MUELLER & CO., LLP

Certified Public Accountants – Business & Financial Advisors

ASSURANCE

ELGIN YOUTH SYMPHONY ORCHESTRA

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

MUELLER

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Elgin Youth Symphony Orchestra
Elgin, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Elgin Youth Symphony Orchestra (an Illinois corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows and functional expenses for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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.

Certified Public Accountants ■ Business & Financial Advisors
Offices in Elgin, Orland Park & Chicago

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elgin Youth Symphony Orchestra as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B of the financial statements, for the year ended June 30, 2019, Elgin Youth Symphony adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Elgin Youth Symphony Orchestra as of June 30, 2018, were audited by other auditors whose report dated December 17, 2018, expressed an unmodified opinion on those statements.

Mueller & Co., LLP

Elgin, Illinois
December 19, 2019

ELGIN YOUTH SYMPHONY ORCHESTRA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

		2019	2018
CURRENT ASSETS:			
Cash and cash equivalents	$	128,086	131,488
Investments		193,178	137,471
Accounts receivable		1,786	2,159
Unconditional promises to give, current portion		6,000	8,490
Prepaid expenses		2,244	2,600
		331,294	282,208
PROPERTY AND EQUIPMENT:			
Property and equipment, at cost		36,307	68,015
Less: Accumulated depreciation		(33,900)	(63,442)
		2,407	4,573
OTHER ASSETS:			
Unconditional promises to give, less current portion		-	6,000
Investments - restricted		53,553	75,636
Investments - endowment		34,848	32,135
Sheet music, net		4,317	4,550
		92,718	118,321
TOTAL ASSETS	$	426,419	405,102

LIABILITIES AND NET ASSETS

		2019	2018
CURRENT LIABILITIES:			
Accounts payable	$	6,472	53
Payroll liabilities		5,354	5,332
Bank card liabilities		1,502	2,472
		13,328	7,857
NET ASSETS:			
Without donor restrictions		285,995	267,857
With donor restrictions		127,096	129,388
		413,091	397,245
TOTAL LIABILITIES AND NET ASSETS	$	426,419	405,102

The accompanying notes are an integral part of the financial statements.

ELGIN YOUTH SYMPHONY ORCHESTRA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Support and revenue:						
Contributions	$ 159,895	25,000	184,895	125,184	5,150	130,334
In-kind contributions	241,259	-	241,259	228,435	-	228,435
Grants	78,282	-	78,282	59,340	-	59,340
Program fees	304,348	-	304,348	311,523	-	311,523
Performance income	70,702	-	70,702	79,068	-	79,068
Fundraiser income	48,725	-	48,725	42,668	-	42,668
Interest and dividend income	3,941	2,047	5,988	2,840	1,876	4,716
Unrealized gain (loss) on investments	7,031	(4,964)	2,067	7,971	6,356	14,327
Realized gain (loss) on investments	(3,472)	5,490	2,018	1,620	897	2,517
	910,711	27,573	938,284	858,649	14,279	872,928
Net assets released from restrictions	29,865	(29,865)	-	9,500	(9,500)	-
Total support and revenue	940,576	(2,292)	938,284	868,149	4,779	872,928
Expenses:						
Program services	648,480	-	648,480	618,271	-	618,271
Management and general	192,172	-	192,172	208,944	-	208,944
Fundraising	81,786	-	81,786	45,678	-	45,678
Total expenses	922,438	-	922,438	872,893	-	872,893
Change in net assets	18,138	(2,292)	15,846	(4,744)	4,779	35
Net assets, beginning of year	267,857	129,388	397,245	272,601	124,609	397,210
Net assets, end of year	$ 285,995	127,096	413,091	267,857	129,388	397,245

The accompanying notes are an integral part of the financial statements.

ELGIN YOUTH SYMPHONY ORCHESTRA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

		2019	2018
Operating activities:			
Change in net assets	$	15,846	35
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:			
Contributions restricted for long-term purposes		(25,000)	(5,150)
Depreciation and amortization expense		2,399	4,465
Net realized and unrealized gains on investments		(4,085)	(16,844)
Change in:			
Accounts receivable		373	9,454
Unconditional promises to give		8,490	9,500
Prepaid expenses		356	(1,100)
Accounts payable		6,419	(3,296)
Payroll liabilities		22	1,290
Bank card liabilities		(970)	483
Net cash used by operating activities		3,850	(1,163)
Investing activities:			
Proceeds from sale of investments		22,545	60,075
Purchase of investments		(54,797)	(63,682)
Net cash used by financing activities		(32,252)	(3,607)
Financing activities -			
Proceeds from contributions restricted for investment in permanent endowment		25,000	5,150
Net cash provided by financing activities		25,000	5,150
Net increase (decrease) in cash and cash equivalents		(3,402)	380
Cash and cash equivalents, beginning of year		131,488	131,108
Cash and cash equivalents, end of year	$	128,086	131,488

The accompanying notes are an integral part of the financial statements.

ELGIN YOUTH SYMPHONY ORCHESTRA

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
		SUPPORTING SERVICES				SUPPORTING SERVICES		
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Amortization	$ 233	-	-	233	2,530	290	-	2,820
Artistic personnel	219,640	125	-	219,765	207,750	-	-	207,750
Awards	50	214	4,125	4,389	145	-	4,074	4,219
Bad debt expense	-	260	-	260	17,682	400	-	18,082
Bank charges	1,693	13,710	1,105	16,508	2,700	11,098	202	14,000
Board development	-	3,500	-	3,500	905	2,365	-	3,270
Contributions	-	-	10,139	10,139	-	-	12,221	12,221
Depreciation	1,929	237	-	2,166	1,466	178	-	1,644
Dues and subscriptions	-	680	735	1,415	-	1,068	-	1,068
Fundraising material	-	-	3,200	3,200	-	-	2,397	2,397
Insurance	-	10,189	-	10,189	-	7,691	-	7,691
Marketing and advertising	22,933	12,128	4,052	39,113	-	24,962	2,057	27,019
Meetings and conferences	345	62	-	407	1,634	41	70	1,745
Occupancy and rental	239,950	19,536	-	259,486	223,716	17,982	-	241,698
Office expense	15,914	4,842	659	21,415	12,670	10,076	508	23,254
Payroll expense	86,521	70,000	50,155	206,676	95,957	75,463	20,035	191,455
Payroll taxes	18,265	5,954	4,152	28,371	17,485	6,152	2,038	25,675
Postage and shipping	479	2,031	421	2,931	340	1,597	-	1,937
Printing expense	13,275	670	375	14,320	12,547	1,128	626	14,301
Professional fees	234	40,302	2,668	43,204	-	40,490	1,450	41,940
Program expenses	4,574	-	-	4,574	5,325	-	-	5,325
Telephone and Internet	-	5,917	-	5,917	-	6,319	-	6,319
Tuition and camp expenses	22,445	-	-	22,445	15,419	-	-	15,419
Investment expenses	-	1,815	-	1,815	-	1,644	-	1,644
	$ 648,480	192,172	81,786	922,438	618,271	208,944	45,678	872,893

The accompanying notes are an integral part of the financial statements.

NOTE A - NATURE OF OPERATIONS

Elgin Youth Symphony Orchestra (Orchestra) is a not-for-profit Orchestra that was founded in 1976 and is the oldest and largest youth orchestra program in northwest suburbs of Chicago. Orchestra is dedicated to creating a community of young musicians by enriching their lives and those of their families, schools, communities and beyond, through the study and performance of excellent music. Orchestra provides music focused programming that helps young musicians to develop as leaders and philanthropists through the support of tuition fees, performance income, grants, foundations, and other public contributions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Orchestra's management, which is responsible for the integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles applicable to not-for-profit organizations and in accordance with accounting principles generally accepted in the United States of America.

Accounting Estimates

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, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASC) 958-605-25 "Not-for-Profit Entities Revenue Recognition" contributions received, including unconditional promises to give, are recognized as revenues in the period received at the their fair values. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met. In addition, FASB ASC 958-605 requires not-for-profit organizations to distinguish between contributions that increases without donor restrictions and with donor restrictions net assets. It also requires recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue Recognition, Continued

Program fees and performance income are recognized when earned. Deferred revenue consists of student fees received in advance of the next fiscal year for which the services have not yet been rendered.

In-kind Contributions

Volunteers contribute significant amounts of time to our program services, management and general and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Contributions in-kind received consisted of:

		2019	2018
Contributed services:			
Use of facilities	$	208,534	206,825
Marketing and design		32,725	17,935
		241,259	224,760
Contributed property -			
Office furniture		-	3,675
	$	241,259	228,435

Functional Expenses

The costs of program, management and general and fundraising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and management and general and fundraising.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. For expenses that are not directly attributable to a function, they are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents

The Orchestra considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Receivables

The Orchestra carries its accounts receivable at the outstanding principal balance adjusted for the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the length of time the receivables are outstanding and the anticipated future collectible amounts based on historical experience. Accounts deemed uncollectible are charged to the allowance for doubtful accounts. No allowance was deemed necessary as of June 30, 2019 and 2018.

Investments

Investment securities are stated at fair value based on quoted market prices or market prices for similar securities. Unrealized gains and losses are recognized based on the change in fair value. Realized gains and losses are recognized using the average cost method.

Property and Equipment

Fixed assets are stated at cost. Depreciation is calculated on a straight-line basis over the estimated lives of related assets of 3 to 7 years. The Orchestra has adopted a policy to capitalize assets with a useful life of over one year, using a minimum cost of $500. Donated property and equipment are stated at the approximate value at the date of donation.

Major classifications of property and equipment are summarized below.

		2019	2018
Instruments	$	23,929	23,929
Equipment		12,378	44,086
	$	36,307	68,015

Maintenance and repairs, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in income.

Amortization of Sheet Music

Amortization of sheet music is computed using the straight-line method over the life of the sheet music.

Net Assets

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:

NOTE B - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Assets, Continued

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. The board of directors of the Orchestra (Board) may designate, from time to time, from net assets without donor restrictions, net assets for an operating reserve and 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 resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets with donor restrictions are restricted for the following purposes or periods for the years ended June 30, 2019 and 2018:

		2019	2018
Purpose restricted – donor restricted investment	$	53,553	75,636
Unappropriated endowment earnings		10,516	7,235
Time restricted		6,000	14,490
In perpetuity		57,027	32,027
	$	127,096	129,388

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

		2019	2018
Sponsorships and fees	$	21,375	-
Time restrictions expired or surrendered		8,490	9,500
	$	29,865	9,500

Income Taxes

The Orchestra is a not-for-profit organization that is exempt from income taxes under Section 501(a) as described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes, Continued

The Orchestra has adopted the provisions of ASC Topic 7140, *Income Taxes*, related to the accounting for uncertainty in income taxes. The Orchestra files an annual exempt organization information return in the U.S. federal jurisdiction and Illinois state jurisdiction. Management is not aware of any uncertain tax positions for the years ended June 30, 2019 and 2018.

The Orchestra has evaluated the tax positions taken for all open tax years. Currently, the 2015, 2016 and 2017 tax years are open and subject to examination by the Internal Revenue Service; however, the Orchestra is not currently under audit nor has the Orchestra been contacted by this jurisdiction.

Advertising

Advertising costs are expensed as incurred. Advertising expense was $35,061 and $24,962 for the years ended June 30, 2019 and 2018, respectively, and is included with marketing and advertisement on the statements of functional expenses.

Going Concern Evaluation

In accordance with accounting principles generally accepted in the United States of America, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Orchestra's ability to continue as a going concern for the one-year period from the date the financial statements are available to be issued. Management's assessment did not identify any conditions or events raising substantial doubt about the Orchestra's ability to continue as a going concern for the period from December 19, 2019 to December 19, 2020.

Change in Accounting Principle – Financial Statement Presentation

On August 18, 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Orchestra has implemented ASU No. 2016-14 and has adjusted the presentation in these financial statements accordingly.

The primary differences between these and previously-issued financial statements, as they relate to the Orchestra, are: 1) the renaming of the captions in the statement of financial position and statement of activities from unrestricted and temporarily restricted net assets to net assets without donor restrictions and net assets with donor restrictions, respectively and 2) the new footnote disclosure of quantitative and qualitative information concerning the Orchestra's liquidity.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Standard – Revenue from Contracts

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition. ASU No. 2014-09 provides for a single five-step model to be applied to all revenue contracts with customers. ASU No. 2014-09 also requires additional financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments, and changes in judgments. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018. The Orchestra is currently evaluating the methods of adoption allowed by ASU No. 2014-09 and the effect that ASU No. 2014-09 is expected to have on its financial position, results of operations, cash flows and related disclosures.

New Accounting Standard – Contributions Received and Made

In June 2018, FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update improves the current guidance on determining whether transactions are contributions or exchange transactions. The update also requires determining if a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. ASU No. 2018-08 is effective for resource recipients for annual reporting periods beginning after December 15, 2018 and for resource providers for annual reporting periods beginning after December 15, 2019. The Orchestra is currently evaluating the methods of adoption permitted by ASU No. 2018-08 and the effect that ASU No. 2018-08 is expected to have on its financial position, results of operations, cash flows and related disclosures.

New Accounting Standard – Leases

In February 2016, FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. ASU No. 2016-02 requires that leased assets be recognized as assets on the statement of financial position and the liabilities for the obligations under the lease also be recognized on the statement of financial position. ASU No. 2016-02 requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The required disclosures include qualitative and quantitative requirements. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Early adoption is permitted. ASU No. 2016-02 must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Orchestra is currently evaluating the methods of adoption allowed by ASU No. 2016-02 and the effect that ASU No. 2016-02 is expected to have on its financial position, results of operations, cash flows and related disclosures.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent Events

Subsequent events have been evaluated by management through December 19, 2019, the date that the financial statements were available for issue.

NOTE C - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at year-end:		
Cash and cash equivalents	$	128,086
Investments		281,579
Accounts receivable		1,786
Unconditional promises to give		6,000
		417,451
Less: amounts not available for general expenditures within one year, due to:		
Board designated		25,568
Donor-restricted for a specific purpose		64,069
Perpetual restrictions		57,027
		146,664
Financial assets available to meet cash needs for general expenditures within one year	$	270,787

The Orchestra's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. As of June 30, 2019, donor-restricted endowment funds are not available for general expenditure.

The Orchestra's goal is to maintain available financial assets sufficient to meet 60 days of general operating expenditures. To meet obligations and cash liquidity needs, the Orchestra maintains a revolving line of credit (Note G). The purpose of the line of credit is to cover working capital expenses while waiting to collect receivables.

NOTE D - CONCENTRATIONS

The Orchestra maintains its cash balances with a national financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. There were no uninsured cash balances at June 30, 2019 and 2018.

NOTE E - PROMISES TO GIVE

Unconditional promises to give consist of contributions that have been pledged but not yet received to the Orchestra by board members and major donors. Unconditional promises to give are expected to be collected over the next year. At June 30, 2019 and 2018, the total unconditional promises to give balance was $6,000 and $14,490, respectively.

NOTE F - INVESTMENTS

Investments at June 30, 2019 are as follows:

		Fair Value	Cost	Unrealized Gain
Assets:				
Depository account	$	9,572	9,572	-
Funds held by third party trustee		51,135	51,135	-
Mutual funds		62,927	55,105	7,822
ETFs and CEFs		157,945	125,418	32,527
	$	281,579	241,230	40,349

Investments at June 30, 2018 are as follows:

		Fair Value	Cost	Unrealized Gain
Assets:				
Depository account	$	7,787	7,787	-
Mutual funds		14,990	14,705	285
ETFs and CEFs		222,465	177,491	44,974
	$	245,242	199,983	45,259

NOTE G - LINE OF CREDIT

The Orchestra has an $80,000 unsecured line of credit which has no expiration date or required annual renewal requirements and bears interest at 3.25%. No balance was owed as of June 30, 2019 or 2018 under this line of credit agreement. All financial covenants were met or waived for the year ended June 30, 2019.

NOTE H - FAIR VALUE MEASUREMENTS

Accounting standards generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that management has the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Equities and fixed income mutual funds: Valued at the closing price as reported by the fund. Mutual funds held by the Orchestra are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

Exchange traded funds (ETF) and closed end funds (CEF): Valued at the closing price as reported by the fund. These funds are required to publish their daily NAV and to transact at that price.

NOTE H - FAIR VALUE MEASUREMENTS, CONTINUED

Funds held by third party trustee: Fair value is measured at the NAV per share based on the fair value of the underlying investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Depository accounts are included in investments on the statement of financial position but are not subject to fair value under FASB ASC Topic 820.

The following table sets forth by level, within the fair value hierarchy, the Orchestra's assets at fair value as of June 30, 2019 and 2018:

		Assets at Fair Value as of June 30, 2019			
		Level 1	**Level 2**	**Level 3**	**Total**
Assets:					
Mutual funds	$	62,927	-	-	62,927
ETFs and CEFs		157,945	-	-	157,945
Asset measured at NAV[(a)]					51,135
	$	220,872	-	-	272,007

		Assets at Fair Value as of June 30, 2018			
		Level 1	**Level 2**	**Level 3**	**Total**
Assets:					
Mutual funds	$	14,690	-	-	14,690
ETFs and CEFs		222,465	-	-	222,465
	$	237,155	-	-	237,155

[(a)] In accordance with subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

For the years ended June 30, 2019 and 2018, there were no significant transfers between Levels 1 and 2 and no transfers in or out of Level 3.

NOTE H - FAIR VALUE MEASUREMENTS, CONTINUED

Investments Measured Using the NAV per Share Practical Expedient

The following table summarizes investments measured at fair value based on the NAV per share practical expedient as of June 30, 2019. There were no fair value investments for 2018.

June 30, 2019	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Funds held by third-Party trustee	$ 51,135	N/A	N/A	N/A

NOTE I - ENDOWMENT

The Orchestra's endowment consists of funds established by donors to provide annual funding for specific activities and general operations of the Orchestra. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board.

Interpretation of Relevant Law

The State of Illinois adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on December 31, 2009. The Board has adopted a spending policy that requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary.

As a result of this policy, the Orchestra retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Orchestra in a manner consistent with the standard of prudence described by UPMIFA. The Orchestra considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Orchestra and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Orchestra
- The investment policies of the Orchestra

NOTE I - ENDOWMENT, CONTINUED

Return Objectives and Risk Parameters

The Orchestra has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Orchestra must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that out-perform a market index based 60% on S&P 500 index and 40% on the Lehman Brothers Corporate/Government Bond index while assuming a moderate level of investment risk. The Orchestra expects its endowment funds, over time, to provide an average rate of return of between .25% and 5% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Orchestra relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Orchestra places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Orchestra has a policy of appropriating for distribution each year, no more than five percent of its endowment fund balance. In establishing this policy, the Orchestra considered the long-term expected return and preservation of principal on its endowment. Therefore, these funds may tend toward a more "conservative" investment strategy. This is consistent with the Orchestra's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

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).

There were no such deficiencies at June 30, 2019 or 2018.

NOTE I - ENDOWMENT, CONTINUED

Endowment net asset composition by type of fund as of June 30, 2019:

		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Board-designated endowment funds	$	25,568	-	25,568
Donor-restricted endowment funds				
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor		-	57,027	57,027
Accumulated investment gains		-	10,516	10,516
	$	25,568	67,543	93,111

Changes in endowment net assets for the year ended June 30, 2019:

		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, July 1, 2018	$	-	39,262	39,262
Investment return, net		568	3,281	3,849
Contributions		25,000	25,000	50,000
		25,568	28,281	53,849
Endowment net assets, June 30, 2019	$	25,568	67,543	93,111

Endowment net assets composition by type of fund as of June 30, 2018:

		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Board-designated endowment funds	$	-	-	-
Donor-restricted endowment funds				
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor		-	32,027	32,027
Accumulated investment gains		-	7,235	7,235
	$	-	39,262	39,262

NOTE I - ENDOWMENT, CONTINUED

Changes in endowment net assets for the year ended June 30, 2018:

		WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, July 1, 2017	$	-	30,993	30,993
Investment return, net		-	3,119	3,119
Contributions		-	5,150	5,150
		-	8,269	8,269
Endowment net assets, June 30, 2018	$	-	39,262	39,262

NOTE J - IN-RESIDENCE ENSEMBLE AGREEMENT

On July 1, 2016, the Orchestra entered into an "In-Residence Ensemble Agreement" with Elgin Community College (College). This agreement outlines the office space, rehearsal space and the use of percussion and other equipment that the College is willing to provide to the Orchestra, and what actions the Orchestra must provide the College in return. The total value of the services provided by the College was $208,534 and $206,825 for the years ended June 30, 2019 and 2018, respectively.

NOTE K - OPERATING LEASES

In January 2018, the Orchestra entered into a 5-year lease agreement with a non-related party for administrative office space, which expires January 30, 2023. The terms of the lease provide for a monthly rent ranging from $625 to $1,575 through the lease term. The Orchestra is also required to pay its proportional share of operating costs of the building. Total rent expense was $20,338 and $13,565 for the years ended June 30, 2019 and 2018, respectively.

The aggregate future minimum lease commitment on these leases as of June 30, 2019 is as follows:

2020	$	13,200
2021		13,200
2022		13,200
2023		7,700

NOTE L - PRIOR YEAR RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year classifications. These changes were for presentation purposes and did not have an impact on the financial statements.