,876
Kate Tamarkin Education Fund	(3,695)	-	33,389	29,694
Eleanor C. Long Second Oboe Fund	(4,120)	-	21,518	17,398
Ann E. Cooper Fund	2,515	-	45,151	47,666
David Wilson Memorial Fund	-	5,620	67,225	72,845
Caroline MacDonald Memorial Fund	(1,074)	-	30,700	29,626
Campaign Endowment Funds	(81,776)	-	2,224,992	2,143,216
Other endowment funds	-	824	17,282	18,106
Interest in Perpetual Trust	-	-	71,100	71,100
Restricted for future fiscal periods	-	94,850	-	94,850
Restricted for future campaign operations	-	33,844	-	33,844
Restricted for future concerts	-	38,500	-	38,500
Non-endowment unrestricted	(367,477)	-	-	(367,477)
	<u>\$ (456,770)</u>	<u>\$ 190,864</u>	<u>\$ 2,849,477</u>	<u>\$ 2,583,571</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
As of August 31, 2008:				
May D. Goodman Memorial Fund	\$ -	\$ 19,267	\$ 247,556	\$ 266,823
Frank Hensel Memorial Fund	-	1,782	10,429	12,211
Hilda Gollnick Fund	-	5,397	18,335	23,732
Morris Block Memorial Fund	-	4,049	24,664	28,713
Natalie Lisman Soloist Fund	-	382	15,481	15,863
William Gray Memorial Fund	(103)	-	17,655	17,552
Kate Tamarkin Education Fund	(2,505)	-	33,389	30,884
Eleanor C. Long Second Oboe Fund	(3,423)	-	21,518	18,095
Ann E. Cooper Fund	5,430	-	45,151	50,581
David Wilson Memorial Fund	-	8,136	67,225	75,361
Caroline MacDonald Memorial Fund	-	113	30,700	30,813
Campaign Endowment Funds	(1,131)	-	2,118,865	2,117,734
Other endowment funds	-	1,544	17,282	18,826
Interest in Perpetual Trust	-	-	79,100	79,100
Restricted for future fiscal periods	-	99,320	-	99,320
Restricted for future concerts	-	71,100	-	71,100
Non-endowment unrestricted	(248,405)	-	-	(248,405)
	<u>\$ (250,137)</u>	<u>\$ 211,090</u>	<u>\$ 2,747,350</u>	<u>\$ 2,708,303</u>