

**THE CHICAGO PHILHARMONIC
SOCIETY**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

THE CHICAGO PHILHARMONIC SOCIETY

YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditors' Report

Board of Directors
The Chicago Philharmonic Society

We have audited the accompanying financial statements of The Chicago Philharmonic Society (a nonprofit organization) (the Society), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on 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 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 auditor's 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 significant 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Society has adopted the following guidance: ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Chicago Philharmonic Society as of June 30, 2020 and 2019, 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.

Ostrow Reisin Berk & Abrams, Ltd.

November 11, 2020

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF FINANCIAL POSITION

June 30,	2020	2019
ASSETS		
Cash	\$ 93,260	\$ 8,920
Restricted cash	7,450	
Operating investments		63,180
Contributions receivable	24,100	52,563
Prepaid expenses	2,037	2,037
Endowment investments	510,252	494,144
Security deposits	1,333	1,333
Total assets	\$ 638,432	\$ 622,177
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit		\$ 25,000
Accounts payable and accrued expenses	\$ 72,170	56,144
Loan payable	33,775	
Unearned revenue	2,634	13,088
Total liabilities	108,579	94,232
Net assets:		
Without donor restrictions:		
Undesignated	(349)	(43,199)
Designated by the Board for endowment	180,252	164,144
Total net assets without donor restrictions	179,903	120,945
With donor restrictions:		
Purpose restrictions	19,950	77,000
Endowments	330,000	330,000
Total net assets with donor restrictions	349,950	407,000
Total net assets	529,853	527,945
Total liabilities and net assets	\$ 638,432	\$ 622,177

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF ACTIVITIES

Years ended June 30,	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Contracted services	\$ 1,242,729		\$ 1,242,729	\$ 1,834,967		\$ 1,834,967
Admissions and subscription income	80,032		80,032	135,670		135,670
Contributions and grants	1,048,037	\$ 19,950	1,067,987	634,203	\$ 382,000	1,016,203
Miscellaneous income	7,840		7,840	2,815		2,815
Net investment return	21,108		21,108	22,900		22,900
Net assets released from purpose restrictions	77,000	(77,000)		109,021	(109,021)	
Total revenue	2,476,746	(57,050)	2,419,696	2,739,576	272,979	3,012,555
Expenses:						
Program services	2,208,756		2,208,756	2,456,916		2,456,916
Management and general	112,511		112,511	127,444		127,444
Fundraising	96,521		96,521	96,600		96,600
Total expenses	2,417,788		2,417,788	2,680,960		2,680,960
Change in net assets	58,958	(57,050)	1,908	58,616	272,979	331,595
Net assets:						
Beginning of year	120,945	407,000	527,945	62,329	134,021	196,350
End of year	\$ 179,903	\$ 349,950	\$ 529,853	\$ 120,945	\$ 407,000	\$ 527,945

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2020				2019			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 1,644,111	\$ 52,614	\$ 69,818	\$ 1,766,543	\$ 1,820,658	\$ 80,797	\$ 71,018	\$ 1,972,473
Payroll taxes	134,152	5,594	7,423	147,169	133,496	5,762	4,321	143,579
Pension contributions	156,828			156,828	196,734			196,734
Total personnel costs	1,935,091	58,208	77,241	2,070,540	2,150,888	86,559	75,339	2,312,786
Advertising and marketing	95,323		936	96,259	89,743	200		89,943
Concert production costs	101,778			101,778	155,014			155,014
Depreciation and amortization						573		573
Insurance	23,767	606	805	25,178	29,680	4,416		34,096
Occupancy	13,317	2,970	3,940	20,227	12,613	5,478	4,814	22,905
Office expenses	21,044	4,692	6,227	31,963	13,893	28,009		41,902
Professional development	18,436	4,111	7,372	29,919	5,085	2,209	16,447	23,741
Professional fees		41,924		41,924				
Total expenses	\$ 2,208,756	\$ 112,511	\$ 96,521	\$ 2,417,788	\$ 2,456,916	\$ 127,444	\$ 96,600	\$ 2,680,960

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF CASH FLOWS

Years ended June 30,	2020	2019
		(As restated)
Cash flows from operating activities:		
Change in net assets	\$ 1,908	\$ 331,595
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		573
Conversion of loans payable to contribution		(55,000)
Realized and unrealized gain on investments, net	(21,108)	(22,900)
(Increase) decrease in operating assets:		
Contributions receivable	28,463	16,079
Prepaid expenses		(2,037)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	16,026	(680)
Unearned revenue	(10,454)	(3,579)
Net cash provided by operating activities	14,835	264,051
Cash flows from investing activities:		
Purchase of investments		(350,000)
Proceeds from sale of investments	68,180	
Net cash provided by (used in) investing activities	68,180	(350,000)
Cash flows from financing activities:		
Proceeds from (repayments of) line of credit, net	(25,000)	15,000
Proceeds from loans payable, other		55,000
Proceeds from loan payable	33,775	
Net cash provided by financing activities	8,775	70,000
Net increase (decrease) in cash and restricted cash	91,790	(15,949)
Cash and restricted cash, beginning of year	8,920	24,869
Cash and restricted cash, end of year	\$ 100,710	\$ 8,920

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	2020	2019
		(As restated)
Reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of same such accounts shown in the statements of cash flows:		
Cash	\$ 93,260	
Restricted cash	7,450	
Cash and restricted cash	\$ 100,710	
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 3,524	\$ 2,002
Supplemental disclosure of non-cash operating activity:		
Conversion of loans payable to contribution		\$ 55,000

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

1. Organization and purpose

The Chicago Philharmonic Society (the Society) is an Illinois nonprofit organization that operates orchestral and chamber music ensembles based in Chicago, Illinois. The Society's primary purpose is the promotion and appreciation of orchestral and chamber music among the general public. Revenues are primarily derived from contracted services, ticket sales and contributions.

2. Summary of significant accounting policies

The significant accounting policies of the Society are summarized below:

Basis of accounting:

The Society's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Recent accounting pronouncements:

Effective July 1, 2019, the Society adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The change in accounting principle was adopted on a modified prospective basis. The adoption of this standard did not materially impact the financial statements of the Society.

Effective July 1, 2019, the Society adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance requires a statement of cash flows to explain the change during the period in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents and any internal transfers between cash, cash equivalents, restricted cash, and restricted cash equivalents are no longer presented in the statements of cash flows. The adoption of this standard has been applied retrospectively to all periods presented. The Society has restated the presentation in the statements of cash flows for the year ended June 30, 2019.

Cash:

The Society maintains its cash in bank accounts which, at times, may exceed federally-insured limits. Management believes that the Society is not exposed to any significant credit risk on cash.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Restricted cash:

Restricted cash consisted of funds from donations that were restricted for distribution of charitable funds to assist the Society's musicians.

Investments:

The Society initially records investment purchases at cost. Thereafter, investments are reported in the statements of financial position at their fair value. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external expenses.

The Society holds all of its investments with the Jewish Federation Pooled Endowment Fund (the Fund). The Society's investments are combined with the holdings of other entities and the Fund invests the pooled amount. Investment income and loss is then allocated to the Society in proportion to its holdings compared to the Fund as a whole.

Contributions receivable:

Contributions receivable are stated at the amount management expects to collect from selected contributors based on commitments they have made verbally or in writing as of June 30, 2020. Management estimates an allowance based on its assessment of the current status of donor history, and a review of subsequent collections.

Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable. As of June 30, 2020, and 2019, an allowance for doubtful accounts is considered unnecessary and is not provided.

Unearned revenue:

The Society receives ticket purchases in advance of the concert performance. These are classified as unearned revenue until the concert has taken place.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Net assets:

The Society's net assets are classified into two classes: net assets without donor restrictions and net assets with donor restrictions – according to the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and are not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a Board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions that either expire by passage of time, can be fulfilled and removed by actions of the Society or must be maintained by the Society in perpetuity.

Revenue and revenue recognition:

Revenue is recognized when earned. Amounts received in advance are deferred until earned. The Society has the following types of revenue.

Contributions and grants

The Society recognizes contributions and grants when cash, securities or other assets, or an unconditional promise to give (pledge) is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions and grants received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted support is reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Contracted services, admissions and subscription income

Revenue from contracted services, admissions and subscription are recognized when the activities are held.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue and revenue recognition: (continued)

Contributed goods and services

Contributed goods are reflected as contributions at their fair value at date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Society recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Society also receives donated services from unpaid volunteers who assist in its fundraising events and programs in the furtherance of its purposes. None of these amounts have been recognized in the statements of activities because the criteria for recognition have not been met.

Expense allocation:

The financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel related expenses are allocated on the basis of estimates of time and effort. Occupancy, office expenses and professional development costs are allocated in the same manner as personnel related expenses, as the results would not be materially different if an alternative method was used. Certain costs directly attributable to one program or supporting function are charged directly to that function.

Advertising and marketing:

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was \$96,259 and \$89,943 for the years ended June 30, 2020 and 2019, respectively.

Tax status:

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, there is no provision for federal income taxes in the accompanying financial statements. The Society follows the requirements for accounting for uncertain tax positions and management has determined that the Society was not required to record a liability related to uncertain tax positions as of June 30, 2020 and 2019.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management of the Society has reviewed and evaluated subsequent events through November 11, 2020, the date the financial statements were available to be issued.

3. COVID-19 impact

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventive or protective measures, such as travel and business restrictions, wide-sweeping quarantines and stay-at-home orders. As a result of the COVID-19 and the related restrictive measures, the Society has adjusted certain aspects of its operations to protect employees, musicians and patrons while carrying out its mission. These restrictive measures caused the cancellation of the Society's contractual work and self-presented live in-person concerts from March through June 2020. The Society presented two live outdoor concerts in September and October 2020 and anticipates an increase in activities and will take advantage of opportunities to present more live outdoor concerts. In addition, the Society was able to move many of its concert and community engagement program offerings to online platforms, presenting programs in August and October 2020 and planned programs for November and December 2020 as well as the late Spring of 2021.

In light of the uncertainty as to the severity and duration of the pandemic, the impact on the Society's revenues and financial position is uncertain at this time. The loss of revenue from contractual and self-presented concerts has forced the Society to take several cost reduction measures in fiscal year 2021. The Society believes that the ultimate impact of the COVID-19 pandemic on its operating results, cash flows, and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the Society's control. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact the Society.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Liquidity and availability

The sources of the Society's liquidity consist of cash, operating investments, and contributions receivable. In the event of an unanticipated liquidity need, the Society has access to a \$150,000 line of credit which is described further in Note 8. The Society's main sources of revenue are from contributions, admissions to self-sponsored concerts, and revenue from contracted services which allows for the cash drawdown of funds as costs are incurred. Additionally, the Board of Directors of the Society can authorize a distribution of those endowment funds which have been Board-designated.

The table below presents financial assets available for general expenditures within one year at June 30, 2020 and 2019:

June 30,	2020	2019
Financial assets at year-end:		
Cash	\$ 93,260	\$ 8,920
Operating investments		63,180
Contributions receivable	24,100	52,563
Total financial assets	117,360	124,663
Less net assets with donor restrictions	(19,950)	(77,000)
Financial assets available to meet general expenditures within one year	\$ 97,410	\$ 47,663

The Society's Board-designated endowment of \$180,252 is subject to an annual spending rate of 4% to 5% as determined by the Board from time to time. Although management does not intend to spend from this Board-designated endowment, other than amounts appropriated for operating expenditure as part of the Board's annual budget approval and appropriation, these amounts could be made available if necessary.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Fair value measurements

Fair value measurements that are used to determine the price that would be received to sell an asset or paid to transfer a liability are described below:

- Level 1 Quoted prices are available in active markets for identical investments as of the reporting date.

- Level 2 Pricing inputs are other than quoted prices in active markets of comparable instruments, which are either directly or indirectly observable as of the reporting date and fair value is determined through the use of models or other valuation methodologies.

- Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information under the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Society's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Society assesses the levels of financial instruments at each measurement date and transfers between levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with the Society's accounting policy regarding recognition of transfers between levels of the fair value hierarchy.

The Society's investment in the Fund represents its allocable share in the Fund and is measured at fair value using the net assets value per share (NAV) practical expedient and has not been categorized in the fair value hierarchy.

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient:

Investment	June 30, 2020	June 30, 2019	Unfunded commitment	Redemption frequency	Redemption notice period
Jewish Federation Pooled Endowment Fund	\$ 510,252	\$ 557,324	N/A	Monthly	15 - 30 days

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Fair value measurements (continued)

The Fund combines the Society's investment with the holding of other entities, and then invests the pooled amount. The Fund's investments consist of the following categories:

June 30,	2020	2019
Cash	4 %	11 %
Fixed income	9	12
Global equity	36	33
Hedge funds	23	20
Private equity	28	24
Total	100 %	100 %

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Net assets with donor restrictions

Net assets with donor restrictions represent unspent contributions restricted for specific purposes, restricted due to time, and restricted permanently for the endowment fund as presented in Note 7.

Net assets with donor restrictions for purpose and time are as follows:

June 30,	2020	2019
Purpose restrictions:		
AMP Program	\$ 12,500	\$ 62,000
Future concert performances		15,000
Special Musicians Assistance Fund	7,450	
Restriction for specific purpose	19,950	77,000
Endowment:		
Endowment not subject to spending policy or appropriation	330,000	330,000
Total net assets with donor restrictions for purpose and endowment	\$ 349,950	\$ 407,000

Net assets were released from donor restrictions by incurring the following expenses during the years ended June 30, 2020 and 2019:

Years ended June 30,	2020	2019
Satisfaction of purpose restrictions:		
AMP Program	\$ 62,000	\$ 73,021
Operating costs		30,000
Concert performances	15,000	6,000
Total net assets released from restrictions	\$ 77,000	\$ 109,021

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Jewish Federation Pooled Endowment Fund

The Society has a general endowment fund. Net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Illinois as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as donor-restricted net assets (a) the original value of the gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulation to the donor-restricted 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 retained in perpetuity is classified as Board-designated net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Society and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Society
7. The investment policies of the Society

As of June 30, 2020 and 2019, the Society's endowment net asset composition is as follows:

June 30,	2020	2019
Board-designated endowment funds	\$ 180,252	\$ 164,144
Donor-restricted endowment funds	330,000	330,000
Total endowment funds	\$ 510,252	\$ 494,144

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Jewish Federation Pooled Endowment Fund (continued)

Return objectives and risk parameters:

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted and Board-designated funds that the Society must hold in perpetuity or for a specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to conserve corpus while assuming a minimal level of investment risk.

Strategies employed for achieving objectives:

To satisfy its long-term rate of return objectives, the Society relies on a total return strategy to which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society's policy is to invest 100% of the endowment cash assets in the pooled endowment portfolio of the Fund.

Spending policy and how the investment objectives relate to spending policy:

The Society's current spending policy is limited to earnings on the endowment funds. As such, the investment objectives require disciplined and consistent management philosophies that accommodate all those events which are relevant, reasonable and probable. Therefore, periodic review of total rate of return and spending rate objectives is required. Extreme positions or variations in management style are not consistent with these objectives. The Society's spending rate is limited to a maximum spending rate of 5% as determined by the Board from time to time.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Jewish Federation Pooled Endowment Fund (continued)

Spending policy and how the investment objectives relate to spending policy: (continued)

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

Year ended June 30, 2020	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 164,144	\$ 330,000	\$ 494,144
Investment return, net	21,108		21,108
Appropriation of endowment assets pursuant to distribution policy	(5,000)		(5,000)
Endowment net assets, end of year	\$ 180,252	\$ 330,000	\$ 510,252
<hr/>			
Year ended June 30, 2019	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 150,000	\$ 25,000	\$ 175,000
Investment return, net	22,900		22,900
Contributions		305,000	305,000
Appropriation of endowment assets pursuant to distribution policy	(8,756)		(8,756)
Endowment net assets, end of year	\$ 164,144	\$ 330,000	\$ 494,144

8. Line of credit

The Society maintains a \$150,000 revolving line of credit which matures on October 29, 2020. The line of credit is collateralized by an assignment of deposit account from a grantor. Under the agreement, borrowings bear an interest rate payable monthly at Prime (5%) at June 30, 2020 and .75% over the Prime rate (5.25%) at June 30, 2019. Interest expense during the years ended June 30, 2020 and 2019 was \$3,524 and \$2,002, respectively. \$- and \$25,000 was outstanding on this line of credit at June 30, 2020 and 2019, respectively.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Loan payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The Society applied for and received \$449,697. The loan originally provided for a two-year term with a maturity date of April 8, 2022. The loan bears an annual interest rate of 0.98%. It is the Society's intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the Small Business Administration (SBA). The Society is eligible for loan forgiveness in an amount equal to payments made during the eight-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

The Society has elected to account for the portion of the PPP loan which management expects to meet the PPP's eligibility criteria under the government grant model, and the portion not expected to meet the PPP's eligibility criteria under the debt model. The Society accounted for \$415,922 of the PPP loan as a conditional contribution under the government grant model for the year ended June 30, 2020. Management concluded that all the eligibility criteria were substantially met and expects the amount to be forgiven. Loan payable of \$33,775 was accounted for under the debt model. Under regulations issued subsequent to the initial loan, to the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the eight-week period following disbursement date, then payments are to begin at that time. The two-year maturity date could be extended to five years if approved by the lender. If the Society were to not submit an application for forgiveness by 10 months after the end of the eight-week covered period and assuming no change in the two-year maturity date, principal payments due on the PPP loan would be \$-0- for the year ending June 30, 2021 and \$449,697 for the year ending June 30, 2022.

10. Loans payable, other

From time to time, the Society obtains unsecured, noninterest-bearing loans from members of the Society's Board of Directors that are used for working capital purposes. During the year ended June 30, 2019, the Society obtained two unsecured, noninterest-bearing loans totaling \$55,000 from two members of the Society's Board of Directors which were used for working capital purposes. The loans were converted to contributions by the lenders in June 2019.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Leases

The Society has extended its lease agreement for its operating premises at 401 South LaSalle, Suite 1600 I and J. The lease period is for 12 months ending on December 31, 2020 for \$1,450 per month.

Rent expense for the years ended June 30, 2020 and 2019 was \$17,175 and \$16,550, respectively.

12. Multiemployer pension plan

The Society is a participating employer in a multiemployer, defined-benefit pension plan for musicians. Contributions of \$156,828 and \$196,734 for the years ended June 30, 2020 and 2019, respectively, were charged to operations for the Society's ongoing participation in this defined-benefit plan. The inherent risk of participating in this defined-benefit plan is that under current law regarding the multiemployer benefit plans, a plan's termination, the Society's voluntary withdrawal or mass withdrawal of all contributing employers from any under-funded, multiemployer pension plan would require the Society to make payments to the plan for the Society's proportionate share of the multiemployer plan's unfunded vested liabilities.

The Society's participation in this multiemployer plan for the years ended June 30, 2020 and 2019 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2020 and 2019 is for the plan years ended March 31, 2020 and 2019. The zone status is based on information that the Society received from the plan and is certified by the plan's actuary.

Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Multiemployer pension plan (continued)

The last column lists the expiration dates of the participation agreement to which the plan is subject.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act		FIP/RP Status Pending/ Implemented	Entity Contributions		Surcharge Imposed	Expiration Date Participation Agreement
		2020	2019		2020	2019		
American Federation of Musicians and Employers' Pension Plan	EIN: 51-6120204 Plan number: 001	Red*	Red*	Yes - Implemented	\$ 156,828	\$ 196,734	No	11/14/18 - 11/13/21

*Pursuant to the Preservation of Access to Care for Medicare Beneficiaries and the Pension Relief Act of 2010, the plan elected to (i) extend from 15 years to 29 years the amortization period for 2008 net investment losses (i.e., net investment losses for the plan year ended March 31, 2009); (ii) smooth those net investment losses over 10 years in the actuarial value of assets and (iii) allow the actuarial value of assets used by the plan to be as much as 130% of the market value of assets for the plan years beginning on April 1, 2009 and 2010.

13. Concentrations

For the year ended June 30, 2020, and 2019 one Board member contributed amounts equal to approximately 13% and 15%, respectively, of the Society's total revenues.