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ELGIN YOUTH SYMPHONY ORCHESTRA

Audited Financial Statements

Years Ended June 30, 2023 and 2022

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ELGIN YOUTH SYMPHONY ORCHESTRA
AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

CONTENTS

	PAGE
Financial Statements	
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 22

PKF Mueller, LLP

1707 N. Randall Road, Suite 200 ■ Elgin, Illinois ■ 60123
Ph: 847.888.8600 ■ Fax: 847.888.0635 ■ www.pkfmueller.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Elgin Youth Symphony Orchestra

Opinion

We have audited the accompanying financial statements of Elgin Youth Symphony Orchestra (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, financial statements).

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, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Elgin Youth Symphony Orchestra 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 Elgin Youth Symphony Orchestra's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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 auditor's 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 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 Elgin Youth Symphony Orchestra'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 Elgin Youth Symphony Orchestra'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.

PKF Mueller

Elgin, Illinois
October 18, 2023

ELGIN YOUTH SYMPHONY ORCHESTRA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
Current assets:		
Cash and cash equivalents	$ 59,665	208,735
Investments - without donor restrictions	121,040	158,197
Accounts receivable	5,238	6,327
Employee retention credit receivable	-	93,320
Unconditional promises to give	2,701	2,970
Prepaid expenses	4,994	2,320
Total current assets	193,638	471,869
Other assets:		
Investments - with donor restrictions	64,908	59,589
Investments - endowment	43,428	39,835
Beneficial interest in funds held by Community Foundation	57,477	53,339
Sheet music, net	3,389	3,621
Total other assets	169,202	156,384
Total assets	$ 362,840	628,253

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities:		
Accounts payable	$ 1,269	17,370
Payroll liabilities	3,173	14,468
Accrued expenses	9,589	5,732
Deferred revenue	34,866	71,188
Total current liabilities	48,897	108,758
Net assets:		
Without donor restrictions:		
Undesignated	147,395	363,933
Board-designated	27,320	25,251
Total without donor restrictions	174,715	389,184
With donor restrictions	139,228	130,311
Total net assets	313,943	519,495
Total liabilities and net assets	$ 362,840	628,253

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

ELGIN YOUTH SYMPHONY ORCHESTRA
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and revenue:						
Contributions	$ 192,322	-	192,322	186,966	-	186,966
In-kind contributions	206,900	-	206,900	218,981	-	218,981
Grants	64,957	37,000	101,957	73,551	-	73,551
Program fees	313,546	-	313,546	287,606	-	287,606
Performance income	83,009	-	83,009	56,367	-	56,367
Fundraising income	36,892	-	36,892	23,988	-	23,988
Investment return	13,091	10,947	24,038	(13,821)	(15,510)	(29,331)
Employee retention credit grant revenue	-	-	-	93,320	-	93,320
Gain on forgiveness of Paycheck Protection Program loan	-	-	-	64,419	-	64,419
Change in beneficial interest held by Community Foundation	4,138	-	4,138	(11,186)	-	(11,186)
Other income	11,433	-	11,433	18,592	-	18,592
	926,288	47,947	974,235	998,783	(15,510)	983,273
Net assets released from restrictions	39,030	(39,030)	-	5,372	(5,372)	-
Total support and revenue	965,318	8,917	974,235	1,004,155	(20,882)	983,273
Expenses:						
Program services	791,230	-	791,230	637,861	-	637,861
Supporting services:						
Management and general	284,674	-	284,674	253,797	-	253,797
Fundraising	103,883	-	103,883	83,261	-	83,261
Total supporting services	388,557	-	388,557	337,058	-	337,058
Total expenses	1,179,787	-	1,179,787	974,919	-	974,919
Change in net assets	(214,469)	8,917	(205,552)	29,236	(20,882)	8,354
Net assets, beginning of year	389,184	130,311	519,495	359,948	151,193	511,141
Net assets, end of year	$ 174,715	139,228	313,943	389,184	130,311	519,495

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

ELGIN YOUTH SYMPHONY ORCHESTRA
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023				2022			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Amortization	$ 232	-	-	232	231	-	-	231
Apparel expenses	579	664	1,626	2,869	822	-	308	1,130
Artistic personnel	67,913	-	200	68,113	52,828	95	-	52,923
Awards	-	48	3,399	3,447	118	-	1,973	2,091
Bad debt expense	-	9,177	-	9,177	-	-	-	-
Bank charges	89	10,752	1,542	12,383	3,933	15,953	1,090	20,976
Board development	-	790	-	790	-	470	-	470
Depreciation	-	-	-	-	82	-	-	82
Dues and subscriptions	-	2,080	100	2,180	480	2,186	287	2,953
Employer benefits	3,600	800	1,200	5,600	383	1,800	-	2,183
Fundraising material	-	-	4,267	4,267	-	-	2,317	2,317
Insurance	225	12,177	-	12,402	-	12,071	-	12,071
Interest expense	-	-	-	-	-	577	-	577
Marketing and advertising	433	4,554	-	4,987	2,194	2,900	1,334	6,428
Meetings and conferences	902	1,433	-	2,335	108	2,698	-	2,806
Occupancy and rental	212,767	11,334	75	224,176	221,534	11,016	1,038	233,588
Office expense	8,381	8,600	2,587	19,568	11,533	5,821	1,914	19,268
Other expense	30,347	-	13,615	43,962	1,500	-	-	1,500
Payroll expense	342,907	100,799	60,691	504,397	253,182	102,000	60,125	415,307
Payroll taxes	26,726	2,935	4,135	33,796	23,916	7,955	4,539	36,410
Postage and shipping	1,500	4,540	70	6,110	793	3,899	220	4,912
Printing expense	5,018	8,290	-	13,308	17,625	3,634	1,422	22,681
Professional fees	-	93,912	-	93,912	786	75,722	-	76,508
Program expenses	34,981	4,228	-	39,209	27,029	-	220	27,249
Repairs and maintenance	-	-	-	-	563	-	-	563
Special events	774	-	10,376	11,150	-	-	6,474	6,474
Telephone and internet	-	6,166	-	6,166	-	5,000	-	5,000
Tuition and camp expenses	24,438	-	-	24,438	18,201	-	-	18,201
Performance expenses	29,418	1,395	-	30,813	20	-	-	20
Total expenses	$ 791,230	284,674	103,883	1,179,787	637,861	253,797	83,261	974,919

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

ELGIN YOUTH SYMPHONY ORCHESTRA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash provided (used) by operating activities:		
Change in net assets	$ (205,552)	8,354
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	232	313
Net realized and unrealized (gains) losses on investments	(18,202)	32,303
Forgiveness of Paycheck Protection Program loan	-	(64,419)
Change in value of beneficial interest in funds held by Community Foundation	(4,138)	11,186
Changes in:		
Accounts receivable	1,089	(1,992)
Employee retention credit receivable	93,320	(93,320)
Unconditional promises to give	269	3,180
Prepaid expenses	(2,674)	(2,320)
Accounts payable	(16,101)	14,824
Payroll liabilities	(11,295)	5,305
Accrued expenses	3,857	(349)
Deferred revenue	(36,322)	885
Net cash used by operating activities	(195,517)	(86,050)
Cash provided (used) by investing activities:		
Proceeds from sale of investments	54,414	4,815
Purchases of investments	(7,967)	(5,449)
Net cash provided (used) by investing activities	46,447	(634)
Cash used by financing activities:		
Payment of Paycheck Protection Program loan	-	(32,386)
Net decrease in cash and cash equivalents	(149,070)	(119,070)
Cash and cash equivalents, beginning of year	208,735	327,805
Cash and cash equivalents, end of year	$ 59,665	208,735
Noncash financing transactions:		
Forgiveness of Paycheck Protection Program loan	$ -	64,419
Other cash flow information:		
Interest paid	$ -	577

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

ELGIN YOUTH SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 - NATURE OF OPERATIONS

Elgin Youth Symphony Orchestra (Orchestra) is a not-for-profit organization that was founded in 1976 and is the oldest and largest youth orchestra program in the northwest suburbs of Chicago. The 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. The Orchestra provides music focused programming that helps young musicians to develop as leaders and philanthropists through the support of program fees, performance income, grants, foundations, and other public contributions.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit organizations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Orchestra considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an adjustment 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, 2023 and 2022.

Employee Retention Credit

The provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act provides an employee retention credit (ERC), which is a refundable tax credit against certain employment taxes for eligible employers. Management determined the Orchestra qualifies for the ERC and has elected to treat the credit consistent with the treatment of conditional grants. The Orchestra recorded a receivable and ERC grant revenue once the measurable performance or other barrier and right of return of the ERC had been overcome. The Orchestra has recognized $93,320 as ERC grant revenue for the year ended June 30, 2022. The Orchestra had a related receivable balance of $93,320 as of June 30, 2022. The Orchestra received the funds plus interest during 2023.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Unconditional Promises to Give

The Orchestra records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at the present value of estimated future cash flows. In subsequent years, amortization of the discount is included in contributions or grants revenue in the statements of activities. As of June 30, 2023 and 2022, there were no contributions not expected to be collected within one year. The Orchestra determines the allowance for uncollectable contributions based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. No allowance was deemed necessary as of June 30, 2023 and 2022.

Investments

Investments are reported at fair value in the statements of financial position. Investment return (including realized and unrealized gains and losses, interest, and dividends) is reported net of external and direct internal investment expenses and is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Beneficial Interest in Assets Held by Community Foundation

During 2019, the Orchestra established an endowment fund with the Community Foundation of the Fox River Valley (CF) that is perpetual in nature and named the Orchestra as beneficiary. The Orchestra granted variance power to CF, which allows CF to modify any condition or restriction on its distributions for the Orchestra. The fund is held and invested by CF for the Orchestra’s benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in investment income, net on the statements of activities. As of June 30, 2023 and 2022, the balance was $57,477 and $53,339, respectively.

Property and Equipment

Property and equipment have been recorded at cost if purchased or at fair value at time of donation if received as a gift. The Orchestra capitalizes property and equipment over $500 that have a useful life of more than one year. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets over three to seven years on a straight-line basis. Gains and losses on dispositions of property and equipment are included in the statement of activities. As of June 30, 2023 and 2022, all property and equipment was fully depreciated.

Amortization of Sheet Music

Amortization of sheet music is computed using the straight-line method over the life of the sheet music. The estimated life of sheet music is sixty years.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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:

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) 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 resources be maintained in perpetuity. The Orchestra reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Support and Revenue Recognition

Revenue from Contracts with Customers

The Orchestra derives a portion of its revenue from revenue sources that involve contracts with customers. Those sources include program fees (tuition and audition fees), performance income, and fundraising income (consists of contributions, advertising, and spirit wear). Revenues are recognized when control of these services is transferred to its customers in an amount that reflects the consideration the Orchestra expects to be entitled to in exchange for those services. The Orchestra does not have a significant financing component as all payments are received within a year of the services being provided.

The Orchestra has elected to use the portfolio approach practical expedient. The Orchestra's contracts with customers contain similar terms and as a result, the Orchestra has elected to apply its revenue recognition policies to a portfolio of contracts with similar characteristics. The Orchestra does not expect the results of doing so to differ materially from applying the guidance to individual contracts.

Revenue from tuition is recognized ratably over the ensemble year as this most accurately reflects the transfer of control. Audition fees are recognized at the time of the audition. Tuition and audition fees received in advance are deferred to the applicable period in which the related services are performed. Tuition contracts permit payment of tuition under one contract with three payment options: 1) a single lump-sum payment, 2) four payment plan, or 3) six payment plan.

Fundraising income includes both contribution and contractual elements. The contractual elements include advertising income and sales of merchandise in the form of spirit wear. Revenue from advertising is recognized when the advertisement is run. Revenue from sprit wear sales is recognized at the point of the sale.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Support and Revenue Recognition, Continued

Fundraising income revenue consists of the following for the years ended June 30:

	2023	2022
Advertising and spirit wear income	$ 7,041	4,461
Contributions	29,851	19,527
Total fundraising income	$ 36,892	23,988

Revenue from contracts with customers consists of the following for the years ended June 30:

	2023	2022
Program fees	$ 313,546	287,606
Performance income	83,009	56,367
Advertising and spirit wear income	7,041	4,461
Total revenue from contracts with customers	$ 403,596	348,434

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Orchestra's revenue based on the timing of satisfaction of performance obligations for the years ended June 30:

	2023	2022
Performance obligations satisfied over time	$ 302,871	285,281
Performance obligations satisfied at a point in time	$ 100,725	63,153

Contract Balances

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable and deferred revenue on the statements of financial position. The beginning and ending contract balances were as follows:

	June 30, 2023	June 30, 2022	July 1, 2021
Accounts receivable	$ 5,238	6,327	4,335
Deferred revenue	$ 34,866	71,188	70,303

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Support and Revenue Recognition, Continued

Promises to Give

The Orchestra recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give at June 30, 2023 and 2022.

In-kind Contributions

Volunteers contribute significant amounts of time to the Orchestra's program services, management and general, and fundraising 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. The Orchestra recognizes donated specialized services and use of facilities which are measured at the fair value of the donation obtained from the donor. Contributed goods are recorded at fair value at the date of donation.

Functional Expenses

The costs of program and supporting service 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 program and supporting services benefited.

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. Expenses not directly attributable to a specific function are allocated on the basis of estimates of time and effort.

Income Taxes

The Orchestra has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for either federal or state income taxes.

The Orchestra has evaluated the tax positions taken for all open tax years. Currently, the returns for the prior three fiscal 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.

Based on the evaluation of the Orchestra’s tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended June 30, 2023 and 2022.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Advertising expense was $4,987 and $6,428 for the years ended June 30, 2023 and 2022, respectively, and is included with marketing and advertising expenses in the statements of functional expenses.

Concentration of Credit Risk

During 2023, the Orchestra maintained cash balances at one financial institution. Accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The balances are insured by the FDIC up to $250,000. At June 30, 2023 and 2022, there were no uninsured cash balances.

Adoption of New Accounting Standard – Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. The Orchestra elected to adopt these ASUs effective July 1, 2022 and utilized the available practical expedients. As a result of adoption, the Orchestra did not record any ROU assets and lease liabilities.

New Accounting Standard – Credit Losses

In June 2016, the FASB issued guidance to change the accounting for credit losses. The guidance requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit losses" and record an allowance that presents the net amount expected to be collected on the financial assets. The CECL framework is expected to result in earlier recognition of credit losses. The Orchestra intends to adopt the guidance as of July 1, 2023 and is currently evaluating the effect it is expected to have on its financial statements and related disclosures.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Leases

The Orchestra has a month to month lease for office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. As a result of adoption, the Orchestra did not record any ROU assets and lease liabilities.

The Orchestra elects to apply the short-term lease measurement and recognition exemption to leases that meet the criteria. As of June 30, 2023, the Orchestra has entered into one lease that qualifies for the short-term lease measurement and recognition exemption.

Management Evaluation of Going Concern

In accordance with U.S. GAAP, 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 were available to be issued. Management's evaluation did not identify any conditions or events that raise substantial doubt about the Orchestra's ability to continue as a going concern for the period from October 18, 2023 to October 18, 2024.

Subsequent Events

Subsequent events have been evaluated through October 18, 2023, the date that the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Orchestra regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Orchestra considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

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

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	$ 59,665	208,735
Investments	229,376	257,621
Beneficial interest in funds held by CF	57,477	53,339
Accounts receivable	5,238	6,327
Employee retention credit receivable	-	93,320
Unconditional promises to give	2,701	2,970
Total financial assets	$ 354,457	622,312
Less: amounts not available for general expenditures within one year, due to:		
Board-designated	$ 27,320	25,251
Donor-restricted for a specific purpose	82,201	73,284
Perpetual restrictions	57,027	57,027
Total amounts not available for general expenditures within one year	166,548	155,562
Financial assets available to meet cash needs for general expenditures within one year	$ 187,909	466,750

The Orchestra's perpetual restrictions consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. As of June 30, 2023 and 2022, donor-restricted endowment funds were not available for general expenditure.

The Orchestra 's board-designated endowment of $27,320 and $25,251 at June 30, 2023 and 2022, respectively, is subject to an annual spending rate of 5% as described in Note 8. Although the Orchestra does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure), these amounts could be made available if necessary.

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 6). The purpose of the line of credit is to cover working capital expenses while waiting to collect receivables.

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods for the years ended June 30, 2023 and 2022:

	2023	2022
Purpose restrictions	$ 66,368	62,288
Unappropriated endowment earnings	15,833	10,896
Perpetual restrictions	57,027	57,027
Total net assets with donor restrictions	$ 139,228	130,211

NOTE 5 - INVESTMENTS

Investments reported at fair value at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Assets:		
Depository account	$ 4,988	20,982
Mutual funds	99,022	111,231
Exchange traded funds (ETF) and closed end funds (CEF)	125,366	125,408
Total investments	$ 229,376	257,621

NOTE 6 - LINE OF CREDIT

The Orchestra has an $80,000 unsecured line of credit. This line has no expiration date or required annual renewal requirements and bears interest at prime (the prime rate was 8.25% as of June 30, 2023). No balance was owed as of June 30, 2023 and 2022 under this line of credit agreement.

NOTE 7 - FAIR VALUE MEASUREMENTS

U.S GAAP establishes 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:

NOTE 7 - FAIR VALUE MEASUREMENTS, CONTINUED

- 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, 2023 and 2022.

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.

Depository account: Valued at the closing balance as reported by the fund.

Beneficial interest in funds held by Community Foundation: Based on the fair values of the net assets as reported by CF. The Orchestra considers the measurement of the beneficial interest in net assets of CF to be a Level 3 measurement within the fair value hierarchy because it does not have the ability to direct CF to redeem the assets.

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 method is appropriate and consistent with other market participants, the use of different methodology or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 7 - FAIR VALUE MEASUREMENTS, CONTINUED

The following tables set forth by level, within the fair value hierarchy, the Orchestra's assets at fair value as of June 30, 2023 and 2022:

	Assets at Fair Value as of June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Mutual funds	$ 99,022	-	-	99,022
ETF and CEF	125,366	-	-	125,366
Depository account	4,988	-	-	4,988
Beneficial interest in funds held by CF	-	-	57,477	57,477
Total assets in the fair value hierarchy	$ 229,376	-	57,477	286,853

	Assets at Fair Value as of June 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Mutual funds	$ 111,231	-	-	111,231
ETF and CEF	125,408	-	-	125,408
Depository account	20,982	-	-	20,982
Beneficial interest in funds held by CF	-	-	53,339	53,339
Total assets in the fair value hierarchy	$ 257,621	-	53,339	310,960

The following table reconciles the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3) for the year ended June 30, 2023 and 2022.

	2023	2022
Balance at beginning of year	$ 53,339	$ 64,525
Net performance of the Community Foundation	7,000	(8,261)
Distributions	(2,862)	(2,925)
Balance at end of year	$ 57,477	$ 53,339

For the years ended June 30, 2023 and 2022, there were no significant transfers into or out of Level 3.

NOTE 8 - 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 of directors.

Interpretation of Relevant Law

The State of Illinois adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on June 30, 2009. The board of directors 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 any discounts or an allowance for uncollectible pledges) 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

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 of directors, 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.

NOTE 8 - ENDOWMENT, CONTINUED

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's board of directors has a policy of appropriating for distribution each year, no more than 5% 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 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, 2023 and 2022.

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 27,320	-	27,320
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	-	15,833	15,833
Total endowment net assets	$ 27,320	72,860	100,180

NOTE 8 - ENDOWMENT, CONTINUED

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	$ 25,251	67,923	93,174
Investment return, net	2,069	4,937	7,006
Endowment net assets, June 30, 2023	$ 27,320	72,860	100,180

Endowment net asset composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 25,251	-	25,251
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	-	10,896	10,896
Total endowment net assets	$ 25,251	67,923	93,174

Changes in endowment net assets for the year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2021	$ 30,844	78,428	109,272
Investment return, net	(2,376)	(10,505)	(12,881)
Appropriation of endowment assets for expenditures	(3,217)	-	(3,217)
Endowment net assets, June 30, 2022	$ 25,251	67,923	93,174

NOTE 9 - IN-KIND CONTRIBUTIONS

The Orchestra received the following in-kind contributions of goods, services, and facilities for the years ended June 30:

	2023	2022
Facilities rent	$ 206,825	206,825
Marketing and design	-	12,156
Miscellaneous goods	75	-
Total in-kind contributions	$ 206,900	218,981

On July 1, 2022, the Orchestra entered into an “In-Residence Ensemble Agreement” with Elgin Community College (College) and is included in occupancy and rental on the statements of functional expenses. 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 $206,825 for the years ended June 30, 2023 and 2022.

The Orchestra was provided marketing and design services at no cost. Based on current market rates for these services, the Orchestra would have paid $0 and $12,156 for the years ended June 30, 2023 and 2022, respectively.

The Orchestra was provided miscellaneous goods at no cost. Based on current market rates for these goods, the Orchestra would have paid $75 and $0 for the years ended June 30, 2023 and 2022, respectively.

All in-kind contributions received by the Orchestra for the years ended June 30, 2023 and 2022 were considered to be without donor restrictions and are able to be used by the Orchestra as determined by the board and management.

NOTE 10 - LEASES

As of and for the Year Ended June 30, 2023

The Orchestra leases its office space on a month to month lease that requires monthly payments of $850 plus utilities.

The Orchestra’s lease includes fixed rental payments. The Orchestra has elected the practical expedient not to separate lease and nonlease components for all leases. Total rent expense is included with occupancy and office expense in the statements of functional expenses.

Lease expense for the year ended June 30, 2023 was as follows.

Short-term lease expense	$ 12,981

NOTE 10 - LEASES, CONTINUED

As of and for the Year Ended June 30, 2022

The Orchestra was obligated under a month to month operating lease for office space. Total rent expense under the lease was $11,234 for the year ended December 31, 2021.

NOTE 11 - PAYCHECK PROTECTION PROGRAM LOAN

On April 16, 2020, the Orchestra received loan proceeds in the amount of $96,805 under the Paycheck Protection Program (PPP). Established as part of the CARES Act, the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" of 24 weeks as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

The Orchestra initially recorded a note payable of $96,805 and recorded forgiveness when the loan obligation was legally released in September 2021. The Orchestra recognized a gain on forgiveness of PPP loan principal and interest in the amount of $64,419 for the year ended June 30, 2023. The remaining balance of $32,386 was required to be repaid starting November 2021 at 1% interest with monthly principal and interest payments of $4,708 and matured in May 2022. The loan was paid in full during fiscal year 2022.

NOTE 12 - CONTINGENCY

The $96,805 PPP loan and its forgiveness are subject to examination under the terms of the agreement with the SBA for a period of six years from the date the PPP loan is forgiven, which was September 2021. The Orchestra is not currently under examination nor has the Orchestra been contacted.

The $93,320 ERC is subject to examination for a period of up to five years from the filing date of the ERC refunds. The Orchestra is not currently under examination nor has the Orchestra been contacted.

NOTE 13 - RECLASSIFICATIONS

Certain amounts in the June 30, 2022 financial statements have been reclassified to conform to the June 30, 2023 presentation.