

**THE CHICAGO PHILHARMONIC SOCIETY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2013**



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
The Chicago Philharmonic Society
Evanston, Illinois

We have reviewed the accompanying statement of financial position of The Chicago Philharmonic Society (a not-for-profit corporation) (the Society) as of June 30, 2013 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 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 20, 2013
Chicago, Illinois

**THE CHICAGO PHILHARMONIC SOCIETY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013**

ASSETS

CURRENT ASSETS

Cash	\$ 91,549
Contributions receivable	5,000
Prepaid expenses	983
Total current assets	<u>97,532</u>

FURNITURE AND FIXTURES, NET

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

OTHER ASSETS

	<u>834</u>
Total assets	<u>\$ 98,366</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 5,698
Accrued expenses	45,203
Unearned revenues - subscriptions	12,225
Total current liabilities	<u>63,126</u>

NET ASSETS

Unrestricted	35,240
Temporarily restricted	<u>-</u>
Total net assets	<u>35,240</u>

Total liabilities and net assets	<u>\$ 98,366</u>
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See Accompanying Notes and Independent Accountants' Review Report

**THE CHICAGO PHILHARMONIC SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT FROM OPERATIONS			
Contracted services	\$ 1,076,159	\$ -	\$ 1,076,159
Admissions and subscription income	62,972	-	62,972
Miscellaneous income	3,045	-	3,045
Total support from operations	<u>1,142,176</u>	<u>-</u>	<u>1,142,176</u>
CONTRIBUTIONS			
Individuals	149,083	-	149,083
Foundations, corporations & government agencies	151,000	-	151,000
Other sources	920	-	920
Total contributions	<u>301,003</u>	<u>-</u>	<u>301,003</u>
Total revenue before restrictions	1,443,179	-	1,443,179
Revenue released from restrictions	2,750	(2,750)	-
Total revenue	<u>1,445,929</u>	<u>(2,750)</u>	<u>1,443,179</u>
PROGRAM SERVICES			
Artistic expenses	1,124,903	-	1,124,903
Production costs	47,958	-	47,958
Total program services	<u>1,172,861</u>	<u>-</u>	<u>1,172,861</u>
SUPPORTING SERVICES			
Marketing expenses	69,189	-	69,189
General and administrative expenses	161,475	-	161,475
Total supporting services	<u>230,664</u>	<u>-</u>	<u>230,664</u>
Total Expenses	<u>1,403,525</u>	<u>-</u>	<u>1,403,525</u>
CHANGE IN NET ASSETS	42,404	(2,750)	39,654
NET ASSETS (DEFICIENCY) AT BEGINNING OF YEAR	<u>(7,164)</u>	2,750	<u>(4,414)</u>
NET ASSETS AT END OF YEAR	<u>\$ 35,240</u>	<u>\$ -</u>	<u>\$ 35,240</u>

See Accompanying Notes and Independent Accountants' Review Report

**THE CHICAGO PHILHARMONIC SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from performances, admissions, and subscriptions	\$ 1,175,444
Cash contributed by individuals, foundations, and others	301,003
Cash paid to performers and suppliers	(1,414,015)
	62,432
Net cash provided by operating activities	62,432
INCREASE IN CASH	62,432
CASH AT BEGINNING OF YEAR	29,117
CASH AT END OF YEAR	\$ 91,549

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Increase in net assets	\$ 39,654
Adjustments to reconcile change in net assets to net cash provided by operating activities	
(Increase) decrease in current assets	
Contributions receivable	529
Contracted services fees receivable	34,781
Prepaid expenses	(983)
Other assets	(834)
Increase (decrease) in current liabilities	
Accounts payable	(31,876)
Accrued expenses	23,203
Unearned revenues - subscriptions	(2,042)
Net cash provided by operating activities	\$ 62,432

See Accompanying Notes and Independent Accountants' Review Report

**THE CHICAGO PHILHARMONIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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.

On July 1, 2012, the Orchestra 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, 2013.

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 CHICAGO PHILHARMONIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred and totaled \$21,003 for the period ended June 30, 2013.

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, 2013.

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 2010.

NOTE B - 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 contributors. At June 30, 2013, the contributors had \$15,100 deposited in the collateral trust, with a borrowing limit of up to the same amount. At June 30, 2013, the Society had an outstanding balance on the line of credit of zero dollars.

**THE CHICAGO PHILHARMONIC SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013**

NOTE C – LEASES

The Society had an operating lease arrangement for its office space located in Evanston, IL. The lease agreement expired February 28, 2013. The Society made rental payments on a month-to-month basis for the remainder of the fiscal year. On June 26, 2013, the Society entered into an operating lease for a new office space located in Chicago, IL. The two-year lease runs from September 2013 to August 2015. Future minimum rental payments for this lease are as follows:

Years ending June 30

2014	\$ 8,330
2015	10,246
2016	<u>1,716</u>
	<u>\$ 20,292</u>

Total rent expense for the year ended June 30, 2013 was \$6,779.

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, 2013 was \$111,109.

NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial position of the Society at June 30, 2013 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, 2013.

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 accountant's review report included in these financial statements. Except where disclosed elsewhere, this evaluation did not result in any subsequent events that necessitated disclosures and/or adjustments.

SUPPLEMENTARY INFORMATION

**THE CHICAGO PHILHARMONIC SOCIETY
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

PROGRAM SERVICES

Artistic expenses	
Musicians' wages	\$ 878,731
Payroll taxes	66,130
Pension contribution	111,109
Insurance expense	24,499
Conductors and guest artists	41,737
Contracted ensemble services	2,697
Total artistic expenses	<u>1,124,903</u>
 Production costs	
Program books	5,925
Concert	41,758
Other production costs	275
Total production costs	<u>47,958</u>
 Total program services	<u><u>1,172,861</u></u>

SUPPORT SERVICES

Marketing expenses	
Marketing services	24,000
Advertising	21,003
Print	11,645
Other marketing expense	12,541
Total marketing expenses	<u>69,189</u>
 General and administrative expenses	
Personnel	114,265
Payroll taxes	8,735
Office services	19,184
Accounting services	9,200
Rent	6,779
Organizational development	3,312
Total general and administrative expenses	<u>161,475</u>
 Total support services	<u><u>230,664</u></u>
 Total expenses	<u><u>\$ 1,403,525</u></u>

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