

**THE ORCHESTRAL SOCIETY OF ILLINOIS
(D/B/A THE CHICAGO PHILHARMONIC)
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2011



Members of the firm:
Rosanne B. Andersen
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(1929-2000)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
The Orchestral Society of Illinois
(d/b/a The Chicago Philharmonic)
Evanston, Illinois

We have reviewed the accompanying statement of financial position of The Orchestral Society of Illinois (a not-for-profit corporation) as of September 30, 2011 and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying schedule of expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.



March 17, 2012
Chicago, Illinois

**THE ORCHESTRAL SOCIETY OF ILLINOIS
D/B/A THE CHICAGO PHILHARMONIC
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	12,231
Other		1,925
Total current assets		14,156

NONCURRENT ASSETS

Furniture and fixtures		5,250
Less accumulated depreciation		(5,250)
Furniture and fixtures, net		-

Total assets	\$	14,156
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LIABILITIES AND NET DEFICIENCY

CURRENT LIABILITIES

Accounts payable	\$	11,076
Unearned revenues - subscriptions		17,413
Total current liabilities		28,489

NET DEFICIENCY

Unrestricted		(14,333)
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Total liabilities and net deficiency	\$	14,156
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See Accompanying Notes and Independent Accountants' Review Report

**THE ORCHESTRAL SOCIETY OF ILLINOIS
D/B/A THE CHICAGO PHILHARMONIC
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011**

SUPPORT FROM OPERATIONS

Contracted services	\$ 175,618
Admissions and subscription income	89,110
Miscellaneous income	1,820
Total support from operations	<u>266,548</u>

CONTRIBUTIONS

In-kind	8,500
Other	187,864
Total contributions	<u>196,364</u>

Total revenue	<u>462,912</u>
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PROGRAM SERVICES

Artistic expenses	319,463
Production costs	38,407
Total program services	<u>357,870</u>

SUPPORTING SERVICES

Marketing	41,032
General and administrative expenses	49,971
Total supporting services	<u>91,003</u>

Total Expenses	<u>448,873</u>
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CHANGE IN NET DEFICIENCY	14,039
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NET DEFICIENCY AT BEGINNING OF YEAR	<u>(28,372)</u>
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NET DEFICIENCY AT END OF YEAR	<u><u>\$ (14,333)</u></u>
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See Accompanying Notes and Independent Accountants' Review Report

**THE ORCHESTRAL SOCIETY OF ILLINOIS
D/B/A THE CHICAGO PHILHARMONIC
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from performances, admissions, and subscriptions	\$ 238,817
Cash contributed by individuals, foundations, and others	181,864
Cash paid to suppliers and performers	(439,265)
	<u>(18,584)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(18,584)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>30,815</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,231</u>
 RECONCILIATION OF CHANGE IN NET DEFICIENCY TO NET CASH USED IN OPERATING ACTIVITIES	
Change in net deficiency	\$ 14,039
Adjustments to reconcile change in net deficit to net cash provided by operating activities	
(Increase) decrease in current assets	
Accounts receivable	2,258
Other	-
Increase (decrease) in current liabilities	
Accounts payable	1,108
Advances from directors	(6,000)
Unearned revenues - subscriptions	(29,989)
	<u>(18,584)</u>
Net cash used in operating activities	<u>\$ (18,584)</u>

See Accompanying Notes and Independent Accountants' Review Report

**THE ORCHESTRAL SOCIETY OF ILLINOIS
(D/B/A THE CHICAGO PHILHARMONIC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Orchestral Society of Illinois (d/b/a The Chicago Philharmonic) (the Society) is an Illinois not-for-profit corporation that operates orchestral and chamber music ensembles based in Evanston, 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.

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles for not-for-profit organizations based on the recommendations of the *Financial Accounting Standards Board Accounting Standards Codification* (ASC) 958. Under ASC 958, the Society is required to report information regarding its financial position and activities according to three classes of net assets; namely, unrestricted, temporarily restricted and permanently restricted. Support that is restricted by donors as being available only in future accounting periods is reported as restricted support. Additionally, when applicable, conditional promises to give or pledge are recognized when the conditions of the promise or pledge have been substantially met by the Society.

Revenue and Expense Recognition

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Thus, revenue is recognized when earned and expenses are recognized when incurred.

Cash Equivalents

For purposes of the statements of cash flows, the Society considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Furniture and Fixtures

Furniture and fixtures are stated at cost if purchased and at fair value if donated. Depreciation is provided using the straight-line method over a seven-year estimated useful life. Depreciation expense was zero for the year ended September 30, 2011.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are due in the next year are recorded at their net realizable values. Unconditional promises to give that are due in subsequent years are reported at the present value of their net realizable values, using risk-free interest rates applicable to the year in which the promises are received.

**THE ORCHESTRAL SOCIETY OF ILLINOIS
(D/B/A THE CHICAGO PHILHARMONIC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

The value of contributed services meeting the requirements for recognition in the financial statements has been included with contributions. Total contributed services were \$8,500 for the year ended September 30, 2011.

Advertising

Advertising costs are expensed as incurred and totaled \$8,393 for the year ended September 30, 2011.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Society is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Society has adopted the provisions of ASC 740, which clarifies the accounting for uncertainty in income taxes. In accordance with these provisions, a tax position is recognized as a benefit only if it is more than 50% likely that the tax position would be upheld in a tax examination. No tax benefit is recorded for tax positions that are 50% or less likely to be upheld in a tax examination. The adoption had no effect on the Society's financial statements.

The Society recognizes interest and penalties related to unrecognized tax benefits as interest and income tax expense, respectively. The Society had no amounts accrued for interest or penalties at September 30, 2011.

The Society does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months.

The Society files tax returns in the U.S federal jurisdiction. The Society is longer subject to U.S federal tax examinations by tax authorities for years before 2008.

NOTE B – IN-KIND REVENUE

In-kind revenue materially consists of the Artistic Coordinator's donated services related to various concerts. For the year ended September 30, 2011, in-kind revenue totaled \$8,500.

**THE ORCHESTRAL SOCIETY OF ILLINOIS
(D/B/A THE CHICAGO PHILHARMONIC)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

NOTE C – LEASES

The Society has an operating lease arrangement for its office space in Evanston, IL. The lease agreement expires February, 28, 2013. Future minimum rental payments for this lease are as follows:

<u>Years ending September 30</u>	
2012	\$ 3,217
2013	<u>2,500</u>
	<u>\$ 5,717</u>

Total rent expense for the year ended September 30, 2011 was \$6,251.

NOTE D – PENSION FUND AGREEMENT

The Society has a participating agreement with the American Federation of Musicians under which it contributes to the Fund for the benefit of its musicians. Total paid under this agreement for the year ended September 30, 2011 was \$29,112.

NOTE E – UNION DUES WITHHELD

The Society employs musicians who are members of the Chicago Federation of Musicians, Local 10-208. For the year ended September 30, 2011, union dues withheld from the wages of musicians and paid to the Local amounted to \$10,136.

NOTE F – SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Society has evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date of the auditor's opinion included in this report. This evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

SUPPLEMENTARY INFORMATION

**THE ORCHESTRAL SOCIETY OF ILLINOIS
D/B/A THE CHICAGO PHILHARMONIC
SCHEDULE OF EXPENSES
YEAR ENDED SEPTEMBER 30, 2011**

PROGRAM SERVICES

Artistic expenses	
Musicians' wages	\$ 212,912
Payroll taxes	22,953
Pension contribution	29,112
Contractor's fees	8,500
Guest artists' fees	5,870
Soloist	6,596
Conductor's expenses	16,476
Contracted ensemble services	12,550
Concertmaster expenses	4,444
Other	50
Total program services	<u>319,463</u>

PRODUCTION COSTS

Music and instrument rental	655
Hall rental	23,136
Program books	4,765
Stage manager fees	450
Personnel manager	4,309
Other production costs	5,092
Total production costs	<u>38,407</u>

SUPPORTING SERVICES

Marketing	
Marketing materials	4,261
Marketing consultants	28,378
Advertising	8,393
Total supporting services	<u>41,032</u>

See Independent Accountants' Review Report

THE ORCHESTRAL SOCIETY OF ILLINOIS
D/B/A THE CHICAGO PHILHARMONIC
SCHEDULE OF EXPENSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2011

GENERAL AND ADMINISTRATIVE

Rent	\$	6,251
Office manager		21,271
Office supplies		2,476
Entertainment		672
Telephone		2,039
Credit card fees		1,473
Postage		4,132
Insurance		7,126
Accounting fees		4,000
Memberships		75
Bank fees		97
Payroll administration		350
Other administration expense		9
Total general and administrative		<u>49,971</u>
Total expenses	\$	<u>448,873</u>

See Independent Accountants' Review Report