

beyond performance...
discover the music



ANNUAL REPORT

Fiscal Year 2009

July 1, 2008–June 30, 2009

tdo | The Discovery Orchestra
George Marriner Maull, Artistic Director

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MISSION STATEMENT

The mission of The Discovery Orchestra (TDO) is to increase understanding and appreciation of orchestral and chamber music among adults and teens through music listening education as a means of growing audiences in the concert hall and electronically, thereby perpetuating the life of musical masterworks.

STRATEGIC PLAN—PRIORITIES

When TDO first began to formulate a new strategic plan in 2007, we understood the need for clearly stated priorities that would be embraced by our entire community of trustees, staff, musicians, audience members, collaborators, contributors and other friends. We pursued a series of individual interviews, retreats and dialogues as a means of establishing a shared vision for The Discovery Orchestra's future. Five strategic priorities evolved from these discussions:

- Increase Understanding and Appreciation of Orchestral and Chamber Music Masterworks
- Build The Discovery Orchestra Brand
- Capture and Deliver Musical Discovery through Audio and Video Means
- Take Advantage of Collaborative Opportunities
- Ensure Financial and Organizational Stability



MESSAGE FROM THE EXECUTIVE DIRECTOR

I am honored to share some of the highlights of what will go down in history as one of the most challenging fiscal years in the orchestra's history. Yes, there were highlights during fiscal year 2008–09!

Of course, there were also disappointments. But overall, The Discovery Orchestra got through the initial economic crisis in stable condition.

Briefly, our disappointments lay in the fact that we were not able to produce as many programs as we had hoped, thus not reaching as many people with our music listening mission as in recent seasons. Due to financial constraints, we cancelled one Discovery Concert and presented one less in-home recital. Now for the highlights...

You are holding the first highlight—the production of our first official Annual Report in six years! Since our last report, there have been some internal changes. Long-time Executive Director Hewitt Johnston retired in June 2007. Hewitt led by example, with his incredible people skills, thoughtful insights and network of new supporters—many of whom continue to be major patrons. In March 2008, Chief Development Officer Paul Goldberg joined the staff, bringing a wealth of fundraising experience and knowledge to the organization. In August 2008, Advisory Board member Betse Gump agreed to serve as Board of Trustees President for FY09. I would like to thank Betse for the substantial amount of time, ideas, resources and financial support that she so generously and graciously shared with TDO during this difficult economic period.

Another highlight is not so externally obvious. During FY09 TDO used the recession as an opportunity to build strong personal relationships with past and new donors. Our three in-home chamber music recitals provided intimate settings to get to know patrons and learn directly how our programs impact their lives. We held enjoyable social gatherings of Advisory Board members, electronic media professionals and concert sponsors to share dialogue and ideas. An encouraging outcome of this relationship-building effort was the overwhelming success of our *Discover Carousel* Gala in April 2009. Due to the recession, we originally projected lower attendance and net profit compared to previous Galas. However we had 30 more attendees and 35% higher net profit over our 2008 Gala figures! A final highlight is the fact that our operating financials were basically flat for the season (see the enclosed audited financials)—an incredible feat considering the sad fate of many other arts organizations during this time.

While the stresses of the economic climate are often overwhelming, I hold on to the strong belief that the impact our Discovery programs have on people's lives is profound. I've

seen it firsthand for so many years. I thank the entire TDO family – particularly the staff – for their dedication and cooperative spirit during FY09. I was honored to have been promoted from Managing Director to Executive Director in June 2009, and know that TDO will continue its great team chemistry moving forward. Let me share a final thank you to all who have enjoyed and supported the orchestra over the past 22 years.

Virginia Johnston
Executive Director

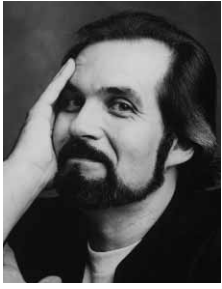
MESSAGE FROM THE BOARD OF TRUSTEES PRESIDENT

During FY09, I had the pleasure of leading a wonderfully dedicated and generous Board of Trustees. Some trustees—who volunteer their time for the orchestra—have served for many years and some are new. But all are focused on realizing The Discovery Orchestra's mission of music listening education. As President of the Board, I learned that a few trustees spend parts of the year out of New Jersey, so I had to get caught up on schedules and such things as doing meetings by conference call. But overall, I found that the trustees were active and brought many lively discussions to the table.

Specifically, I, along with the other members of the Board's Executive Committee, set out to do several things to strengthen the overall support structure of TDO: recruit several qualified new Board members; reinvigorate the Advisory Board; and revamp the staff roles and responsibilities. I am pleased that we were able to do all these things—three new trustees were successfully recruited (they were voted in at the first meeting of FY10); there was an enjoyable Advisory Board luncheon and the members were regularly called upon for advice, networking and financial support; and our Managing Director was promoted to Executive Director and given more authority in the overall leadership of the orchestra. Additionally, an important priority of TDO's strategic plan is to create electronic programs. I am pleased to report that during FY09, we were able to begin the work that will lead us to our second television show for public broadcasting stations set for videotaping in April 2010.

It has been a privilege to be a part of The Discovery Orchestra for so many years, and to have had this opportunity to serve as President during FY09. I look forward to helping the organization thrive for many more seasons.

Elizabeth C. Gump
President, FY09



MESSAGE FROM THE ARTISTIC DIRECTOR

“This TDO event changed my life.” Those are the magic words. Discovery Concerts may entertain, but they are not intended primarily as entertainment. People are telling us that our approach to music appreciation changes their

lives for the better. The data mined from our surveys informs us that repeated attendance at TDO events is positively affecting listening habits. Eighty-four percent indicate that they are listening more at home and attending more live professional orchestra concerts.

Anecdotally, it seems as if I cannot go anywhere without running into people we have touched. Recently I attended an event for a political candidate in the town where I live. A person there who had taken the *Fall in Love with Music* course—more than a decade ago—said: “It changed my listening forever.”

How can we best further the impact of our work? I believe the answer lies in a phrase from our current strategic plan: “To capture and deliver musical discovery through audio and video means.” One silver lining in this recessionary climate has been to galvanize the thinking of Board and staff. Would we rather produce four or five live Discovery Concerts in a season or would we rather utilize our precious contributed income to produce one live concert and one recorded television show in a season? Some have even dared to think—produce just one television show in a season, and that’s it!

All we need remember are the many “changed lives” emails and letters we received from all around the United States concerning broadcasts of our Emmy-nominated *Bach to the Future* television show. We must create more electronic product and distribute it in every possible electronic media. Therein lies the future.

“I wish I’d had this instruction when I was in high school. I could have been enjoying classical music all my life!” said a recent course graduate. Well, there’s “no time like the present”—and The Discovery Orchestra, with the help of the philanthropic community, can play a major facilitating role in increasing the number of individuals who have such realizations.

George Marriner Maull
Artistic Director

HISTORY OF THE DISCOVERY ORCHESTRA

The Discovery Orchestra began its life 23 years ago in Somerset County, New Jersey, as the Philharmonic Orchestra of New Jersey, a professional freelance orchestra founded to present classical orchestral concerts for the growing population in that region of the state. Recently our mission has evolved, culminating in a name change in July 2006. As The Discovery Orchestra, our goal is to combine performance with interactive instruction to help individuals develop music listening skills that will enable them to receive powerful, aesthetic experiences from music.

TDO believes that aspects of 21st century life are training people to primarily hear music as a background while multi-tasking. This phenomenon has ironically been made possible by a great boon to society—the mass distribution and availability of recorded music. In addition to depriving people of the life enhancing, incredibly moving experiences they can potentially have by bringing music to the foreground of their attention through listening, this trend also sadly contributes to the demise of audiences for live concerts by symphony orchestras and other classical and jazz ensembles. A further irony is that the very electronic technology that created this problem in the first place may now be the most viable means to educate people to listen to music.

And the additional good news is that studies by prominent scientists such as Dr. Oliver Sachs, whose research was recently chronicled in a PBS television special, demonstrate that giving one’s undivided attention to music positively affects one’s mental and physical well being—and not just from classical music but from all the music one encounters via active listening. To encourage and nurture active listening, The Discovery Orchestra offers: Discovery Concerts™ for adults and teens; Intimate Evenings and Musical Gardens, in-home chamber music recitals, which include musical Discovery Moments; our Fall in Love with Music listening courses, as well as individual listening presentations as part of adult continuing education lecture series and pre-concert chats.

While TDO’s live presentations primarily serve New Jersey residents, the orchestra has reached national and international audiences through broadcasts of our Emmy-nominated television show, *Bach to the Future*®, distributed by American Public Television (APT). APT estimates the program reached 40 million U.S. homes during its initial three-year run.

The Discovery Orchestra receives underwriting from corporations, foundations, individuals, and the New Jersey State Council on the Arts. It is a priority to provide free and/or discount tickets to underserved constituencies for most TDO programs.

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THANK YOU to all our
volunteers who so generously
gave of their time and
talents. Your support
contributed to a successful
2008–2009 season.

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Fiscal Year 2008–2009

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Audience Feedback—Fiscal Year 2009

Discover Sousa—November 2, 2008

My sister and I went to the concert yesterday...The concert was fabulous. I've always loved Sousa's marches. After attending, I now listen with a different "ear." My sister enjoyed it so much that she has requested that I ask her to go with me to anything like it that comes up in the future...I think you have changed our lives! –J.C.

If you couldn't tell it from the ovation, the Sousa presentation was delightful. Before we left home, the kids were complaining because they were afraid they would be bored. After the concert, they were given a 10 point scale with 1 being the best and 10 being boring. Matthew gave it a 0 because he wasn't bored for a minute. Juliet gave it mostly a 1 because there was a boring part....We had a great time! –M.G.

Our staff had a great time and enjoyed the educational aspect of the performance... Thanks again for the wonderful opportunity that you provide for our staff. –D.C., Community Foodbank of NJ

Discover Handel's Messiah—December 23, 2008

I wanted to congratulate you on a spectacular concert! The orchestra and chorus sounded fabulous, and the soloists were wonderful....And your first half was brilliant, as usual. Isn't it amazing how moving this music always is, no matter how familiar?...I'm excited about "discovering" the Discovery Orchestra in the New Year! –T.T.

Yesterday was one of the most magnificent Christmas gifts I could have ever received, the gift of understanding music. The way Maestro Maull presented it was beyond words—fantastic! We enjoyed it tremendously. Wonderful, a true delight. –P.W.

I honestly don't think I've ever enjoyed playing that piece more. Well done! –B.K., TDO oboist

Financial Reporting—Fiscal Year 2009

What programs did The Discovery Orchestra offer during the 2008-09 season?

TDO featured three interactive Discovery Concerts—*Discover Sousa*, *Discover Handel's Messiah*, and *Discover Carousel*—as well as three in-home chamber music recitals, a *Fall in Love with Music* listening course, and educational outreach programs for students at the Newark Boys Chorus School and youth who participate in the AIDS Resource Foundation for Children's after-school program.

How did The Discovery Orchestra do during the 2008-09 season?

Due to conservative budgeting, ongoing budget tracking and realistic projections, our overall position at year-end was basically flat. Considering the recession, we are very pleased to have navigated this challenging financial environment. Ticket revenue and individual contributions were lower than budgeted, but government and corporate grants held steady. Our foundation income was up due to several new foundation grants and the Geraldine R. Dodge Foundation's early disbursement of their 2009 grant funds. TDO cut expenses by canceling our March 2009 Discovery Concert and programming one less in-home recital than usual. Another factor that helped our numbers was the unexpected success of our *Discover Carousel* Gala event. Net profit for this event was 35% higher than our FY08 Gala.

What does the financial landscape of The Discovery Orchestra look like now?

It is still very precarious as we begin FY10. Cash flow is tight, and expenses are being very carefully monitored. On the following pages are the audited statements of financial position and statements of activities & changes in net assets with accompanying notes of The Discovery Orchestra as of June 30, 2009 and 2008. A complete copy of the Fiscal Year 2009 Audit Report prepared by Maddaloni, Nydick & Keenan, P.C. is available from TDO upon request.

Judith Musicant
Treasurer

Financial Reporting—Fiscal Year 2009 *(cont.)*

The Discovery Orchestra, Inc. Statements of Financial Position

ASSETS	For the Years Ended June 30,	
	2009	2008
CURRENT ASSETS		
Cash and Cash Equivalents	\$32,257	\$17,449
Investments	59	335
Grant Receivable	6,600	7,500
Other Receivables	555	0
Total Current Assets	39,471	25,284
CAPITAL ASSETS		
Furniture and Equipment	63,443	53,443
Less: Accumulated Depreciation	(53,424)	(50,379)
Net Capital Assets	10,019	3,064
Total Assets	\$49,490	\$28,348
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$17,000	\$ 0
Accounts Payable	12,059	7,317
Total Current Liabilities	29,059	7,317
NET ASSETS		
Unrestricted		
Net Capital Assets	10,019	3,064
Operating	(36,603)	15,967
Total Unrestricted Net Assets	(26,584)	19,031
Temporarily Restricted	47,015	2,000
Total Net Assets	20,431	21,031
Total Liabilities and Net Assets	\$49,490	\$28,348

Financial Reporting—Fiscal Year 2009 *(cont.)*

The Discovery Orchestra, Inc. Statement of Activities and Changes in Net Assets

	For Years Ended June 30,	
	2009	2008
REVENUES		
Government Grants	\$26,400	\$35,000
Donations	323,158	239,274
Program Admissions	27,051	69,672
Gala Tickets	69,460	56,920
Raffle Revenue	3,375	6,900
Miscellaneous	1,782	2,419
Interest Income	276	613
Unrealized Loss on Investment	(276)	(693)
Net Assets Released from Restrictions: Satisfaction of Use Restrictions	0	0
Total Revenue	451,226	410,105
EXPENSES		
Salaries and Related Expenses	245,252	244,752
Operating Expenses	203,529	168,363
Depreciation Expense	3,045	2,834
Total Expenses	451,826	415,949
INCREASE/(DECREASE) IN NET ASSETS FOR THE YEAR	(600)	(5,844)
NET ASSETS—BEGINNING OF YEAR	21,031	26,875
NET ASSETS—END OF YEAR	\$20,431	\$21,031

**The Discovery Orchestra, Inc.
Notes to Financial Statements**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Discovery Orchestra, Inc. is a not-for-profit professional organization whose mission is to increase understanding and appreciation of orchestral and chamber music among adults and teens through music listening education in the concert hall and electronically, thereby perpetuating the life of musical masterworks.

Basis of Accounting

The financial statements of Discovery Orchestra, Inc. have been prepared on the accrual basis of accounting.

Display of Net Assets by Class

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations, dated June, 1993. Accordingly, net assets are reported in the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

The unrestricted net asset category represents net assets that are not subject to time or purpose donor imposed restriction. The temporarily restricted net assets category represents net assets that are subject to time or purpose donor imposed restrictions and the permanently restricted net assets category represents net assets that are subject to donor imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the Organization.

Capital Assets

Capital assets are stated at cost and depreciated over their estimated useful lives using the straight line method.

Tax Status

The Organization qualifies as a tax-exempt corporation under the provisions of the Internal Revenue Code and its income is not subject to Federal or State income taxes.

Use of Estimates

Management of the Organization uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

Other Matters

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Other Matters

The Organization's policy is to report as unrestricted support contributions with donor-imposed restrictions when these restrictions are met in the same year that the contribution was received.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Funding Sources

The Organization charges for concert and other performances and receives support from a government grant, interested individuals and others. A significant reduction in the level of this support, if this were to occur, could have an effect on the Organization's programs and activities.

Cash Equivalents

Cash equivalents are highly liquid investments with a maturity of three months or less when acquired.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with programs and various committee assignments.

NOTE 2 LINE OF CREDIT

The Organization has a line of credit with a bank allowing for maximum borrowings of \$25,000 through June 2010. Interest is charged on the outstanding balance at one percent above the bank's prime rate. The effective interest rate was 5% and 6% at June 30, 2009 and 2008, respectively.

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

Certain funds are received with timing or use restrictions imposed by the donor. Balances on these funds at June 30, were as follows:

	2009	2008
Program Services for Subsequent Year	\$47,015	\$ 2,000

NOTE 4 LEASE

Effective June 1, 2009 the Organization rents office space under an operating lease that requires monthly payments of \$1,100 through May 31, 2011.

Annual lease obligations for the years ending June 30 are:

2010	\$13,200
2011	\$12,100

Fiscal Year 2008–2009 Discovery Concerts™ were sponsored by

The Geraldine R. Dodge Foundation , The Chubb Corporation ,

Peapack-Gladstone Bank , The Horizon Foundation for New Jersey ,

The Provident Bank Foundation , The Summit Area Public Foundation,

Mr. & Mrs. Michael Kurak, Rick & Ellen Spingler and Mr. & Mrs. W. Brooke Tunstall. Additional funding for Discover Handel's *Messiah* provided by Mr. William K. Hengen, Jr. and Forest D. Jones & Marda Higdon Jones.

Fiscal year 2008–2009 In-Home Recitals were sponsored by Wabba Travel, Mr. & Mrs. Sterling L. Pierson, and Gail Whiting ASID, Design Consultants.

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Highlights

from Fiscal Year 2009



Discover Handel's Messiah at NJPAC



Artistic Director
George Marriner Maull



Josh and Judy Weston
enjoy *Discover Carousel*



TDO partners with Integrity
House at *Discover Carousel*

The American
String Quartet—
Intimate Evening
recitalists



Jean Burgdorff,
Discovery Award
Recipient, and
George Marriner
Maull at
Discover Carousel



The orchestra at *Discover Carousel*



Discovery Award Recipient David Grant with
TDO Board President Elizabeth Gump and
TDO Executive Director Virginia Johnston