

**THE CHICAGO PHILHARMONIC
SOCIETY**

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2017 AND 2016

THE CHICAGO PHILHARMONIC SOCIETY

YEARS ENDED JUNE 30, 2017 AND 2016

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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, 2017 and 2016, and the related statements of activities 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, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Ostrow Reisin Berk & Abrams, Ltd.

September 25, 2017

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF FINANCIAL POSITION

June 30,	2017	2016
ASSETS		
Cash	\$ 64,573	\$ 78,055
Investments	26,311	24,001
Contributions receivable	125,691	94,804
Prepaid expenses	10,000	
Property and equipment, net	2,868	5,163
Security deposits	1,333	834
Total assets	\$ 230,776	\$ 202,857
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 41,428	\$ 31,352
Unearned revenue	35,270	27,667
Total liabilities	76,698	59,019
Net assets:		
Unrestricted	45,696	49,838
Temporarily restricted	83,382	69,000
Permanently restricted	25,000	25,000
Total net assets	154,078	143,838
Total liabilities and net assets	\$ 230,776	\$ 202,857

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF ACTIVITIES

Years ended June 30,	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:								
Contracted services	\$ 1,405,508			\$ 1,405,508	\$ 1,439,233			\$ 1,439,233
Admissions and subscription income	76,579			76,579	132,483			132,483
Contributions and grants	415,034	\$ 53,382		468,416	293,595	\$ 95,000		388,595
Miscellaneous income	1,944			1,944	3,503			3,503
Unrealized gain (loss) on investments	2,310			2,310	(999)			(999)
Net assets released from restrictions:								
Satisfaction of purpose or time restrictions	39,000	(39,000)			48,000	(48,000)		
Total revenue	1,940,375	14,382		1,954,757	1,915,815	47,000		1,962,815
Expenses:								
Program services	1,613,902			1,613,902	1,574,500			1,574,500
Management and general	284,376			284,376	254,613			254,613
Fundraising	46,239			46,239	45,383			45,383
Total expenses	1,944,517			1,944,517	1,874,496			1,874,496
Change in net assets	(4,142)	14,382		10,240	41,319	47,000		88,319
Net assets:								
Beginning of year	49,838	69,000	\$ 25,000	143,838	8,519	22,000	\$ 25,000	55,519
End of year	\$ 45,696	\$ 83,382	\$ 25,000	\$ 154,078	\$ 49,838	\$ 69,000	\$ 25,000	\$ 143,838

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF CASH FLOWS

Years ended June 30,	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 10,240	\$ 88,319
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	2,295	2,295
Unrealized (gain) loss on investments	(2,310)	999
(Increase) decrease in operating assets:		
Contributions receivable	(30,887)	(57,746)
Prepaid expenses	(10,000)	6,233
Security deposits	(499)	
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	10,076	(82,098)
Unearned revenue	7,603	14,560
Net cash used in operating activities	(13,482)	(27,438)
Net decrease in cash	(13,482)	(27,438)
Cash, beginning of year	78,055	105,493
Cash, end of year	\$ 64,573	\$ 78,055

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 corporation 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

Basis of accounting:

The Society's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Net assets:

Net assets are classified as follows:

Unrestricted - Net assets that are available to finance the general operations of the Society.

Temporarily restricted - Net assets that represent those for which the use by the Society has been limited by donors to a special time period or purpose.

Permanently restricted - Net assets that have been restricted by donors to be maintained by the Society in perpetuity.

Unrestricted and restricted revenue and support:

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions, unless the restriction is met in the same reporting period, in which case the contribution is shown as unrestricted.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Contributions receivable:

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. 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, 2017 and 2016, an allowance for doubtful accounts is considered unnecessary and is not provided.

Investments:

Investments are reported in the statements of financial position at their fair value, with any realized and unrealized gains and losses reported in the statements of activities.

The Society holds all of its investments with the Jewish Federation 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.

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.

Advertising and marketing:

Advertising and marketing costs are expensed as incurred. Total advertising and marketing costs were \$100,673 and \$81,547 for the years ended June 30, 2017 and 2016, respectively.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Joint costs and expense allocation:

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

Income taxes:

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, 2017 and 2016.

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 in the financial statements. Accordingly, actual results could differ from those estimates.

3. Property and equipment

The components of property and equipment are as follows:

June 30,	2017	2016
Website	\$ 5,165	\$ 5,165
Equipment	5,736	5,736
	10,901	10,901
Less accumulated depreciation and amortization	(8,033)	(5,738)
Property and equipment, net	\$ 2,868	\$ 5,163

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

4. 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 assets or (b) require specialized skills.

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.

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. There were no such transfers for the years ended June 30, 2017 and 2016.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

5. Fair value measurements (continued)

The Society's investment represents its allocable share in the pooled endowment portfolio of the Jewish Federation Endowment Fund and is classified as Level 3 in the fair value hierarchy.

The Fund's investments consist of the following categories:

June 30,	2017	2016
Private equity and fund-of-funds	34 %	11 %
Domestic and international mutual funds	12	26
Fixed income securities	9	14
Absolute return investments	25	24
Real estate and other	20	25
Total	100 %	100 %

The fair value of the endowment at June 30, 2017 and 2016 are as follows:

June 30,	2017	2016
Beginning net asset value	\$ 24,001	\$ 25,000
Unrealized gains (losses)	2,310	(999)
Ending net asset value	\$ 26,311	\$ 24,001

6. Temporarily restricted net assets

Temporarily restricted net assets were restricted for the following purposes:

June 30,	2017	2016
Future concert performances	\$ 5,000	\$ 9,000
Operating costs	78,382	60,000
Temporarily restricted net assets	\$ 83,382	\$ 69,000

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

6. Temporarily restricted net assets (continued)

Net assets were released from donor restrictions by incurring the following expenses during the years ended June 30, 2017 and 2016:

Years ended June 30,	2017	2016
Concert performances	\$ 30,000	\$ 42,000
Staff training	9,000	6,000
Total net assets released from restrictions	\$ 39,000	\$ 48,000

7. Permanently restricted net assets

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.

Interpretation of relevant law:

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 permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted 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 CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

7. Permanently restricted net assets (continued)

Interpretation of relevant law: (continued)

In accordance with 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 effect 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

There were no board-designated endowment funds for the years ended June 30, 2017 and 2016.

The Society's endowment net asset composition as of June 30, 2017 and 2016 is as follows:

June 30,	2017	2016
Donor-restricted endowment fund	\$ 25,000	\$ 25,000

Funds with deficiencies:

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 year ended June 30, 2017.

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 funds that the Society must hold in perpetuity or for a donor-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.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

7. Permanently restricted net assets (continued)

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 Jewish Federation of Metropolitan Chicago.

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.

8. Line of credit

The Society maintains a \$50,000 line of credit with First Bank & Trust in Evanston, Illinois. Per the agreement, the Society can borrow up to \$50,000 to the extent that funds have been deposited in a collateral trust created by contributors. The line of credit, which bears interest at the prime rate (4.25%), matures on October 31, 2017. At June 30, 2017 and 2016, the contributors had \$25,000 deposited in the collateral trust, with a borrowing limit of up to the same amount. At June 30, 2017 and 2016, the Society did not have a balance outstanding on the line of credit.

9. Leases

The Society has an operating lease for rental space in Chicago, Illinois. The lease began in September 2013 and expired in January 2016. In January 2016, the Society extended the term for an additional one-month period and paid month-to-month rent through December 2016. Beginning January 1, 2017, the Society extended the term of the lease for an additional 12 months ending on December 31, 2017 for \$1,350 per month.

Rent expense for the years ended June 30, 2017 and 2016 was \$13,754 and \$12,404, respectively.

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NOTES TO FINANCIAL STATEMENTS

10. Multiemployer pension plan

The Society is a participating employer in a multiemployer, defined-benefit pension plan for musicians. Contributions of \$140,568 and \$144,429 during the years ended June 30, 2017 and 2016, respectively, were charged to operations for the Society's ongoing participating 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 participating in this multiemployer plan for the years ended June 30, 2017 and 2016 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 2017 and 2016 is for the plan years ended March 31, 2017 and 2016. 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. 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
		Pension Zone Status			2017	2016		
		2017	2016					
American Federation of Musicians and Employers' Pension Plan	EIN: 51-6120204 Plan number: 001	Red*	Red*	Yes - Implemented	\$ 140,568	\$ 144,429	Yes	11/14/16 - 11/13/17

*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.

11. Concentration of credit risk

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

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS

12. Subsequent events

Management of the Society has evaluated subsequent events through September 25, 2017, the date the financial statements were available to be issued.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2017				2016			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 1,154,107	\$ 118,071	\$ 38,344	\$ 1,310,522	\$ 1,163,437	\$ 105,911	\$ 31,365	\$ 1,300,713
Payroll taxes	87,182	8,985		96,167	90,493	10,339	2,400	103,232
Pension contribution	140,568			140,568	144,429			144,429
Conductors and guest artists	39,538			39,538	51,887			51,887
Total personnel costs	1,421,395	127,056	38,344	1,586,795	1,450,246	116,250	33,765	1,600,261
Advertising and marketing	1,375	97,887	1,411	100,673	1,650	78,941	956	81,547
Bank, credit card and ticket fees	2,243	7,639		9,882	1,639	7,162		8,801
Concert production costs	153,492			153,492	99,834			99,834
Depreciation and amortization		2,295		2,295		2,295		2,295
Donor cultivation			3,376	3,376			9,874	9,874
Dues and subscriptions		675		675		1,275		1,275
Insurance	35,397	2,755		38,152	21,131	2,740		23,871
Office supplies and expenses		7,737		7,737		3,218		3,218
Other		664		664		3,333		3,333
Printing and design		3,656	3,108	6,764		3,250	788	4,038
Professional development		1,926		1,926		7,322		7,322
Professional fees		11,325		11,325		10,310		10,310
Rent		13,754		13,754		12,404		12,404
Telephone and internet		2,792		2,792		2,712		2,712
Transportation		4,215		4,215		3,401		3,401
Total expenses	\$ 1,613,902	\$ 284,376	\$ 46,239	\$ 1,944,517	\$ 1,574,500	\$ 254,613	\$ 45,383	\$ 1,874,496