

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

**NINE MONTH PERIOD ENDED JUNE 30, 2012**



*Members of the firm:*  
Rosanne B. Andersen  
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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

Robert J. Krawitz  
(1942-2002)  
Richard A. Sandlow  
(1929-2000)

We have reviewed the accompanying statement of financial position of The Orchestral Society of Illinois (a not-for-profit corporation) (the Society) as of June 30, 2012 and the related statements of activities and cash flows for the nine month period then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Society 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.



August 31, 2012  
Chicago, Illinois

**THE ORCHESTRAL SOCIETY OF ILLINOIS  
D/B/A THE CHICAGO PHILHARMONIC  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 29,117
Contributions receivable	5,529
Contracted services fees receivable	34,781
Total current assets	<u>69,427</u>

**NONCURRENT ASSETS**

Furniture and fixtures	5,250
Less accumulated depreciation	<u>(5,250)</u>
Furniture and fixtures, net	<u>-</u>

Total assets	<u>\$ 69,427</u>
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**LIABILITIES AND NET DEFICIENCY**

**CURRENT LIABILITIES**

Accounts payable	\$ 37,574
Accrued expenses	22,000
Unearned revenues - subscriptions	14,267
Total current liabilities	<u>73,841</u>

**NET DEFICIENCY**

Unrestricted	(7,164)
Temporarily restricted	<u>2,750</u>
Total net deficiency	<u>(4,414)</u>

Total liabilities and net deficiency	<u>\$ 69,427</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 ACTIVITIES  
PERIOD ENDED JUNE 30, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT FROM OPERATIONS</b>			
Contracted services	\$ 505,217	\$ -	\$ 505,217
Admissions and subscription income	40,238	-	40,238
Miscellaneous income	482	-	482
Total support from operations	545,937	-	545,937
<b>CONTRIBUTIONS</b>			
Individuals	161,714	-	161,714
Foundations and corporations	56,250	8,250	64,500
Other sources	7,825	-	7,825
Total contributions	225,789	8,250	234,039
Total revenue before restrictions	771,726	8,250	779,976
Revenue released from restrictions	5,500	(5,500)	-
Total revenue	777,226	2,750	779,976
<b>PROGRAM SERVICES</b>			
Artistic expenses	628,287	-	628,287
Production costs	44,278	-	44,278
Total program services	672,565	-	672,565
<b>SUPPORTING SERVICES</b>			
Marketing expenses	27,280	-	27,280
General and administrative expenses	70,212	-	70,212
Total supporting services	97,492	-	97,492
Total Expenses	770,057	-	770,057
<b>CHANGE IN NET ASSETS</b>	7,169	2,750	9,919
<b>(NET DEFICIENCY) SURPLUS AT BEGINNING OF YEAR</b>	(14,333)	-	(14,333)
<b>(NET DEFICIENCY) SURPLUS AT END OF YEAR</b>	\$ (7,164)	\$ 2,750	\$ (4,414)

See Accompanying Notes and Independent Accountants' Review Report

**THE ORCHESTRAL SOCIETY OF ILLINOIS  
D/B/A THE CHICAGO PHILHARMONIC  
STATEMENT OF CASH FLOWS  
PERIOD ENDED JUNE 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from performances, admissions, and subscriptions	\$ 504,405
Cash contributed by individuals, foundations, and others	234,039
Cash paid to performers and suppliers	(721,558)

Net cash provided by operating activities	16,886
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<b>INCREASE IN CASH</b>	16,886
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<b>CASH AT BEGINNING OF YEAR</b>	12,231
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<b>CASH AT END OF YEAR</b>	\$ 29,117
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**RECONCILIATION OF CHANGE IN NET DEFICIENCY TO NET CASH  
USED IN OPERATING ACTIVITIES**

Increase in net assets	\$ 9,919
Adjustments to reconcile change in net deficit to net cash provided by operating activities	
(Increase) decrease in current assets	
Contributions receivable	(5,529)
Contracted services fee receivable	(34,781)
Other	1,925
Increase (decrease) in current liabilities	
Accounts payable	26,498
Accrued expenses	22,000
Unearned revenues - subscriptions	(3,146)
Net cash provided by operating activities	\$ 16,886

See Accompanying Notes and Independent Accountants' Review Report

**THE ORCHESTRAL SOCIETY OF ILLINOIS  
(D/B/A THE CHICAGO PHILHARMONIC SOCIETY)  
NOTES TO THE FINANCIAL STATEMENTS  
PERIOD ENDED JUNE 30, 2012**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The Orchestral Society of Illinois (d/b/a The Chicago Philharmonic Society) (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.

In 2011, the Society changed its fiscal year-end from September 30<sup>th</sup> to June 30<sup>th</sup>. Additionally, on July 1, 2012, the Society legally changed its name from The Orchestral Society of Illinois to The Chicago Philharmonic Society.

**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.

**Furniture and Fixtures**

It is the Society's policy to capitalize assets exceeding \$500. Furniture and fixtures are stated at cost if purchased or fair value at the time of their donation. Depreciation is provided using the straight-line method over a seven-year estimated useful life. Depreciation expense was zero dollars for the period ended June 30, 2012.

**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 SOCIETY)  
NOTES TO THE FINANCIAL STATEMENTS  
PERIOD ENDED JUNE 30, 2012**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contracted Services**

Revenue and expenses related to contracted services are recognized in the period in which the services are performed. Contracted services fees received subsequent to the year in which the services are performed are recorded as contracted services fees receivable. Similarly, related contracted services expenses paid subsequent to the year in which the services are performed are recorded as accounts payable.

**Advertising**

Advertising costs are expensed as incurred and totaled \$5,640 for the period ended June 30, 2012.

**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 June 30, 2012.

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 2009.

**THE ORCHESTRAL SOCIETY OF ILLINOIS  
(D/B/A THE CHICAGO PHILHARMONIC SOCIETY)  
NOTES TO THE FINANCIAL STATEMENTS  
PERIOD ENDED JUNE 30, 2012**

**NOTE B – TEMPORARILY RESTRICTED NET ASSETS**

During fiscal year 2012, the Society received temporarily restricted revenues totaling \$8,250. The revenues were restricted for the purpose of holding a series of long-range planning meetings. At June 30, 2012, \$5,500 of these revenues had been expended for their intended purpose and consequently released from restriction. The remaining \$2,750 remained temporarily restricted at June 30, 2012 and have been appropriately recorded as temporarily restricted net assets.

**NOTE C - LINE OF CREDIT**

In February 2012, the Society established a line of credit with First Bank & Trust in Evanston, IL. Per the agreement, the Society can borrow up to \$30,000 to the extent that funds have been deposited in a collateral trust created by a contributor. At June 30, 2012, the Society had \$15,000 deposited in the collateral trust, with a borrowing limit of up to the same amount. At June 30, 2012, the Society had an outstanding balance on the line of credit of zero dollars.

**NOTE D – 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:

Years ending June 30

2013	\$ <u>4,000</u>
	\$ <u>4,000</u>

Total rent expense for the year ended June 30, 2012 was \$5,195.

**NOTE E – 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 June 30, 2012 was \$53,301.

**NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The financial position of the Society at June 30, 2012 includes certain financial instruments that may have a fair value that is different from the value currently reflected in the financial statements. In reviewing the financial instruments of the Society, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practicable to estimate that value.

The carrying amounts of the Society's financial instruments generally approximate their fair values at June 30, 2012.



THE ORCHESTRAL SOCIETY OF ILLINOIS  
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NOTES TO THE FINANCIAL STATEMENTS  
PERIOD ENDED JUNE 30, 2012

**NOTE G – 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. Except where disclosed elsewhere, 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  
PERIOD ENDED JUNE 30, 2012**

**PROGRAM SERVICES**

Artistic expenses	
Musicians' wages	\$ 473,194
Payroll taxes	35,783
Pension contribution	53,301
Insurance expense	24,273
Conductors and guest artists	29,486
Contracted ensemble services	12,250
Total artistic expenses	<u>628,287</u>
Production costs	
Venue rental	19,008
Program books	4,925
Production personnel	6,537
Other production costs	13,808
Total production costs	<u>44,278</u>
Total program services	<u>672,565</u>

**SUPPORT SERVICES**

Marketing expenses	
Marketing services	17,990
Advertising	5,640
Other marketing expense	3,650
Total marketing expenses	<u>27,280</u>
General and administrative expenses	
Personnel	34,445
Payroll taxes	4,049
Office services	10,820
Accounting services	5,000
Rent	5,195
Organizational development	10,703
Total general and administrative expenses	<u>70,212</u>
Total support services	<u>97,492</u>
Total expenses	<u>\$ 770,057</u>

See Independent Accountants' Review Report