

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

FINANCIAL STATEMENTS
with
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANT

FOR THE YEARS ENDED
MARCH 31, 2005 AND 2004

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

**AUDITED FINANCIAL STATEMENTS
For the Years Ended March 31, 2005 and 2004**

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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, 2005 and 2004, 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, 2005 and 2004, 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 26, 2005

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

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

March 31,

	2005	2004
CURRENT ASSETS		
Cash and equivalents	\$ 456,851	\$ 394,099
Accounts receivable	12,181	13,602
Prepaid expenses	5,989	4,750
	475,021	412,451
FIXED ASSETS		
Land, building and equipment - Note C	161,172	162,642
	161,172	162,642
 Total Assets	 \$ 636,193	 \$ 575,093
 LIABILITIES		
Accounts payable	\$ 397	\$ 6,167
Escrow, insurance and Tempo payable	16,549	18,392
Taxes and payroll deductions due	6,227	6,076
Unearned dues	85,914	83,098
Tenant security deposits	3,205	3,135
	112,292	116,868
 Total Liabilities	 112,292	 116,868
 NET ASSETS		
Unrestricted		
Operating	455,947	391,606
Temporarily restricted net assets	67,954	66,619
	523,901	458,225
 Total Net Assets	 523,901	 458,225
 Total Liabilities and Net Assets	 \$ 636,193	 \$ 575,093

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, 2005

	Unrestricted	Temporarily restricted	Total
REVENUES			
Support:			
Dues	\$ 182,485	\$ -	\$ 182,485
Initiation fees	4,579	-	4,579
Work dues	364,604	-	364,604
Rental income	53,689	-	53,689
Interest income	6,982	85	7,067
Miscellaneous income	14,189	2,500	16,689
Net assets released from restrictions			
Satisfaction of program restrictions	1,250	(1,250)	-
Total Revenues	627,778	1,335	629,113
EXPENSES			
Program Services:			
Member benefits	173,011	-	173,011
Union enhancement	194,668	-	194,668
Total Program Services	367,679	-	367,679
SUPPORTING SERVICES			
General and administrative	195,758	-	195,758
Total Expenses	563,437	-	563,437
Change in Net Assets	64,341	1,335	65,676
Net Assets, March 31, 2004	391,606	66,619	458,225
Net Assets, March 31, 2005	\$ 455,947	\$ 67,954	\$ 523,901

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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, 2004

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
REVENUES			
Support:			
Dues	\$ 175,757	\$ -	\$ 175,757
Initiation fees	9,015	-	9,015
Work dues	336,739	-	336,739
Rental income	50,916	-	50,916
Interest income	3,247	86	3,333
Miscellaneous income	9,747	2,500	12,247
Net assets released from restrictions			
Satisfaction of program restrictions	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>
Total Revenues	<u>586,421</u>	<u>1,586</u>	<u>588,007</u>
EXPENSES			
Program Services:			
Member benefits	171,067	-	171,067
Union enhancement	<u>219,049</u>	<u>-</u>	<u>219,049</u>
Total Program Services	390,116	-	390,116
SUPPORTING SERVICES			
General and administrative	<u>192,912</u>	<u>-</u>	<u>192,912</u>
Total Expenses	<u>583,028</u>	<u>-</u>	<u>583,028</u>
Change in Net Assets	3,393	1,586	4,979
Net Assets, March 31, 2003	<u>388,213</u>	<u>65,033</u>	<u>453,246</u>
Net Assets, March 31, 2004	<u>\$ 391,606</u>	<u>\$ 66,619</u>	<u>\$ 458,225</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, 2005

	Program Services		Supporting Services	Total
	Member Benefits	Union Enhancement		
Benefits paid to or for members:				
Affiliated organizations	\$ 125,388	\$ -	\$ -	\$ 125,388
Insurance	42,594	-	-	42,594
	167,982	-	-	167,982
Compensation and related expenses:				
Compensation of officers	-	94,218	-	94,218
Other salaries and wages	-	100	59,065	59,165
Other employee benefits	-	31,928	22,857	54,785
Payroll taxes	-	7,432	5,792	13,224
	-	133,678	87,714	221,392
Accounting fees	-	-	11,930	11,930
Legal fees	-	-	5,150	5,150
Supplies	-	-	6,318	6,318
Telephone	-	-	4,523	4,523
Postage	-	-	6,957	6,957
Occupancy				
Property taxes	-	-	6,171	6,171
Utilities	-	-	17,082	17,082
Repairs and maintenance	-	-	15,488	15,488
Printing	-	6,217	3,282	9,499
Conventions and public relations	-	6,642	-	6,642
Depreciation	-	-	13,709	13,709
DSO Negotiating committee expense	-	43,862	-	43,862
Negotiating committee- other	-	2,481	-	2,481
Other expenses:				
Bank charges	-	-	1,072	1,072
Computer services	-	-	1,671	1,671
Educational expense	-	-	500	500
30 yr & honor member expense	4,312	-	-	4,312
Flower and funeral expense	717	-	-	717
Insurance	-	-	7,930	7,930
Miscellaneous expense	-	-	6,261	6,261
Keynote expense	-	1,788	-	1,788
	\$ 173,011	\$ 194,668	\$ 195,758	\$ 563,437

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, 2004

	<u>Member Benefits</u>	<u>Union Enhancement</u>	<u>Supporting Services</u>	<u>Total</u>
Benefits paid to or for members:				
Affiliated organizations	\$ 118,775	\$ -	\$ -	\$ 118,775
Insurance	47,901	-	-	47,901
Nelson Memorial Fund payment	500	-	-	500
	<u>167,176</u>	<u>-</u>	<u>-</u>	<u>167,176</u>
Compensation and related expenses:				
Compensation	-	84,242	59,756	143,998
Fringe benefits	-	32,282	22,898	55,180
Officers' expense allowance	-	11,574	-	11,574
Payroll taxes	-	7,182	5,571	12,753
	<u>-</u>	<u>135,280</u>	<u>88,225</u>	<u>223,505</u>
Accounting fees	-	-	11,074	11,074
Legal fees	-	-	1,721	1,721
Computer expense	-	-	1,597	1,597
Educational expense	-	-	500	500
Insurance	-	-	9,212	9,212
Postage	-	-	5,870	5,870
Printing	-	6,037	3,042	9,079
Supplies	-	-	3,912	3,912
Telephone	-	-	6,443	6,443
Occupancy				
Property taxes	-	-	6,135	6,135
Utilities	-	-	15,040	15,040
Repairs and maintenance	-	-	16,218	16,218
Miscellaneous expense	-	109	3,113	3,222
Conventions and public relations	-	14,848	-	14,848
DSO Negotiating committee expense	-	59,955	-	59,955
Negotiating committee- other	-	1,060	-	1,060
Depreciation	-	-	14,159	14,159
Other expenses:				
Agent fees – Comerica	-	-	1,651	1,651
Election services	-	-	5,000	5,000
30 yr & honor member expense	3,647	-	-	3,647
Flower and funeral expense	244	-	-	244
Keynote expense	-	1,760	-	1,760
	<u>\$ 171,067</u>	<u>\$ 219,049</u>	<u>\$ 192,912</u>	<u>583,028</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.

COMPARATIVE STATEMENT OF CASH FLOWS

For The Years Ended March 31,

	2005	2004
Cash flows from operating activities:		
Excess or revenue over expenses	\$ 65,676	\$ 4,979
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation and amortization	13,709	14,159
(Increase) decrease in operating assets		
Accounts receivable	1,421	(5,966)
Prepaid expenses	(1,239)	(1,553)
(Decrease) increase in operating liabilities		
Accounts payable	(5,770)	4,788
Escrow, insurance and Tempo payable	(1,843)	3,300
Taxes and payroll deductions due	151	(2,909)
Unearned dues	2,816	(325)
Tenant security deposits payable	70	(215)
Net cash Provided by Operating Activities	74,991	16,258
Cash flows from investing activities:		
Purchase of equipment	(12,239)	(3,950)
Net Cash Used for Investing Activities	(12,239)	(3,950)
Net Increase in Cash	62,752	12,308
Cash and Cash Equivalents at Beginning of Year	394,099	381,791
Cash and Cash Equivalents at End of Year	\$ 456,851	\$ 394,099

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, 2005 and 2004

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 instrumental 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 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2005 and 2004

NOTE A - SUMMARY OF ACCOUNTING POLICIES - (CONTINUED)

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.

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 restricted assets during the fiscal years ended March 31, 2005 and 2004.

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.

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 and Fred E. Crissey Memorial Scholarship funds were established from contributions to provide scholarship funds to qualifying persons for continuation of musical education.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2005 and 2004

NOTE C - LAND, BUILDING, IMPROVEMENTS AND EQUIPMENT

The following is a summary of land, buildings, improvements and equipment as of March 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Land	\$ 50,000	\$ 50,000
Building and improvements	362,107	351,469
Office furniture and equipment	<u>87,490</u>	<u>85,889</u>
Total	499,597	487,358
Less accumulated depreciation	<u>338,425</u>	<u>324,716</u>
Total Land, Building Improvements and Equipment	<u>\$ 161,172</u>	<u>\$ 162,642</u>

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.).

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

The provision for federal income taxes consists of the tax on unrelated business income of advertising income, Blue Cross handling fees and debt financed rental income.

NOTE H - CONCENTRATION OF RISK

The Detroit Symphony Orchestra employs a substantial number of the Local's members. The percentage of total work dues received from such members for the fiscal years ended March 31, 2005 and 2004 were approximately 77%.