

**THE CHICAGO PHILHARMONIC
SOCIETY**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

THE CHICAGO PHILHARMONIC SOCIETY

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditors' Report

Board of Directors
The Chicago Philharmonic Society

Opinion

We have audited the accompanying financial statements of The Chicago Philharmonic Society (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Chicago Philharmonic Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Chicago Philharmonic Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Chicago Philharmonic Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Chicago Philharmonic Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



May 12, 2023

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF FINANCIAL POSITION

June 30,	2022	2021
ASSETS		
Cash	\$ 756,156	\$ 270,396
Grants and contributions receivable	66,587	468,603
Accounts receivable	273,840	
Prepaid expenses	6,454	3,007
Property and equipment, net	37,495	1,409
Endowment investments	595,316	609,664
Security deposit	9,500	1,333
Total assets	\$ 1,745,348	\$ 1,354,412

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,	2022	2021
LIABILITIES AND NET ASSETS		
Liabilities:		
Loan payable, PPP loan	\$ 50,711	
Accounts payable and accrued expenses	250,228	\$ 71,443
Contract liability, concert admissions	21,700	4,756
Deferred grant revenue, conditional grant	25,000	
Deferred grant revenue, PPP loan	200,065	
 Total liabilities	 347,639	 276,264
 Net assets:		
Without donor restrictions:		
Undesignated	778,562	450,224
Designated by the Board for endowment	230,316	279,664
 Total net assets without donor restrictions	 1,008,878	 729,888
With donor restrictions:		
Purpose restrictions	23,831	18,260
Endowment	365,000	330,000
 Total net assets with donor restrictions	 388,831	 348,260
 Total net assets	 1,397,709	 1,078,148
 Total liabilities and net assets	 \$ 1,745,348	 \$ 1,354,412

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF ACTIVITIES

Years ended June 30,	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue:						
Grants and contributions	\$ 1,181,164	\$ 55,000	\$ 1,236,164	\$ 946,074	\$ 18,260	\$ 964,334
Contributed goods and services	70,625		70,625	24,000		24,000
Orchestral services	1,651,401		1,651,401			
Concert admissions	278,181		278,181	5,204		5,204
Net investment return	(49,159)		(49,159)	124,412		124,412
Net assets released from purpose restrictions	14,429	(14,429)		19,950	(19,950)	
Total revenue	3,146,641	40,571	3,187,212	1,119,640	(1,690)	1,117,950
Expenses:						
Program services	2,545,200		2,545,200	360,709		360,709
Management and general	179,478		179,478	151,728		151,728
Fundraising	142,973		142,973	57,218		57,218
Total expenses	2,867,651		2,867,651	569,655		569,655
Change in net assets	278,990	40,571	319,561	549,985	(1,690)	548,295
Net assets:						
Beginning of year	729,888	348,260	1,078,148	179,903	349,950	529,853
End of year	\$ 1,008,878	\$ 388,831	\$ 1,397,709	\$ 729,888	\$ 348,260	\$ 1,078,148

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2022				2021			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Personnel	\$ 1,988,696	\$ 68,072	\$ 87,355	\$ 2,144,123	\$ 242,008	\$ 92,701	\$ 48,560	\$ 383,269
Advertising and marketing	175,330		10,159	185,489	11,429			11,429
Concert production costs	335,014			335,014	79,017			79,017
Depreciation and amortization	4,048	845	1,147	6,040	122	105	55	282
Insurance		4,989		4,989	8,660	1,447	758	10,865
Occupancy	32,191	10,284	13,970	56,445	7,419	6,344	3,324	17,087
Office	9,921	3,531	18,942	32,394	6,543	10,496	4,012	21,051
Professional development					1,136	972	509	2,617
Professional fees	91,757	11,400		103,157	4,375	39,663		44,038
 Total expenses	 \$ 2,545,200	 \$ 179,478	 \$ 142,973	 \$ 2,867,651	 \$ 360,709	 \$ 151,728	 \$ 57,218	 \$ 569,655

See notes to financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

STATEMENTS OF CASH FLOWS

Years ended June 30,	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 319,561	\$ 548,295
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,040	282
Realized and unrealized (gain) loss on investments, net	49,348	(124,412)
(Increase) decrease in operating assets:		
Grants and contributions receivable	402,016	(444,503)
Accounts receivable	(273,840)	
Prepaid expenses	(3,447)	(970)
Security deposit	(8,167)	
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	178,785	(727)
Contract liability, concert admissions	16,944	2,122
Deferred grant revenue, conditional grant	25,000	
Deferred grant revenue, PPP loan	(149,354)	166,290
Net cash provided by operating activities	562,886	146,377
Cash flows from investing activities:		
Purchase of property and equipment	(42,126)	(1,691)
Purchase of endowment investments	(35,000)	25,000
Net cash provided by (used in) investing activities	(77,126)	23,309
Net increase in cash	485,760	169,686
Cash, beginning of year	270,396	100,710
Cash, end of year	\$ 756,156	\$ 270,396
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 855	

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

Basis of accounting:

The Society's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. Net assets without donor restrictions are available to finance the general operations of the Society. The governing board has designated, from net assets without donor restrictions, net assets for a Board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Net assets with donor restrictions in perpetuity at June 30, 2022 and 2021 were \$365,000 and \$330,000, respectively.

Recent accounting pronouncement:

During the year ended June 30, 2022, the Society adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity has received. Adoption of this standard did not have a significant impact on the Society's financial statements.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Grants and contributions receivable:

Unconditional promises to give are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met. As of June 30, 2022 and 2021, all grants and contributions receivable are expected to be collected within one year.

Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management estimates an 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, 2022 and 2021, an allowance for doubtful accounts is considered unnecessary and is not provided.

Endowment investments:

The Society initially 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 and 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.

Property and equipment:

Property and equipment are stated at cost, if purchased or at fair value at the date of donation, if donated. Depreciation of all such items is computed on a straight-line basis over the estimated useful lives of the assets, generally with website assigned three-year lives and equipment assigned five to seven-year lives.

Management reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Deferred grant revenue, PPP loan:

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used for other allowable costs.

In April 2020, the Society applied for and received its first PPP loan in the amount of \$449,697 (PPP 1). PPP 1 was a two-year loan with a maturity date of April 8, 2022 and an annual interest rate of 0.98%. The Society elected to account for PPP 1 under the government grant model and recognized \$33,775 of grant revenue related to qualifying expenses incurred during the year ended June 30, 2021. The Society received notice from the SBA in September 2021 that the full loan amount of \$449,697 was fully forgiven.

In March 2021, the Society applied for and received a second PPP loan in the amount of \$300,000 (PPP 2). The Society elected to account for PPP 2 under the government grant model and recognized \$149,354 and \$99,935 of PPP 2 as grant revenue related to qualifying expenses incurred during the years ended June 30, 2022 and 2021, respectively. The Society received notice from the SBA in July 2022 that \$249,289 of the loan was forgiven. The balance of \$50,711 is outstanding at June 30, 2022. PPP2 has a maturity date of March 25, 2026 and bears interest at a rate of 1% per year.

Future minimum principal payments are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2023	\$ 13,338
2024	13,471
2025	13,607
2026	10,295
Total	\$ 50,711

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue recognition:

Grants and contributions

The Society recognizes contributions and grants when cash, securities or other assets, or an unconditional promise to give (pledge) are received. Contributions are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributed goods and services

Contributed goods are reflected as contributions at their fair value at the date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. The Society recognizes the fair value of contributed services if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Contributed goods are not sold and goods and services are only utilized by the Society. There were no donor restrictions for contributed goods and services during the years ended June 30, 2022 and 2021. The fair value of advertising services and concert production costs is estimated based on standard industry pricing for similar services.

The Society also receives donated services from unpaid volunteers who assist in its fundraising events and programs in the furtherance of its purposes. No contribution revenue has been recognized in the statements of activities because the criteria for recognition has not been met.

During the years ended June 30, 2022 and 2021, contributed goods and services were allocated as follows:

<u>Years ended June 30,</u>	<u>2022</u>	<u>2021</u>
Program services:		
Advertising	\$ 67,500	
Concert production costs	3,125	\$ 24,000
 Total	 \$ 70,625	 \$ 24,000

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue recognition: (continued)

Orchestral services

Orchestral services revenue represents fees for orchestral support to local, national and international arts organizations and businesses. Each performance represents a distinct performance obligation and revenue is recognized at a point in time upon completion of the performance. Invoices for orchestral services revenue are billed immediately following the performance. There are no contract assets as of June 30, 2022, 2021 and 2020. Contract liability balances related to orchestral services were \$21,700 as of June 30, 2022. Contract receivables related to orchestral services totaled \$109,412 at June 30, 2022.

Concert admissions

Concert admissions revenue represents ticket revenue for performances put on by the Society. Each concert represents a distinct performance obligation and revenue is recognized at a point in time upon completion of the concert. Tickets are typically sold in advance of performances and recorded as contract liability, concert admissions until completion of the concert. There are no contract assets as of June 30, 2022, 2021 and 2020. Contract liability balances related to concert admissions were \$4,756 and \$2,634 as of June 30, 2021 and 2020, respectively. Contract receivables related to concert admissions totaled \$164,428 at June 30, 2022.

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. Depreciation and amortization, insurance, occupancy, office and professional development expenses are allocated in the same manner as personnel related expenses. Certain costs directly attributable to one program or supporting function are charged directly to that function.

Advertising and marketing:

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was \$185,489 and \$11,429 for the years ended June 30, 2022 and 2021, respectively.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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, 2022 and 2021.

Use of estimates:

The preparation of financial statements in accordance 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.

Subsequent events:

Management of the Society has reviewed and evaluated subsequent events through May 12, 2023, the date the financial statements were available to be issued.

3. Concentration of credit risk

The Society maintains its cash in bank accounts which, at times, may exceed federally-insured limits. The Society had approximately \$604,000 and \$29,000 in excess of federally-insured limits at June 30, 2022 and 2021, respectively. Management believes that the Society is not exposed to any significant credit risk on cash.

4. Liquidity and availability

The sources of the Society's liquidity consist of cash and grants and contributions receivable. The Society's main source of revenue is from grants and contributions which allow for the cash drawdown of funds as costs are incurred. Additionally, the Board of Directors of the Society can authorize a distribution of the endowment funds which have been Board-designated. The Society prepares an annual budget and cash flow projections, and manages its liquidity through review of actual results of operations as compared to budgeted and projected expectations.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Liquidity and availability (continued)

The table below presents financial assets available for general expenditures within one year at June 30, 2022 and 2021:

June 30,	2022	2021
Financial assets at year-end:		
Cash	\$ 756,156	\$ 270,396
Grants and contributions receivable	66,587	468,603
Endowment investments	595,316	609,664
 Total financial assets	 1,418,059	 1,348,663
 Less Board-designated endowment	 (230,316)	 (279,664)
 Less net assets with donor restrictions	 (388,831)	 (348,260)
 Financial assets available to meet general expenditures within one year	 \$ 798,912	 \$ 720,739

The Society's Board-designated endowment is subject to an annual spending rate of 4% to 5% as determined by the Board. 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 asset value per share (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 per share practical expedient:

Investment	June 30, 2022	June 30, 2021	Unfunded commitment	Redemption frequency	Redemption notice period
Jewish Federation Pooled Endowment Fund	\$ 595,316	\$ 609,664	N/A	Monthly	15 - 30 days

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Fair value measurements (continued)

The Fund combines the Society's investment with the holdings of other entities, and then invests the pooled amount. The Fund's investments consist of the following categories:

June 30,	2022	2021
Cash	6 %	7 %
Fixed income	7	10
Global equity	34	32
Hedge funds	21	22
Private equity	32	29
Total	100 %	100 %

6. Property and equipment

The components of property and equipment are as follows:

June 30,	2022	2021
Website	\$ 5,165	\$ 5,165
Equipment	49,553	7,427
	54,718	12,592
Less accumulated depreciation and amortization	(17,223)	(11,183)
Property and equipment, net	\$ 37,495	\$ 1,409

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. 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 8.

Net assets with donor restrictions for purpose and time are as follows:

June 30,	2022	2021
Purpose restrictions:		
AMP Program	\$ 7,266	\$ 12,500
Intern Program	<u>16,565</u>	
Youth empowerment		5,760
	<u>23,831</u>	18,260
Endowment:		
Endowment not subject to spending policy or appropriation	<u>365,000</u>	330,000
	<u>388,831</u>	\$ 348,260

Net assets were released from donor restrictions by incurring the following expenses during the years ended June 30, 2022 and 2021:

Years ended June 30,	2022	2021
Satisfaction of purpose restrictions:		
AMP Program	\$ 5,234	\$ 12,500
Intern Program	<u>3,435</u>	
Youth empowerment		5,760
Special Musicians Assistance Fund		7,450
	<u>14,429</u>	\$ 19,950

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. 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, 2022 and 2021, the Society's endowment net asset composition is as follows:

<u>June 30,</u>	2022	2021
Board-designated endowment funds	\$ 230,316	\$ 279,664
Donor-restricted endowment funds	365,000	330,000
Total endowment funds	\$ 595,316	\$ 609,664

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Jewish Federation Pooled Endowment Fund (continued)

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 spending rate of 5% as determined by the Board.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Jewish Federation Pooled Endowment Fund (continued)

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

Year ended June 30, 2022	Without			Total
	donor restrictions	With donor restrictions		
Endowment net assets, beginning of year	\$ 279,664	\$ 330,000	\$ 609,664	
Investment return, net	(49,348)		(49,348)	
Contributions		35,000	35,000	
Endowment net assets, end of year	\$ 230,316	\$ 365,000	\$ 595,316	

Year ended June 30, 2021	Without			Total
	donor restrictions	With donor restrictions		
Endowment net assets, beginning of year	\$ 180,252	\$ 330,000	\$ 510,252	
Investment return, net	124,412		124,412	
Appropriation of endowment assets pursuant to distribution policy	(25,000)		(25,000)	
Endowment net assets, end of year	\$ 279,664	\$ 330,000	\$ 609,664	

9. Line of credit

The Society had a \$150,000 revolving line of credit which matured on October 29, 2021. The line of credit was collateralized by an assignment of deposit account from a grantor. Under the agreement, borrowings bore interest at the Prime rate, which was 3.25% on June 30, 2021. Interest expense during the year ended June 30, 2021 was \$844. There was no balance outstanding on the line of credit at June 30, 2021.

THE CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Leases

The Society leased office space through June 30, 2022 for \$1,450 per month.

Effective January 1, 2022, the Society entered into a new lease agreement for office space through March 31, 2025.

Future minimum lease payments under this lease agreement are as follows:

Year ending June 30:	Amount
2023	\$ 50,312
2024	51,824
2025	38,196
Total	\$ 140,332

Rent expense for the years ended June 30, 2022 and 2021 was \$44,431 and \$13,550, respectively.

11. Multiemployer pension plan

The Society is a participating employer in a multiemployer, defined-benefit pension plan for musicians. Contributions of \$179,456 and \$4,813 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 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 2022 is for the plan's year ended December 31, 2022. 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 CHICAGO PHILHARMONIC SOCIETY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Multiemployer pension plan (continued)

The following is for the American Federation of Musicians and Employers' Pension Plan:

EIN/Plan Number	51-6120204/001
PPA Pension Zone Status	Red as of December 31, 2022
FIP/RP Status	Yes - Implemented
Contributions - year ended June 30, 2022	\$ 179,456
Contributions - year ended June 30, 2021	\$ 4,813
Surcharge Imposed	No
Expiration Date Participation Agreement	11/13/2026