

**THE CHICAGO PHILHARMONIC  
SOCIETY**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

# **THE CHICAGO PHILHARMONIC SOCIETY**

YEARS ENDED JUNE 30, 2019 AND 2018

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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, 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.

### **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.

## **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, 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.

## **Correction of Error**

As described in Note 3 to the financial statements, the 2018 financial statements have been restated to correct an error. These errors resulted in an overstatement of amounts previously reported for contributions with donor restrictions and net assets with donor restrictions and an understatement of amounts previously reported for contributions without donor restrictions and net assets without donor restrictions (Board-designated) as of and for the year ended June 30, 2018. Accordingly, this restatement increased net assets without donor restrictions (Board-designated) and decreased net assets with donor restrictions at June 30, 2018 by \$150,000. In addition, contributions revenue without restrictions increased and contributions revenue with donor restrictions decreased by \$150,000 for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

*Ostrow Reisin Berk & Abrams, Ltd.*

October 8, 2019

# THE CHICAGO PHILHARMONIC SOCIETY

## STATEMENTS OF FINANCIAL POSITION

June 30,	2019	2018
		(As restated)
<b>ASSETS</b>		
Cash	\$ 8,920	\$ 24,869
Operating investments	63,180	9,424
Contributions receivable	52,563	68,642
Prepaid expenses	2,037	
Property and equipment, net		573
Endowment investments	494,144	175,000
Security deposits	1,333	1,333
<b>Total assets</b>	<b>\$ 622,177</b>	<b>\$ 279,841</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 56,144	\$ 56,824
Line of credit	25,000	10,000
Unearned revenue	13,088	16,667
<b>Total liabilities</b>	<b>94,232</b>	<b>83,491</b>
<b>Net assets:</b>		
Without donor restrictions:		
Undesignated	(43,199)	(87,671)
Designated by the Board for endowment	164,144	150,000
<b>Total net assets without donor restrictions</b>	<b>120,945</b>	<b>62,329</b>
With donor restrictions:		
Purpose restrictions	77,000	109,021
Endowments	330,000	25,000
<b>Total net assets with donor restrictions</b>	<b>407,000</b>	<b>134,021</b>
<b>Total net assets</b>	<b>527,945</b>	<b>196,350</b>
<b>Total liabilities and net assets</b>	<b>\$ 622,177</b>	<b>\$ 279,841</b>

See notes to financial statements.

**THE CHICAGO PHILHARMONIC SOCIETY**

STATEMENTS OF ACTIVITIES

Years ended June 30,	2019			2018 (As restated)		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Revenue:</b>						
Contracted services	\$ 1,834,967		\$ 1,834,967	\$ 1,579,013		\$ 1,579,013
Admissions and subscription income	135,670		135,670	93,458		93,458
Contributions and grants	634,203	\$ 382,000	1,016,203	627,314	\$ 98,021	725,335
Miscellaneous income	2,815		2,815	1,617		1,617
Net investment return	22,900		22,900	8,113		8,113
Net assets released from restrictions:						
Satisfaction of purpose or time restrictions	109,021	(109,021)		72,382	(72,382)	
<b>Total revenue</b>	<b>2,739,576</b>	<b>272,979</b>	<b>3,012,555</b>	<b>2,381,897</b>	<b>25,639</b>	<b>2,407,536</b>
<b>Expenses:</b>						
Program services	2,456,916		2,456,916	2,062,620		2,062,620
Management and general	127,444		127,444	229,056		229,056
Fundraising	96,600		96,600	73,588		73,588
<b>Total expenses</b>	<b>2,680,960</b>		<b>2,680,960</b>	<b>2,365,264</b>		<b>2,365,264</b>
<b>Change in net assets</b>	<b>58,616</b>	<b>272,979</b>	<b>331,595</b>	<b>16,633</b>	<b>25,639</b>	<b>42,272</b>
<b>Net assets:</b>						
Beginning of year	62,329	134,021	196,350	45,696	108,382	154,078
End of year	\$ 120,945	\$ 407,000	\$ 527,945	\$ 62,329	\$ 134,021	\$ 196,350

*See notes to financial statements.*

# THE CHICAGO PHILHARMONIC SOCIETY

## STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2019				2018
	Program services	Management and general	Fundraising	Total	Total
Salaries and wages	\$ 1,820,658	\$ 80,797	\$ 71,018	\$ 1,972,473	\$ 1,727,346
Payroll taxes	133,496	5,762	4,321	143,579	121,784
Pension contributions	196,734			196,734	161,514
Total personnel costs	2,150,888	86,559	75,339	2,312,786	2,010,644
Advertising and marketing	89,743	200		89,943	80,459
Concert production costs	155,014			155,014	164,128
Depreciation and amortization		573		573	2,295
Insurance	29,680	4,416		34,096	18,866
Occupancy	12,613	5,478	4,814	22,905	22,683
Office expenses	13,893	28,009		41,902	50,784
Other	5,085	2,209	16,447	23,741	15,405
Total expenses	\$ 2,456,916	\$ 127,444	\$ 96,600	\$ 2,680,960	\$ 2,365,264

*See notes to financial statements.*

# THE CHICAGO PHILHARMONIC SOCIETY

## STATEMENTS OF CASH FLOWS

Years ended June 30,	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 331,595	\$ 42,272
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	573	2,295
Conversion of loans payable to contribution	(55,000)	
Realized and unrealized gain on investments, net	(22,900)	(8,113)
(Increase) decrease in operating assets:		
Contributions receivable	16,079	57,049
Prepaid expenses	(2,037)	10,000
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(680)	15,396
Unearned revenue	(3,579)	(18,603)
Net cash provided by operating activities	264,051	100,296
Cash flows from investing activity:		
Purchase of investments	(350,000)	(150,000)
Net cash used in investing activity	(350,000)	(150,000)
Cash flows from financing activities:		
Proceeds from line of credit	165,000	135,000
Proceeds from loans payable, other	55,000	10,000
Payment on line of credit	(150,000)	(125,000)
Payment on loans payable, other		(10,000)
Net cash provided by financing activities	70,000	10,000
Net decrease in cash	(15,949)	(39,704)
Cash, beginning of year	24,869	64,573
Cash, end of year	\$ 8,920	\$ 24,869

*See notes to financial statements.*



# THE CHICAGO PHILHARMONIC SOCIETY

## STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended June 30,	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 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 on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

#### **Cash:**

The Society maintains its cash in bank accounts which, at times, may exceed federally-insured limits. Throughout 2019 and 2018, the cash balances did not exceed the insured limits. Management believes that the Society is not exposed to any significant credit risk on cash.

#### **Investments:**

The Society 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.

# **THE CHICAGO PHILHARMONIC SOCIETY**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **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, 2019. Management provides for probable uncollectible amounts, as needed, through a provision for bad debt expense and an adjustment to a valuation 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, 2019 and 2018, an allowance for doubtful accounts is considered unnecessary and is not provided.

#### **Property and equipment and related depreciation and amortization:**

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Depreciation and amortization of property and equipment is provided over the estimated useful life of the assets using the straight-line method. Additions over \$500 are capitalized while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred.

#### **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.

#### **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.

# **THE CHICAGO PHILHARMONIC SOCIETY**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Unrestricted and restricted revenue and support:**

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. All other donor-restricted support is reported as an increases in net assets with donor restrictions in the statements of activities. 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.

#### **Contracted services, admissions and subscription income:**

Revenue is recognized as services are performed. Amounts received in advance are deferred until earned.

#### **Contributed goods and services:**

The Society recognizes revenue at fair value for goods and services contributed (donated) when the contributed goods and services (a) create or enhance a nonfinancial asset or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

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 other 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.

# **THE CHICAGO PHILHARMONIC SOCIETY**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Advertising and marketing:**

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was \$89,943 and \$80,459 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

#### **Use of estimates:**

The preparation of financial statements in conformity 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.

#### **Reclassifications:**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

#### **Related parties:**

During the years ended June 30, 2019 and 2018, the Society has entered into transactions with related parties. See Note 9 for more detail.

#### **Subsequent events:**

Management of the Society has reviewed and evaluated subsequent events from June 30, 2019, the financial statement date, through October 8, 2019, the date the financial statements were available to be issued.

# THE CHICAGO PHILHARMONIC SOCIETY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Prior period adjustment

During the year ended June 30, 2018, the Society incorrectly reported contributions without donor restrictions as donor-restricted contributions and net assets. The contribution was for the purpose of the Society's General Endowment Fund (Board-designated) and should have been recorded without donor restrictions. Instead, they were recognized as with donor restrictions. To correct for this error, an adjustment was recorded to recognize these funds without donor restrictions, and recognized as Board-designated net assets.

The cumulative effect of this adjustment as of June 30, 2018 is as follows:

	Previously reported	Restatement	As restated
Net assets without donor restrictions	\$ (87,671)	\$ 150,000	\$ 62,329
Net assets without donor restrictions- designated by the Board for endowment		150,000	150,000
Net assets with donor restrictions	284,021	(150,000)	134,021
Total net assets	\$ 196,350	\$ 150,000	\$ 346,350
Contributions and grant:			
Without donor restrictions	\$ 477,314	\$ 150,000	\$ 627,314
With donor restrictions	\$ 248,021	\$ (150,000)	\$ 98,021

### 4. Liquidity and availability

The sources of the Society's liquidity consists of cash, accounts receivable and operating investments. In the event of an unanticipated liquidity need, the Society has access to a \$75,000 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 CHICAGO PHILHARMONIC SOCIETY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 4. Liquidity and availability (continued)

The following represents the Society's financial assets at June 30, 2019:

<u>June 30, 2019</u>	
Financial assets at year-end:	
Cash	\$ 8,920
Operating investments	63,180
Contributions receivable	52,563
<hr/>	
Total financial assets	124,663
Less net assets with donor restrictions	(77,000)
<hr/>	
Financial assets available to meet general expenditures within one year	\$ 47,663

The Society's Board-designated endowment of \$164,144 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 shares (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 practical expedient:

Investment	June 30, 2019	June 30, 2018	Unfunded commitment	Redemption frequency	Redemption notice period
Jewish Federation Pooled Endowment Fund	\$ 557,324	\$ 184,424	N/A	Monthly	15 - 30 days



# THE CHICAGO PHILHARMONIC SOCIETY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Fair value measurements (continued)

For the year ended June 30, 2018, the Society originally reported the investment in the Fund as a Level 3 investment. The investment should have been reported using the NAV practical expedient.

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,	2019	2018
Equity	56 %	55 %
Credit	12	12
Real estate and other	14	7
Real assets	7	6
Cash	11	20
Total	100 %	100 %

# 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,	2019	2018
		(As restated)
Purpose restrictions:		
AMP Program	\$ 62,000	
Future concert performances	15,000	\$ 73,021
Operating costs		30,000
Staff training		6,000
<hr/>		
Expenditure for specific purpose	77,000	109,021
Endowment:		
Endowment not subject to spending policy or appropriation	330,000	25,000
<hr/>		
Total net assets with donor restrictions for purpose and endowment	\$ 407,000	\$ 134,021

Net assets were released from donor restrictions by incurring the following expenses during the years ended June 30, 2019 and 2018:

Years ended June 30,	2019	2018
Satisfaction of purpose restrictions:		
Concert performances	\$ 73,021	\$ 5,000
Operating costs	30,000	67,382
Staff training	6,000	
<hr/>		
Total net assets released from restrictions	\$ 109,021	\$ 72,382

# 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, 2019 and 2018, the Society's endowment net asset composition is as follows:

June 30,	2019	2018
Board-designated endowment funds	\$ 164,144	\$ 150,000
Donor-restricted endowment funds	330,000	25,000
Total endowment funds	\$ 494,144	\$ 175,000

# **THE CHICAGO PHILHARMONIC SOCIETY**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **7. Jewish Federation Pooled Endowment Fund (continued)**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA require the Society to retain as a fund of perpetual duration. There were no deficiencies of this nature for the years ended June 30, 2019 and 2018.

#### **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 of 5 percent of the equivalent principal of each fund in the endowment.

# THE CHICAGO PHILHARMONIC SOCIETY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. Jewish Federation Pooled Endowment Fund (continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

Year ended June 30, 2019	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year, as restated	\$ 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)
<b>Endowment net assets, end of year</b>	<b>\$ 164,144</b>	<b>\$ 330,000</b>	<b>\$ 494,144</b>

  

Year ended June 30, 2018 (As restated)	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year		\$ 25,000	\$ 25,000
Contributions	\$ 150,000		150,000
Endowment net assets, end of year	\$ 150,000	\$ 25,000	\$ 175,000

### 8. Line of credit

The Society maintains a \$75,000 revolving line of credit which matures on October 31, 2019. 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 .75% over the Prime rate (5.25% and 4.25%) at June 30, 2019 and 2018, respectively. \$25,000 and \$10,000 was outstanding on this line of credit at June 30, 2019 and 2018, respectively.

# **THE CHICAGO PHILHARMONIC SOCIETY**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **9. 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. In May 2018, the Society obtained a \$10,000 unsecured, noninterest-bearing loan from a member of the Society's Board of Directors that was used for working capital purposes. The loan was paid off in full in June 2018.

### **10. 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, 2019 for \$1,400 per month.

Rent expense for the years ended June 30, 2019 and 2018 was \$16,550 and \$16,200, respectively.

### **11. Multiemployer pension plan**

The Society is a participating employer in a multiemployer, defined-benefit pension plan for musicians. Contributions of \$196,734 and \$161,154 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 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 2019 and 2018 is for the plan years ended March 31, 2019 and 2018. The zone status is based on information that the Society received from the plan and is certified by the plan's actuary.

# THE CHICAGO PHILHARMONIC SOCIETY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. Multiemployer pension plan (continued)

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.

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 Pension Zone Status		FIP/RP Status Pending/Implemented	Entity Contributions		Surcharge Imposed	Expiration Date Participation Agreement
		2019	2018		2019	2018		
American Federation of Musicians and Employers' Pension Plan	EIN: 51-6120204 Plan number: 001	Red*	Red*	Yes - Implemented	\$ 196,734	\$ 161,154	Yes	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.

### 12. Concentrations

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