

**DETROIT FEDERATION OF MUSICIANS  
LOCAL NO. 5, A.F. OF M.**

**AUDITED FINANCIAL STATEMENTS  
For the Years Ended March 31, 2008 and 2007**

**CONTENTS**

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT	1
FINANCIAL STATEMENTS	
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS	2
STATEMENT OF SUPPORT, REVENUES AND EXPENSES MARCH 31, 2008	3
STATEMENT OF SUPPORT, REVENUES AND EXPENSES MARCH 31, 2007	4
STATEMENT OF FUNCTIONAL EXPENSES MARCH 31, 2008	5
STATEMENT OF FUNCTIONAL EXPENSES MARCH 31, 2007	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-11

# Walter, Boesky & Associates, P.C.

Certified Public Accountants

17320 W. 12 Mile Rd., Suite 200, Southfield, Michigan 48076-2105

248-559-4750

Fax 248-559-8008

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Board of Trustees  
Detroit Federation of Musicians, Local No. 5,  
A.F. of M.

We have audited the accompanying statements of assets, liabilities and net assets - modified cash basis of Detroit Federation of Musicians, Local No. 5, A.F. of M. (a nonprofit organization) as of March 31, 2008 and 2007, and the related statements of support, revenue and expenses - modified cash basis and cash flows for the years then ended. These financial statements are the responsibility of the Local's management. Our responsibility is to express an opinion on these financial statements based upon 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 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 audits provide a reasonable basis for our opinion.

As described in note A2, the Local's policy is to prepare its financial statements on a modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principals in the United States of America. Certain revenue and related assets are recognized when received rather than when earned and certain expenses, except for depreciation and amortization of property and equipment, are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Detroit Federation of Musicians Local No. 5, A.F. of M. as of March 31, 2008 and 2007, and its support, revenue and expenses and cash flows for the years then ended, on the basis of accounting described in note A2.

*Walter, Boesky  
& Associates, P.C.*

Southfield, Michigan  
September 16, 2008

Detroit Federation of Musicians  
Local No. 5, A.F. of M.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS  
(Prepared on a modified cash basis)

March 31,

	2008	2007
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 518,331	\$ 493,138
Accounts receivable	11,724	9,083
Prepaid expenses	5,925	6,514
	535,980	508,735
<b>FIXED ASSETS</b>		
Land, building and equipment – Note C	127,000	138,659
	535,980	508,735
<b>Total Assets</b>	\$ 662,980	\$ 647,394
<b>LIABILITIES</b>		
Accounts payable	\$ 1,829	\$ 1,825
Escrow, insurance and Tempo payable	12,673	16,491
Taxes and payroll deductions due	6,067	6,660
Unearned dues	82,647	85,914
Tenant security deposits	4,375	4,430
	107,591	115,320
<b>Total Liabilities</b>	107,591	115,320
<b>NET ASSETS</b>		
Unrestricted		
Operating	555,389	532,074
	555,389	532,074
<b>Total Net Assets</b>	555,389	532,074
<b>Total Liabilities and Net Assets</b>	\$ 662,980	\$ 647,394

The accompanying notes and accountant's audit report  
are an integral part of these financial statements.

Detroit Federation of Musicians  
Local No. 5, A.F. of M.

STATEMENT OF SUPPORT, REVENUES AND EXPENSES  
(Prepared on a modified cash basis)

For the Year Ended March 31, 2008

	Unrestricted	Temporarily restricted	Total
<b>REVENUES</b>			
Support:			
Dues	\$ 171,743	\$ -	\$ 171,743
Initiation fees	2,922	-	2,922
Work dues	359,390	-	359,390
Rental income	57,015	-	57,015
Interest income	15,952	-	15,952
Miscellaneous income	12,837	-	12,837
Net assets released from restrictions			
Satisfaction of program restrictions	-	-	-
Total Revenues	619,859	-	619,859
<b>EXPENSES</b>			
Program Services:			
Member benefits	168,497	-	168,497
Union enhancement	228,770	-	228,770
Total Program Services	397,267	-	397,267
<b>SUPPORTING SERVICES</b>			
General and administrative	199,277	-	199,277
Total Expenses	596,544	-	596,544
Change in Net Assets	23,315	-	23,315
Net Assets, March 31, 2007	532,074	-	532,074
Net Assets, March 31, 2008	\$ 555,389	\$ -	\$ 555,389

The accompanying notes and accountant's audit report  
are an integral part of these financial statements.

Detroit Federation of Musicians  
Local No. 5, A.F. of M.

STATEMENT OF SUPPORT, REVENUES AND EXPENSES  
(Prepared on a modified cash basis)

For the Year Ended March 31, 2007

	Unrestricted	Temporarily restricted	Total
<b>REVENUES</b>			
Support:			
Dues	\$ 175,469	\$ -	\$ 175,469
Initiation fees	3,682	-	3,682
Work dues	377,204	-	377,204
Rental income	48,281	-	48,281
Interest income	16,594	8,954	25,548
Miscellaneous income	7,649	174,404	182,053
Net assets released from restrictions			
Satisfaction of program restrictions	253,176	(253,176)	-
Total Revenues	882,055	(69,818)	812,237
<b>EXPENSES</b>			
Program Services:			
Member benefits	177,806	-	177,806
Union enhancement	522,326	-	522,326
Total Program Services	700,132	-	700,132
<b>SUPPORTING SERVICES</b>			
General and administrative	196,385	-	196,385
Total Expenses	896,517	-	896,517
Change in Net Assets	(14,462)	(69,818)	(84,280)
Net Assets, March 31, 2006	546,536	69,818	616,354
Net Assets, March 31, 2007	\$ 532,074	\$ -	\$ 532,074

The accompanying notes and accountant's audit report  
are an integral part of these financial statements.

Detroit Federation of Musicians  
Local No. 5, A.F. of M.

STATEMENT OF FUNCTIONAL EXPENSES  
(Prepared on a modified cash basis)

For the Year Ended March 31, 2008

	<u>Member</u> <u>Benefits</u>	<u>Union</u> <u>Enhancement</u>	<u>Supporting</u> <u>Services</u>	<u>Total</u>
Benefits paid to or for members:				
Affiliated organizations	\$ 128,674	\$ -	\$ -	\$ 128,674
Insurance	33,604	-	-	33,604
Kaplan Memorial Scholarship	-	-	-	-
	162,278	-	-	162,278
Compensation and related expenses:				
Compensation of officers	-	99,565	-	99,565
Other salaries and wages	-	-	52,200	52,200
Other employee benefits	-	38,614	19,948	58,562
Payroll taxes	-	9,879	5,083	14,962
	-	148,058	77,231	225,289
Accounting fees	-	-	12,890	12,890
Legal	-	-	1,869	1,869
Other professional fees	-	-	150	150
Supplies	-	-	3,578	3,578
Telephone	-	-	5,462	5,462
Postage	-	-	6,870	6,870
Occupancy				
Property taxes	-	-	6,817	6,817
Utilities	-	-	21,411	21,411
Repairs and maintenance	-	-	25,211	25,211
Printing	-	9,755	-	9,755
Conventions	-	6,617	-	6,617
Advertising and public relations	-	6,205	-	6,205
Depreciation	-	-	13,265	13,265
DSO Negotiating committee expense	-	53,944	-	53,944
Negotiating committee- other	-	1,968	-	1,968
Other expenses:				
Computer services	-	-	214	214
30 yr & honor member expense	5,025	-	-	5,025
Flower and funeral expense	1,194	-	-	1,194
Insurance	-	-	12,083	12,083
Miscellaneous expense	-	-	12,226	12,226
Keynote expense	-	2,223	-	2,223
	\$ 168,497	\$ 228,770	\$ 199,277	\$ 596,544

The accompanying notes and accountant's audit report  
are an integral part of these financial statements.

Detroit Federation of Musicians  
Local No. 5, A.F. of M.

STATEMENT OF FUNCTIONAL EXPENSES  
(Prepared on a modified cash basis)

For the Year Ended March 31, 2007

	Program Services Member Benefits	Union Enhancement	Supporting Services	Total
Benefits paid to or for members:				
Affiliated organizations	\$ 131,213	\$ -	\$ -	\$ 131,213
Insurance	41,143	-	-	41,143
Kaplan Memorial Scholarship	1,000	-	-	1,000
	173,356	-	-	173,356
Compensation and related expenses:				
Compensation of officers	-	97,051	-	97,051
Other salaries and wages	-	-	61,762	61,762
Other employee benefits	-	38,820	15,688	54,508
Payroll taxes	-	8,228	6,386	14,614
	-	144,099	83,836	227,935
Accounting fees	-	-	15,863	15,863
Legal fees	-	-	9,886	9,886
Other professional Fees	-	-	5,457	5,457
Supplies	-	-	4,986	4,986
Telephone	-	-	5,640	5,640
Postage	-	-	7,466	7,466
Occupancy				
Property taxes	-	-	6,379	6,379
Utilities	-	-	17,743	17,743
Repairs and maintenance	-	-	14,791	14,791
Printing	-	11,622	-	11,622
Conventions	-	4,092	-	4,092
Advertising and public relations	-	4,126	-	4,126
Depreciation	-	-	13,493	13,493
DSO Negotiating committee expense	-	100,361	-	100,361
Negotiating committee- other	-	4,513	-	4,513
Other expenses:				
Computer services	-	-	409	409
30 yr & honor member expense	4,413	-	-	4,413
Flower and funeral expense	37	-	-	37
Insurance	-	-	7,857	7,857
Miscellaneous expense	-	-	2,579	2,579
Keynote expense	-	1,960	-	1,960
Expense for restricted funds	-	251,553	-	251,553
	\$ 177,806	\$ 522,326	\$ 196,385	\$ 896,517

The accompanying notes and accountant's audit report  
are an integral part of these financial statements.

Detroit Federation of Musicians  
Local No. 5, A.F. of M.

STATEMENTS OF CASH FLOWS

For The Years Ended March 31,

	2008	2007
Cash flows from operating activities:		
Excess or revenue over expenses	\$ 23,315	\$ (84,280)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation and amortization	13,265	13,493
(Increase) decrease in operating assets		
Accounts receivable	(2,641)	9,555
Prepaid expenses	589	(556)
(Decrease) increase in operating liabilities		
Accounts payable	4	(59)
Escrow, insurance and Tempo payable	(3,818)	(1,820)
Taxes and payroll deductions due	(593)	(481)
Unearned dues	(3,267)	(1,244)
Tenant security deposits payable	(55)	1,325
Net cash Provided (Used) by Operating Activities	26,799	(64,067)
Cash flows from investing activities:		
Purchase of equipment	(1,606)	(1,419)
Net Cash Used for Investing Activities	(1,606)	(1,419)
Net Increase (Decrease) in Cash	25,193	(65,486)
Cash and Cash Equivalents at Beginning of Year	493,138	558,624
Cash and Cash Equivalents at End of Year	\$ 518,331	\$ 493,138

The accompanying notes and accountant's audit report  
are an integral part of these financial statements.

Detroit Federation of Musicians  
Local No. 5, A. F. of M.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008 and 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Local's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Activities

The object of the Detroit Federation of Musicians, Local No. 5, A. F. of M. (the Local) are: to unite the musicians of Detroit and vicinity; the establishment and maintenance of minimum prices for all engagements; the enforcement of the terms of all contracts made and properly filed by its members; the advancement and conservation of the individual and collective interests of its members; the enforcement of good faith and fair dealing by and between its members, and the promotion and stimulation of a true fraternal feeling among the membership as a whole.

2. Basis of Preparation of Financial Statements

The accompanying financial statements have been prepared on a modified cash basis. Certain revenue and related assets are recognized when received rather than when earned, and certain expenses, except payroll liabilities, rent depreciation and amortization of property and equipment, are recognized when paid rather than when the obligation is incurred.

3. Estimates

The preparation of financial statements in a modified cash basis of accounting requires the Local to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Depreciation and Amortization

Depreciation and amortization are provided for in amounts sufficient to relate the cost of property and equipment to operations over their estimated service lives on the straight-line method.

5. Income Taxes

The Local is exempt from Federal income taxes under section 501(c)(5) of the Internal Revenue Code.

6. Financial Statement Presentation

The financial statement presentation follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Local is required to report information regarding its

Detroit Federation of Musicians  
Local No. 5, A. F. of M.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2008 and 2007

NOTE A - SUMMARY OF ACCOUNTING POLICIES - (CONTINUED)

6. Financial Statement Presentation - Continued

financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Local is required to present a statement of cash flows.

7. Pension Plan

Members of the Local are covered by the American Federation of Musicians and Employers pension fund. Employer contributions to the plan are 7% of the minimum wage on all engagements when applicable, excluding the leaders' established tax liability and union obligations.

8. Cash Equivalents

For purposes of the statement of cash flows, the Local considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Local maintains its cash balances in one financial institution located in Detroit, Michigan, but the deposits within the financial institution are shared with other banks in order not to exceed \$100,000 with any one institution.

9. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and or nature of the donor 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.

There were no permanently or temporarily restricted assets during the fiscal years ended March 31, 2008 and 2007.

10. Unearned Dues Revenue

The Local records unearned dues as revenues, collected in advance of the quarter to which they apply. A substantial number of the members prepay their dues for the current calendar year during the last two months of the preceding calendar year and the first few months of the current calendar year.

Detroit Federation of Musicians  
Local No. 5, A. F. of M.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2008 and 2007

NOTE B - TEMPORARY RESTRICTIONS ON NET ASSETS

The temporarily restricted net assets relate to funds contributed to provide scholarships and to assist needy members of the Local.

The Ted Nelson Memorial Trust Fund was established to assist needy members afflicted with disabling medical conditions. The Executive Board has sole discretion on selection of beneficiaries. The Trust instrument places a maximum award that may be made to any one beneficiary at \$500.00.

The Dave Kaplan Memorial Scholarship fund was established from contributions to provide scholarship funds to qualifying persons for continuation of musical education.

During the fiscal year ended March 31, 2007 a donation was received from the estate of Ted Nelson in the amount of \$173,454. This donation along with the balance of temporarily restricted assets was transferred to the Detroit Musicians Fund in March 2007. The Detroit Musicians Fund is a 501(c)(3) charitable organization.

NOTE C - LAND, BUILDING, IMPROVEMENTS AND EQUIPMENT

The following is a summary of land, buildings, improvements and equipment as of March 31, 2008 and 2007:

	2008	2007
Land	\$ 50,000	\$ 50,000
Building and improvements	362,107	362,107
Office furniture and equipment	80,647	79,040
Total	492,754	491,147
Less accumulated depreciation	365,754	352,489
Total Land, Building Improvements and Equipment	\$ 127,000	\$ 138,658

NOTE D - AFFILIATED ORGANIZATIONS

The Detroit Federation of Musicians Local No. 5, A. F. of M. is affiliated with the American Federation of Musicians (A. F. of M.).

Detroit Federation of Musicians  
Local No. 5, A. F. of M.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2008 and 2007

NOTE E - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities of the Local, have been summarized on a functional basis in the statement of support, revenue and expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE F - OFFICE RENT INCOME

The Local leases approximately 74.6% of its building to others. Generally, leases are for one year, renewable for additional one year periods.

NOTE G - PROVISION FOR INCOME TAXES

As highlighted in Note A, item 5, the Local is nonprofit corporation exempt from federal income tax under Internal Revenue Service Code 501(c)(5). The Local is, however, subject to income tax on its unrelated business income. As of March 31, 2008 and 2007 a provision for federal income taxes was not required.

NOTE H - CONCENTRATION OF RISK

The Detroit Symphony Orchestra employs a number of the Local's members. The percentage of total work dues received from such members for the fiscal years ended March 31, 2008 and 2007 were approximately 77%.