

*SAVANNAH MUSIC FESTIVAL, INC.*

*AUDIT OF FINANCIAL STATEMENTS*

*JUNE 30, 2019 AND 2018*

SAVANNAH MUSIC FESTIVAL, INC.  
AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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# CANADY HODGES

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Savannah Music Festival, Inc.  
Savannah, Georgia

We have audited the financial statements of Savannah Music Festival, Inc. (a non-profit organization) which comprise the statement of position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and supplemental schedules.

### 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.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Savannah Music Festival, Inc., as of June 30, 2019 and 2018, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information contained in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Canady, Hodge, Casim & Richman, LLP*

December 2, 2019

SAVANNAH MUSIC FESTIVAL, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 58,435	\$ 147,225
Receivables		
Trade	3,700	22,674
Promises to give - due within one year (Note 2)	103,803	95,542
Grants	101,750	101,500
Prepaid expenses	20,070	21,868
Total current assets	<u>287,758</u>	<u>388,809</u>
Property and equipment (Note 3)	33,847	39,808
Investments (Note 4)	<u>1,063,868</u>	<u>1,016,980</u>
Other assets:		
Promises to give due after one year (Note 2)	45,000	
	<u>\$ 1,430,473</u>	<u>\$ 1,445,597</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Notes payable - Bank (Note 5)	\$ 257,000	200,000
Accounts payable		
Trade	79,670	\$ 43,611
Other	4,720	4,475
Accrued expenses	34,863	180,151
Total current liabilities	<u>376,253</u>	<u>428,237</u>
Net assets:		
Without donor restrictions	195,538	213,569
With donor restrictions	858,682	803,791
Total net assets	<u>1,054,220</u>	<u>1,017,360</u>
 Total liabilities and net assets	 <u>\$ 1,430,473</u>	 <u>\$ 1,445,597</u>

The accompanying notes are an integral part of the financial statements.

SAVANNAH MUSIC FESTIVAL, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Net assets without donor restrictions:		
Support and other revenue		
Contributions	\$ 1,641,065	\$ 1,665,880
Grants	166,500	162,500
Ticket sales and handling fees	1,218,845	1,516,510
Advertising sales	27,948	37,448
Concessions and merchandise sales	32,580	89,834
Fundraising	106,383	43,500
Other revenues	3,483	7,140
Investment return	85,834	88,217
	3,282,638	3,611,029
Net assets released from restrictions (Note 6)	401,201	426,392
	3,683,839	4,037,421
Expenses		
Cost of sales - Schedule 1	133,551	139,199
Cost of festival events - Schedule 1	1,916,369	2,288,041
Advertising and promotion - Schedule 1	314,104	280,170
Salaries and wages	862,122	964,463
Payroll taxes and benefits	161,893	168,566
Fundraising	83,657	77,588
General and administrative - Schedule 2	230,174	220,795
Severance payment to former director		139,000
	3,701,870	4,277,822
Decrease in net assets without donor restrictions	(18,031)	(240,401)
Net assets with donor restrictions:		
Support - contributions	456,092	387,716
Fundraising		75,140
Net assets released from restrictions by payments	(401,201)	(426,392)
Increase in net assets with donor restrictions	54,891	36,464
Increase (decrease) in net assets	36,860	(203,937)
Net assets - beginning of year	1,017,360	1,221,297
Net assets - end of year	\$ 1,054,220	\$ 1,017,360

The accompanying notes are an integral part of the financial statements.

SAVANNAH MUSIC FESTIVAL, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Supporting Services</u>				Total All Expenses
	Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries and wages	\$ 485,342	\$ 244,393	\$ 132,387	\$ 376,780	\$ 862,122
Payroll taxes and employee benefits	<u>91,140</u>	<u>45,893</u>	<u>24,860</u>	<u>70,753</u>	<u>161,893</u>
Total compensation	576,482	290,286	157,247	447,533	1,024,015
Cost of sales	133,551				133,551
Cost of festival events	1,916,369				1,916,369
Advertising and promotion	314,104				314,104
Fundraising			83,657	83,657	83,657
General and administrative	<u>230,174</u>				<u>230,174</u>
Total expenses	<u>\$ 3,170,680</u>	<u>\$ 290,286</u>	<u>\$ 240,904</u>	<u>\$ 531,190</u>	<u>\$ 3,701,870</u>

The accompanying notes are an integral part of the financial statements.

SAVANNAH MUSIC FESTIVAL, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Supporting Services</u>			Total Supporting Services	Total All Expenses
	Program Services	Management and General	Fund Raising		
Salaries and wages	\$ 298,984	\$ 588,322	\$ 77,157	\$ 665,479	\$ 964,463
Payroll taxes and employee benefits	<u>52,255</u>	<u>102,825</u>	<u>13,486</u>	<u>116,311</u>	<u>168,566</u>
Total compensation	351,239	691,147	90,643	781,790	1,133,029
Cost of sales	139,199				139,199
Cost of festival events	2,288,041				2,288,041
Advertising and promotion	280,170				280,170
Fundraising			77,588	77,588	77,588
General and administrative	220,795				220,795
Severance payment to former director		<u>139,000</u>		<u>139,000</u>	<u>139,000</u>
Total expenses	<u>\$ 3,279,444</u>	<u>\$ 830,147</u>	<u>\$ 168,231</u>	<u>\$ 998,378</u>	<u>\$ 4,277,822</u>

The accompanying notes are an integral part of the financial statements.



SAVANNAH MUSIC FESTIVAL, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 36,860	\$ (203,937)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	15,097	15,262
Realized and unrealized gain on investments	(72,919)	(79,870)
(Increase) decrease in:		
Accounts receivable - trade	18,974	(9,674)
Promises to give	(53,261)	(5,506)
Grants receivable	(250)	(24,150)
Prepaid expenses	1,798	1,927
Increase (decrease) in:		
Accounts payable - trade	36,059	2,891
Accounts payable - other	245	193
Accrued expenses	(145,288)	146,660
Net cash used for operating activities	<u>(162,685)</u>	<u>(156,204)</u>
Cash flows from investing activities:		
Purchases of investments		(7,220)
Proceeds from sale of investments	26,031	34,806
Purchases of property and equipment	(9,136)	(7,244)
Net cash provided by investing activities	<u>16,895</u>	<u>20,342</u>
Cash flows from financing activities:		
Proceeds from notes payable - bank	307,000	355,000
Repayment of notes payable - bank	(250,000)	(155,000)
Net cash provided by financing activities	<u>57,000</u>	<u>200,000</u>
Increase (decrease) in cash	(88,790)	64,138
Cash balance - beginning of year	<u>147,225</u>	<u>83,087</u>
Cash balance - end of year	<u>\$ 58,435</u>	<u>\$ 147,225</u>

The accompanying notes are an integral part of the financial statements.

SAVANNAH MUSIC FESTIVAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

Nature of operations

Savannah Music Festival, Inc. (the Festival) brings together world-renowned performers to perform music from various genres such as classical, blues, jazz, and others. The Festival also sponsors family concerts, youth concerts and concert talks. The Festival's primary revenue sources come from sales of tickets, advertising, corporate sponsorships, and contributions.

Note 1 - Summary of Significant Accounting Policies

The significant accounting policies followed by the Festival and the methods of applying these policies which materially affect the determination of financial position, changes in financial position, changes in net assets and results of operations are summarized as follows.

Financial Statement Presentation

The financial statements of the Festival are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Festival classifies its net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Festival and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of contributions from the Festival's supporters and related expenses associated with the core activities of the Festival: program services, administrative and fundraising. In addition to these transactions, changes in this category of net assets include returns on investment from endowment funds and certain types of philanthropic support. Such philanthropic support includes gifts without restrictions, including those designated by the Board to function as endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year.

*Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions that will be met either by actions of the Festival or the passage of time. Items that affect this net asset category are gifts and contributions from donors designated for education, specific performances, endowment and returns on endowment funds. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Also, included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Festival, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (gifts for the endowment) and that only the income be made available for program services. Endowment held in perpetuity had balances of \$571,010 and \$570,310 at June 30, 2019 and 2018, respectively.

SAVANNAH MUSIC FESTIVAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of checking accounts and investments with original maturities of three months or less.

Trade accounts receivables

The Festival carries trade accounts receivable at cost. Most receivables are related to ticket sales handled through the Savannah College of Art and Design and to certain fundraising events. Any risk associated with these transactions is deemed insignificant by management. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to current operations and a credit to accounts receivable. Historically, accounts receivable write-offs have been insignificant.

Promises to give

Unconditional promises to give are recognized as receivables and revenues in the period in which the Festival is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which the contribution depends are substantially met. The Festival did not have any conditional promises to give at year end.

Revenue and expense recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed ) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recorded at the date of gift.

Donated property and services

Donations are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Unless the donor has stipulated a time period for which donated assets must be maintained, the Festival reports the expiration of donor restrictions when the donated assets are placed into service; at that time, the assets are transferred from net assets with donor restrictions to net assets without donor restrictions. No amounts have been reflected in the accompanying Statement of Activities for donated services because the criteria for recognition of such volunteer effort under GAAP have not been satisfied. However, volunteers have donated significant amounts of time to the Festival.

Depreciation

Provisions for depreciation are made by charges to income at rates based upon the estimated useful life of the assets and are computed by the straight-line method. Estimated useful lives are five to seven years for computers, software and furniture. The Festival's policy is to capitalize all long-lived assets in excess of \$1,000.

SAVANNAH MUSIC FESTIVAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Income taxes

The Festival is an exempt organization under Internal Revenue Code Section 501(c)(3) and is not subject to income tax. Therefore, no provision for income tax is recorded. Three years dating back to June 30, 2016, remain open to examination by taxing authorities.

Estimates

The preparation of financial statements in conformity with GAAP 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. Actual results could differ from these estimates.

Note 2 - Promises to Give

The Festival accounts for uncollectible promises-to-give after reasonable collection efforts have been attempted by a credit to unconditional promises to give with an offsetting charge to bad debts. The difference between this method and the allowance method required by GAAP is not material for financial reporting purposes. The Festival has historically had no bad promises-to-give and management believes all outstanding promises-to-give are collectible.

The promises to give to be received after June 30, 2019, have not been discounted. This departure from GAAP is not considered material. The promises to give are summarized as follows.

	<u>2019</u>	<u>2018</u>
Promises to give due within one year	\$ 103,803	\$ 95,542
Promises to give due after one year (within five years)	45,000	
	<u>\$ 148,803</u>	<u>\$ 95,542</u>

Note 3 - Property and Equipment

Property and equipment is as follows.

	<u>2019</u>	<u>2018</u>
Computers and software	\$ 54,373	\$ 50,214
Furniture and fixtures	69,409	64,432
	<u>123,782</u>	<u>114,646</u>
Less accumulated depreciation	89,935	74,838
	<u>\$ 33,847</u>	<u>\$ 39,808</u>

Depreciation expense for the years ended June 30, 2019 and 2018, amounted to \$15,097 and \$15,262, respectively.

SAVANNAH MUSIC FESTIVAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

Note 4 - Investments

The Festival reports investments in marketable securities at fair value. U.S. generally accepted accounting principles defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. All the Festival investments are Level 1 inputs. The cost of marketable securities represents amounts paid for purchased securities. Investment income is recognized over the period the securities are held. Realized gains and losses on sales of investments are determined on the basis of specific identification of the cost of the security held. Unrealized changes in market value are recognized as gains or losses in the accompanying statement of activities. Investments in marketable securities include money market funds and mutual funds and are carried at fair value in the accompanying statements of financial position. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of money market funds and mutual funds are based on quoted market prices in active markets (Level 1). Investments in marketable securities are exposed to various risks, such as interest rate, market, and credit risks. Due to these risks and the level of uncertainty related to changes in the value of marketable securities, it is possible that changes in these risk factors in the near-term could have an impact on the Festival's financial position.

Investments are summarized as follows:

	2019		
	Cost	Fair Value	Carrying Value
Equity mutual funds	\$ 582,063	\$ 803,903	\$ 803,903
Fixed income funds	252,056	259,965	259,965
	\$ 834,119	\$ 1,063,868	\$ 1,063,868
	2018		
	Cost	Fair Value	Carrying Value
Equity mutual funds	\$ 597,628	\$ 766,658	\$ 766,658
Fixed income funds	253,525	250,322	250,322
	\$ 851,153	\$ 1,016,980	\$ 1,016,980

The following schedule summarizes the investment return and its classification in the statement of activities.

	Without Donor Restrictions	
	2019	2018
Dividend and interest income	\$ 24,540	\$ 18,611
Realized and unrealized gain on investments	72,919	79,870
Less investment expenses	(11,625)	(10,264)
	\$ 85,834	\$ 88,217

SAVANNAH MUSIC FESTIVAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

Note 5 - Notes Payable

The festival maintains an unsecured line of credit at a bank in the amount of \$400,000. Interest is payable at the banks' prime rate. At June 30, 2019 and 2018, the Festival had indebtedness to Branch Banking & Trust for \$257,000 and \$200,000, respectively. The prime rate at June 30, 2019, was 5.5%.

Note 6 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes.

	2019	2018
Education	\$ 287,672	\$ 233,479
Endowment, in perpetuity, the income from which is expendable for Festival operations	571,010	570,312
	\$ 858,682	\$ 803,791

Note 7 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose.

Purpose restrictions accomplished:	2019	2018
Services performed related to education programs	\$ 382,451	\$ 426,392
Special performances	18,750	
	\$ 401,201	\$ 426,392

Note 8 - Liquidity and Availability of Financial Assets

The Festival has \$270,668 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$58,435 and receivables of \$212,233. In the event of unanticipated liquidity need, the Festival also could draw upon \$143,000 of an available line of credit (as further discussed in Note 5).

Note 9 - Advertising Expense

Total advertising expense for the years ended June 30, 2019 and 2018, amounted to \$59,807 and \$76,887, respectively, all of which was charged to current operations.

SAVANNAH MUSIC FESTIVAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

Note 10 - Interest Incurred

Total interest incurred amounted to \$7,401 and \$2,176 for the years ended June 30, 2019 and 2018, all of which was charged to current operations. This also represented cash paid for interest.

Note 11 - Endowment

The Festival operates its endowment in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which concerns charities and the standards established for how they manage and spend endowments. This affects all organizations with endowments, and accomplishes three main objectives: (1) sets standards for investment of assets for boards of directors, (2) allows flexibility for spending of endowment funds, and (3) establishes a mechanism by which a fund can be released by the charity from donor restrictions.

The Festival has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Festival classifies as net assets with donor imposed restrictions: (1) the original value of the gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual endowment is classified as net assets without donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Festival considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration or preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible impact of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Festival, and (7) the Festival's investment policies.

The Festival has adopted investment and spending policies, approved by the Board of Directors, for certain liquid assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution, if any, with acceptable levels of risk. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Festival has adopted an investment policy, approved by the Board of Directors, for endowment assets. The basic philosophy governing the investment of the Festival's portfolio is the long-term preservation of principal. In establishing this policy, the Festival considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Festival's objective is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

SAVANNAH MUSIC FESTIVAL, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019 AND 2018

Note 11 - Endowment (continued)

The Festival's target asset portfolio included equities (52 to 70%), fixed income investments (28 to 33%), and hard assets (0%). The Foundation understands that fluctuating rates of return are characteristic of the securities markets, and the Festival's objective is the long-term appreciation of the assets and consistency of total portfolio returns.

Endowments are an established fund of cash, securities, or other assets (such as contributions receivable) to provide income for the maintenance of a nonprofit organization. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Festival's endowment spending policy is discretionary and there are currently no required mandatory payments toward operations.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows.

	2019		
	Without	With donor	Total
Donor restricted endowment funds:			
Investments	\$ 492,858	\$ 571,010	\$ 1,063,868
	\$ 492,858	\$ 571,010	\$ 1,063,868
	2018		
	Without	With Donor	Total
Donor restricted endowment funds:			
Investments	\$ 446,670	\$ 570,310	\$ 1,016,980
	\$ 446,670	\$ 570,310	\$ 1,016,980

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SAVANNAH MUSIC FESTIVAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

Note 11 - Endowment (continued)

Changes in investment net assets as of June 30, 2019 and 2018 are as follows.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Assets</u>
Balance - June 30, 2017	\$ 396,186	\$ 568,510	\$ 964,696
Dividends and interest	18,611		18,611
Net realized and unrealized gain	79,871		79,871
Endowment expenses	(10,264)		(10,264)
Donor contributions		1,800	1,800
Distributions	<u>(37,734)</u>		<u>(37,734)</u>
Balance - June 30, 2018	<u>446,670</u>	<u>570,310</u>	<u>1,016,980</u>
Dividends and interest	24,540		24,540
Net realized and unrealized gain	72,920		72,920
Endowment expenses	(11,625)		(11,625)
Donor contributions		700	700
Distributions	<u>(39,647)</u>		<u>(39,647)</u>
Balance June 30, 2019	<u>\$ 492,858</u>	<u>\$ 571,010</u>	<u>\$ 1,063,868</u>

Note 12 - Related Party Transactions

The Festival paid for legal services from a related party amounting to \$10,691 in 2019 and \$9,968 in 2018. The Festival also paid for venue rental from a related party amounting to \$2,410 in 2019 and \$0 in 2018.

Note 13 - Leases

The Festival leases its office facilities on a month-to-month basis.

Note 14 - Subsequent Events

Management has evaluated subsequent events through December 2, 2019, the date the financial statements were available to be issued. Management was not aware of any subsequent events through this date that would have a material effect on these financial statements.

SAVANNAH MUSIC FESTIVAL, INC.  
SCHEDULE 1  
SCHEDULE OF COST OF SALES, COST OF FESTIVAL EVENTS AND  
ADVERTISING AND PROMOTION EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cost of sales:		
Tickets	\$ 112,732	\$ 109,923
Concessions and merchandise	20,819	29,276
Total cost of sales	<u>\$ 133,551</u>	<u>\$ 139,199</u>
Cost of festival events:		
Artist and judge fees	\$ 1,080,269	\$ 1,183,500
Prizes and scholarships	14,644	14,244
Technical fees and equipment	167,371	211,483
Equipment and venue rental	181,684	215,789
Music and royalties	9,511	11,780
Catering and food	34,703	91,242
Travel and lodging	267,797	290,408
Other	160,390	269,595
Total cost of festival events	<u>\$ 1,916,369</u>	<u>\$ 2,288,041</u>
Advertising and promotion:		
Advertising	\$ 59,807	\$ 76,887
Contracted design	14,159	290
Marketing	27,592	9,465
Other	7,723	15,248
Photography	21,395	20,708
Printing and supplies	71,537	77,848
Postage and delivery	6,300	9,730
Press conference	10,168	26,214
Promotional items	65,394	12,750
Signage	29,545	30,615
Website development	484	415
Total advertising and promotion	<u>\$ 314,104</u>	<u>\$ 280,170</u>

SAVANNAH MUSIC FESTIVAL, INC.  
SCHEDULE 2  
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
General and administrative:		
Accounting	\$ 4,141	\$ 3,231
Bank charges	2,113	2,489
Credit card fees	9,622	10,551
Depreciation	15,097	15,262
Dues and publications	6,320	7,020
Finance charges	5,045	1,859
Insurance	26,453	23,678
Interest	7,401	2,176
Office and general	12,260	8,008
Office rent	53,874	53,874
Other	60,806	36,231
Professional fees	9,000	9,000
Repairs and maintenance	397	6,017
Telephone	5,621	5,514
Travel	12,024	35,885
Total general and administrative expense	<u>\$ 230,174</u>	<u>\$ 220,795</u>