

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

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FINANCIAL STATEMENTS  
with  
REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANT

FOR THE YEARS ENDED  
MARCH 31, 2011 AND 2010

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

AUDITED FINANCIAL STATEMENTS  
For the Years Ended March 31, 2011 and 2010

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## 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, 2011 and 2010, 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, 2011 and 2010, 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  
June 17, 2011

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,

	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 474,292	\$ 540,228
Accounts receivable	57,000	-
Prepaid expenses	3,903	6,288
	<u>535,195</u>	<u>546,516</u>
<b>FIXED ASSETS</b>		
Land, building and equipment - Note B	<u>98,928</u>	<u>110,049</u>
 Total Assets	 <u>\$ 634,123</u>	 <u>\$ 656,565</u>
 <b>LIABILITIES</b>		
Escrow, insurance and Tempo payable	\$ 14,982	\$ 6,353
Taxes and payroll deductions due	4,732	3,675
Unearned dues	71,983	99,988
Tenant security deposits	1,885	1,885
 Total Liabilities	 <u>93,582</u>	 <u>111,901</u>
 <b>NET ASSETS</b>		
Unrestricted		
Operating	339,872	486,486
Temporarily restricted	200,669	58,178
 Total Net Assets	 <u>540,541</u>	 <u>544,664</u>
 Total Liabilities and Net Assets	 <u>\$ 634,123</u>	 <u>\$ 656,565</u>

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, 2011

	Unrestricted	Temporarily restricted	Total
REVENUES			
Support:			
Dues	\$ 141,736	\$ -	\$ 141,736
Initiation fees	1,154	-	1,154
Work dues	229,222	-	229,222
Rental income	48,245	-	48,245
Interest income	3,593	-	3,593
Miscellaneous income	20,097	-	20,097
DSO Member fund	-	638,491	638,491
Net assets released from restrictions			
Satisfaction of program restrictions	496,000	(496,000)	-
Total Revenues	940,047	142,491	1,082,538
EXPENSES			
Program Services:			
Member benefits	641,315	-	641,315
Union enhancement	272,005	-	272,005
Total Program Services	913,320	-	913,320
SUPPORTING SERVICES			
General and administrative	173,341	-	173,341
Total Expenses	1,086,661	-	1,086,661
Change in Net Assets	(146,614)	142,491	(4,123)
Net Assets, March 31, 2010	486,486	58,178	544,664
Net Assets, March 31, 2011	\$ 339,872	\$ 200,669	\$ 540,541

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, 2010

	Unrestricted	Temporarily restricted	Total
<b>REVENUES</b>			
Support:			
Dues	\$ 149,489	\$ -	\$ 149,489
Initiation fees	1,448	-	1,448
Work dues	315,526	-	315,526
Rental income	39,585	-	39,585
Interest income	3,118	-	3,118
Miscellaneous income	8,387	-	8,387
DSO Member fund	-	64,611	64,611
Net assets released from restrictions			
Satisfaction of program restrictions	6,433	(6,433)	-
Total Revenues	523,986	58,178	582,164
<b>EXPENSES</b>			
Program Services:			
Member benefits	171,826	-	171,826
Union enhancement	280,417	-	280,417
Total Program Services	452,243	-	452,243
<b>SUPPORTING SERVICES</b>			
General and administrative	177,209	-	177,209
Total Expenses	629,452	-	629,452
Change in Net Assets	(105,466)	58,178	(47,288)
Net Assets, March 31, 2010	591,952	-	591,952
Net Assets, March 31, 2011	\$ 486,486	\$ 58,178	\$ 544,664

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, 2011

	<u>Member</u>	<u>Union</u>	<u>Supporting</u>	<u>Total</u>
	<u>Benefits</u>	<u>Enhancement</u>	<u>Services</u>	
Benefits paid to or for members:				
Affiliated organizations	\$ 99,767	\$ -	\$ -	\$ 99,767
Insurance	39,797	-	-	39,797
	<u>139,564</u>	<u>-</u>	<u>-</u>	<u>139,564</u>
Compensation and related expenses:				
Compensation of officers	-	115,005	-	115,005
Other salaries and wages	-	-	43,152	43,152
Other employee benefits	-	46,290	17,369	63,659
Payroll taxes	-	8,443	3,168	11,611
	<u>-</u>	<u>169,738</u>	<u>63,689</u>	<u>233,427</u>
Accounting fees	-	-	12,710	12,710
Legal	-	-	728	728
Supplies	-	-	3,240	3,240
Telephone	-	-	7,278	7,278
Postage	-	-	3,757	3,757
Occupancy				
Property taxes	-	-	6,501	6,501
Utilities	-	-	19,376	19,376
Repairs and maintenance	-	-	23,947	23,947
Printing	-	8,003	-	8,003
Conventions	-	6,002	-	6,002
Advertising and public relations	-	13,397	-	13,397
Depreciation	-	-	13,322	13,322
DSO Negotiating committee expense	-	69,517	-	69,517
Negotiating committee- other	-	1,588	-	1,588
Other expenses:				
Contributions	20,983	-	-	20,983
DSO member fund expenses	225	-	-	225
Public relation	69,685	-	-	69,685
Concert expenses	65,255	-	-	65,255
Refund to members	87,885	-	-	87,885
Strike benefits	242,081	-	-	242,081
CD expense	2,192	-	-	2,192
30 yr & honor member expense	5,545	-	-	5,545
Flower and funeral expense	205	-	-	205
Insurance	7,695	-	14,126	21,821
Miscellaneous expense	-	-	4,667	4,667
Keynote expense	-	3,760	-	3,760
	<u>\$ 641,315</u>	<u>\$ 272,005</u>	<u>\$ 173,341</u>	<u>\$1,086,661</u>

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, 2010

	<u>Member Benefits</u>	<u>Program Services Union Enhancement</u>	<u>Supporting Services</u>	<u>Total</u>
Benefits paid to or for members:				
Affiliated organizations	\$ 130,662	\$ -	\$ -	\$ 130,662
Insurance	28,742	-	-	28,742
	<u>159,404</u>	<u>-</u>	<u>-</u>	<u>159,404</u>
Compensation and related expenses:				
Compensation of officers	-	111,214	-	111,214
Other salaries and wages	-	-	46,349	46,349
Other employee benefits	-	40,204	16,755	56,959
Payroll taxes	-	8,435	3,516	11,951
	<u>-</u>	<u>159,853</u>	<u>66,620</u>	<u>226,473</u>
Accounting fees	-	-	12,570	12,570
Legal	-	-	7,670	7,670
Supplies	-	-	4,068	4,068
Telephone	-	-	6,373	6,373
Postage	-	-	7,688	7,688
Occupancy				
Property taxes	-	-	6,485	6,485
Utilities	-	-	18,243	18,243
Repairs and maintenance	-	-	21,560	21,560
Printing	-	9,850	-	9,850
Conventions	-	5,961	-	5,961
Advertising and public relations	-	3,837	-	3,837
Depreciation	-	-	13,578	13,578
DSO Negotiating committee expense	-	97,148	-	97,148
Negotiating committee- other	-	1,928	-	1,928
Other expenses:				
Contributions	6,000	-	-	6,000
DSO member fund expenses	433	-	-	433
30 yr & honor member expense	5,530	-	-	5,530
Flower and funeral expense	459	-	-	459
Insurance	-	-	11,058	11,058
Miscellaneous expense	-	-	1,296	1,296
Keynote expense	-	1,840	-	1,840
	<u>\$ 171,826</u>	<u>\$ 280,417</u>	<u>\$ 177,209</u>	<u>\$ 629,452</u>

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,

	2011	2010
Cash flows from operating activities:		
Excess or revenue over expenses	\$ (4,123)	\$ (47,288)
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation and amortization	13,322	13,578
(Increase) decrease in operating assets		
Accounts receivable	(57,000)	9,061
Prepaid expenses	2,385	(27)
(Decrease) increase in operating liabilities		
Accounts payable	-	(1,678)
Escrow, insurance and Tempo payable	8,629	(4,389)
Taxes and payroll deductions due	1,057	(1,051)
Unearned dues	(28,005)	20,566
Tenant security deposits payable	-	-
Net cash Provided (Used) by Operating Activities	(63,735)	(11,228)
Cash flows from investing activities:		
Purchase of equipment	(2,201)	(6,043)
Net Cash Used for Investing Activities	(2,201)	(6,043)
Net Increase (Decrease) in Cash	(65,936)	(17,271)
Cash and Cash Equivalents at Beginning of Year	540,228	557,499
Cash and Cash Equivalents at End of Year	\$ 474,292	\$ 540,228

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, 2011 and 2010

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 FASB ASC 958 formerly know as Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under FASB ASC 958, 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, 2011 and 2010

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, 2011 and 2010.

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, 2011 and 2010

NOTE B - LAND, BUILDING, IMPROVEMENTS AND EQUIPMENT

The following is a summary of land, buildings, improvements and equipment as of March 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 50,000	\$ 50,000
Building and improvements	367,456	365,255
Office furniture and equipment	<u>82,147</u>	<u>82,147</u>
Total	499,603	497,402
Less accumulated depreciation	<u>400,675</u>	<u>387,353</u>
Total Land, Building Improvements and Equipment	<u>\$ 98,928</u>	<u>\$ 110,049</u>

NOTE C - 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.).

NOTE D - 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 E - 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 F - 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, 2011 and 2010 a provision for federal income taxes was not required.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2011 and 2010

NOTE G - 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, 2011 and 2010 were approximately 63% and 93% respectively.

NOTE H - TEMPORARILY RESTRICTED ASSETS

The Local did not have any temporarily restricted assets for the fiscal years ended March 31, 2011 and 2010.

NOTE I - EVALUATION OF SUBSEQUENT EVENTS

The Local has evaluated subsequent events through June 17, 2011, the date which the financial statements were available to be issued.