

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Little Orchestra Society/Orpheon, Inc.

We have audited the accompanying financial statements of The Little Orchestra Society/Orpheon, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Little Orchestra Society/Orpheon, Inc. as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, The Little Orchestra Society/Orpheon, Inc. has suspended some of its activities at the direction of the state and local governmental authorities. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
March 5, 2021

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents (Notes 2a and 5)	\$112,134	\$154,653
Unconditional promises to give (Notes 2b and 6)		
Without donor restrictions	79,550	56,864
Restricted for future programs and periods	-	12,500
Accounts receivable	22,644	-
Prepaid expenses	5,211	10,199
Prepaid production costs (Note 7)	6,755	10,130
Property and equipment, at cost (net of accumulated depreciation) (Notes 2c and 8)	3,420	4,560
Security deposits	<u>4,428</u>	<u>4,428</u>
Total Assets	<u><u>\$234,142</u></u>	<u><u>\$253,334</u></u>
Liabilities and Net Assets		
Liabilities		
Loans payable (Note 9)	\$ 43,868	\$ 21,000
Accounts payable and accrued expenses	96,983	84,890
Advance box office receipts	<u>46,026</u>	<u>136,706</u>
Total Liabilities	<u>186,877</u>	<u>242,596</u>
Commitments, Contingency and Uncertainties (Notes 10 and 12)		
Net Assets		
Without donor restrictions (deficit)	19,220	(32,974)
With donor restrictions (Note 4)	<u>28,045</u>	<u>43,712</u>
Total Net Assets	<u>47,265</u>	<u>10,738</u>
Total Liabilities and Net Assets	<u><u>\$234,142</u></u>	<u><u>\$253,334</u></u>

See notes to financial statements.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Revenue and Support						
Ticket sale revenue	\$ 304,354	\$ -	\$ 304,354	\$ 326,255	\$ -	\$ 326,255
Less: Community outreach tickets	(30,290)	-	(30,290)	(28,184)	-	(28,184)
Performance fees	73,950	-	73,950	144,262	-	144,262
Handling charges	32,874	-	32,874	28,715	-	28,715
Contributions (Notes 2b and 9)	770,129	19,000	789,129	745,260	33,236	778,496
Fundraising benefits	56,550	-	56,550	96,288	-	96,288
Less: Direct costs benefiting donors	(43,716)	-	(43,716)	(40,132)	-	(40,132)
Donated services (Note 11)	20,412	-	20,412	117,497	-	117,497
Interest and other revenue	4,407	-	4,407	4,287	-	4,287
	<u>1,188,670</u>	<u>19,000</u>	<u>1,207,670</u>	<u>1,394,248</u>	<u>33,236</u>	<u>1,427,484</u>
Net assets released from restrictions						
Satisfaction of time and program restrictions	34,667	(34,667)	-	35,625	(35,625)	-
	<u>1,223,337</u>	<u>(15,667)</u>	<u>1,207,670</u>	<u>1,429,873</u>	<u>(2,389)</u>	<u>1,427,484</u>
Total Revenue and Support						
Expenses						
Program Services						
Family concerts	596,887	-	596,887	671,351	-	671,351
Public service programs	214,929	-	214,929	264,826	-	264,826
Other program services	73,104	-	73,104	79,835	-	79,835
Total Program Services	<u>884,920</u>	<u>-</u>	<u>884,920</u>	<u>1,016,012</u>	<u>-</u>	<u>1,016,012</u>
Supporting Services						
Management and general	133,750	-	133,750	212,899	-	212,899
Fundraising	152,473	-	152,473	173,742	-	173,742
Total Supporting Services	<u>286,223</u>	<u>-</u>	<u>286,223</u>	<u>386,641</u>	<u>-</u>	<u>386,641</u>
Total Expenses	<u>1,171,143</u>	<u>-</u>	<u>1,171,143</u>	<u>1,402,653</u>	<u>-</u>	<u>1,402,653</u>
Increase (decrease) in net assets	52,194	(15,667)	36,527	27,220	(2,389)	24,831
Net assets (deficit), beginning of year	<u>(32,974)</u>	<u>43,712</u>	<u>10,738</u>	<u>(60,194)</u>	<u>46,101</u>	<u>(14,093)</u>
Net Assets (Deficit), End of Year	<u>\$ 19,220</u>	<u>\$ 28,045</u>	<u>\$ 47,265</u>	<u>\$ (32,974)</u>	<u>\$ 43,712</u>	<u>\$ 10,738</u>

See notes to financial statements.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020							2019	
	Program Services				Supporting Services			Total Expenses	Total Expenses
	Family Concerts	Public Service Programs	Other Program Services	Total	Management and General	Fundraising	Total		
Salaries	\$128,748	\$ 74,263	\$ 12,805	\$215,816	\$ 42,323	\$ 86,280	\$128,603	\$ 344,419	\$ 375,359
Artist fees	214,617	-	-	214,617	-	-	-	214,617	243,604
Guest artists	13,050	-	-	13,050	-	-	-	13,050	27,340
Consultants									
Audit and bookkeeping	-	-	-	-	68,061	-	68,061	68,061	74,340
Legal	-	-	3,713	3,713	13,926	928	14,854	18,567	110,386
Development	-	-	-	-	-	42,500	42,500	42,500	52,375
Education	150	92,456	-	92,606	-	-	-	92,606	125,831
Marketing	22,800	4,275	1,425	28,500	-	-	-	28,500	32,750
Computer and others	-	-	29,600	29,600	-	1,400	1,400	31,000	16,733
Payroll taxes and benefits	17,477	9,653	1,857	28,987	1,197	2,813	4,010	32,997	38,585
Total Salaries, Fees, Payroll Taxes and Benefits	<u>396,842</u>	<u>180,647</u>	<u>49,400</u>	<u>626,889</u>	<u>125,507</u>	<u>133,921</u>	<u>259,428</u>	<u>886,317</u>	<u>1,097,303</u>
Advertising and marketing	8,913	-	1,466	10,379	70	154	224	10,603	13,171
Postage	4,514	-	251	4,765	55	1,405	1,460	6,225	8,597
Printing	4,940	-	-	4,940	-	-	-	4,940	10,003
Total Advertising and Marketing	<u>18,367</u>	<u>-</u>	<u>1,717</u>	<u>20,084</u>	<u>125</u>	<u>1,559</u>	<u>1,684</u>	<u>21,768</u>	<u>31,771</u>
Rent - concert hall and office space	<u>142,847</u>	<u>20,677</u>	<u>6,892</u>	<u>170,416</u>	<u>2,958</u>	<u>6,507</u>	<u>9,465</u>	<u>179,881</u>	<u>180,660</u>
Travel/transportation/freight	<u>1,946</u>	<u>191</u>	<u>383</u>	<u>2,520</u>	<u>39</u>	<u>36</u>	<u>75</u>	<u>2,595</u>	<u>8,927</u>
Insurance	6,487	3,243	1,081	10,811	644	1,416	2,060	12,871	9,320
Office equipment rental	2,683	1,342	447	4,472	266	586	852	5,324	6,207
Office supplies	509	255	85	849	101	644	745	1,594	2,795
Telephone and internet	2,986	1,493	498	4,977	296	667	963	5,940	6,335
Other operating expenses	5,390	3,294	426	9,110	3,757	2,039	5,796	14,906	20,226
Total Operating Expenses	<u>18,055</u>	<u>9,627</u>	<u>2,537</u>	<u>30,219</u>	<u>5,064</u>	<u>5,352</u>	<u>10,416</u>	<u>40,635</u>	<u>44,883</u>
Fundraising event costs	-	-	-	-	-	4,973	4,973	4,973	3,824
Concert production expenses	14,831	-	12,079	26,910	-	-	-	26,910	28,951
Instrument rental	3,424	3,500	-	6,924	-	-	-	6,924	4,477
Total Concert Production Expenses	<u>18,255</u>	<u>3,500</u>	<u>12,079</u>	<u>33,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,834</u>	<u>33,428</u>
Total expenses before depreciation	596,312	214,642	73,008	883,962	133,693	152,348	286,041	1,170,003	1,400,796
Depreciation	575	287	96	958	57	125	182	1,140	1,857
Total Expenses	<u>\$596,887</u>	<u>\$214,929</u>	<u>\$ 73,104</u>	<u>\$884,920</u>	<u>\$ 133,750</u>	<u>\$ 152,473</u>	<u>\$286,223</u>	<u>\$1,171,143</u>	<u>\$1,402,653</u>
	<u>50.97%</u>	<u>18.35%</u>	<u>6.24%</u>	<u>75.56%</u>	<u>11.42%</u>	<u>13.02%</u>	<u>24.44%</u>	<u>100.00%</u>	

See notes to financial statements.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services			Total Expenses
	Family Concerts	Public Service Programs	Other Program Services	Total	Management and General	Fundraising	Total	
Salaries	\$141,301	\$ 86,263	\$ 13,783	\$ 241,347	\$ 42,006	\$ 92,006	\$134,012	\$ 375,359
Artist fees	242,110	-	-	242,110	-	1,494	1,494	243,604
Guest artists	27,190	-	150	27,340	-	-	-	27,340
Consultants								
Audit and bookkeeping	-	-	-	-	74,340	-	74,340	74,340
Legal	-	-	22,077	22,077	82,790	5,519	88,309	110,386
Development	-	-	-	-	-	52,375	52,375	52,375
Education	-	125,831	-	125,831	-	-	-	125,831
Marketing	26,200	4,912	1,638	32,750	-	-	-	32,750
Computer and others	1,658	2,000	11,535	15,193	-	1,540	1,540	16,733
Payroll taxes and benefits	20,913	13,236	2,165	36,314	-	2,271	2,271	38,585
Total Salaries, Fees, Payroll Taxes and Benefits	<u>459,372</u>	<u>232,242</u>	<u>51,348</u>	<u>742,962</u>	<u>199,136</u>	<u>155,205</u>	<u>354,341</u>	<u>1,097,303</u>
Advertising and marketing	6,695	-	5,977	12,672	32	467	499	13,171
Postage	4,997	74	450	5,521	320	2,756	3,076	8,597
Printing	9,328	-	-	9,328	-	675	675	10,003
Total Advertising and Marketing	<u>21,020</u>	<u>74</u>	<u>6,427</u>	<u>27,521</u>	<u>352</u>	<u>3,898</u>	<u>4,250</u>	<u>31,771</u>
Rent - concert hall and office space	142,534	18,858	6,286	167,678	7,101	5,881	12,982	180,660
Travel/transportation/freight	8,444	261	157	8,862	23	42	65	8,927
Insurance	5,069	2,160	720	7,949	428	943	1,371	9,320
Office equipment rental	3,040	1,520	507	5,067	477	663	1,140	6,207
Office supplies	1,076	538	179	1,793	397	605	1,002	2,795
Telephone and internet	3,193	1,596	532	5,321	317	697	1,014	6,335
Other operating expenses	8,184	5,109	578	13,871	4,575	1,780	6,355	20,226
Total Operating Expenses	<u>20,562</u>	<u>10,923</u>	<u>2,516</u>	<u>34,001</u>	<u>6,194</u>	<u>4,688</u>	<u>10,882</u>	<u>44,883</u>
Fundraising event costs	-	-	-	-	-	3,824	3,824	3,824
Concert production expenses	16,006	-	12,945	28,951	-	-	-	28,951
Instrument rental	2,477	2,000	-	4,477	-	-	-	4,477
Total Concert Production Expenses	<u>18,483</u>	<u>2,000</u>	<u>12,945</u>	<u>33,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,428</u>
Total expenses before depreciation	670,415	264,358	79,679	1,014,452	212,806	173,538	386,344	1,400,796
Depreciation	936	468	156	1,560	93	204	297	1,857
Total Expenses	<u>\$671,351</u>	<u>\$264,826</u>	<u>\$ 79,835</u>	<u>\$1,016,012</u>	<u>\$ 212,899</u>	<u>\$ 173,742</u>	<u>\$386,641</u>	<u>\$1,402,653</u>
	<u>47.86%</u>	<u>18.88%</u>	<u>5.69%</u>	<u>72.43%</u>	<u>15.18%</u>	<u>12.39%</u>	<u>27.57%</u>	<u>100.00%</u>

See notes to financial statements.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 36,527	\$ 24,831
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	1,140	1,857
Forgiveness of loan payable	(21,467)	-
(Increase) decrease in:		
Unconditional promises to give	(10,186)	23,807
Accounts receivable	(22,644)	48,856
Prepaid expenses	4,988	(54)
Prepaid production costs	3,375	562
Security deposits	-	29,414
Increase (decrease) in:		
Accounts payable and accrued expenses	12,093	(39,597)
Advance box office receipts	(90,680)	(21,062)
Net Cash Provided (Used) By Operating Activities	<u>(86,854)</u>	<u>68,614</u>
Cash Flows From Financing Activities		
Proceeds from loans payable	142,135	-
Repayment of loans payable	(97,800)	(4,000)
Net Cash Provided (Used) By Financing Activities	<u>44,335</u>	<u>(4,000)</u>
Net increase (decrease) in cash and cash equivalents	(42,519)	64,614
Cash and cash equivalents, beginning of year	<u>154,653</u>	<u>90,039</u>
Cash and Cash Equivalents, End of Year	<u><u>\$112,134</u></u>	<u><u>\$154,653</u></u>
Supplemental Disclosure		
Interest paid	<u>\$ 1,152</u>	<u>\$ -</u>

See notes to financial statements.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization**

Founded in 1947, The Little Orchestra Society/Orpheon, Inc. ("The Little Orchestra Society") is a mid-size orchestral ensemble offering a broad repertoire of interactive concerts and supporting programs for audiences of all ages. The Little Orchestra Society is the second oldest professional union orchestra in New York City and offers innovative programs that enhance audiences' understanding and enjoyment of music by incorporating multiple art forms to deepen the concert experience. Following the death of Music Director Dino Anagnost in March 2011, The Little Orchestra Society identified its next Music Director, and in June 2013, James Judd was appointed. In May 2019, a transition was made from James Judd to David Alan Miller who joined The Little Orchestra Society as Artistic Advisor.

The Little Orchestra Society's public service programs: *Musical Connections: The School Partnership Program* and *Live in Concert!* bring music education and live concert experiences to New York City's public school children and seniors. Concert admissions are provided for participants in all of these programs without charge. In addition, The Little Orchestra Society now partners with schools to provide afterschool music education programming and with libraries, public housing facilities, senior centers, museums, and other community venues to expand fulfillment of our mission. These important public service and music education programs are at the core of The Little Orchestra's mission and vision.

During the year ended June 30, 2020, approximately 38% of contributions were received from one foundation and one government agency. During the year ended June 30, 2019, approximately 17% of contributions were received from one government agency.

The Little Orchestra Society is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

Mission

The mission of The Little Orchestra Society is to share the vitality of live classical music and build future audiences by presenting innovative concerts that incorporate multiple art forms to provide audiences with a deeper understanding and enjoyment of music. With original productions designed and created by former Music Directors, Dino Anagnost and James Judd, and Artistic Advisor, David Alan Miller, consulting producers and program designers, The Little Orchestra Society seeks to make concertgoing and engagement in the live performing arts a life-long pursuit.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 2 - Summary of Significant Accounting Policies****a - Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

b - Contributions and Unconditional Promises to Give

Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Conditional promises to give that have measurable performance or other barriers and a right of return are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

c - Property and Equipment

Property and equipment acquired are recorded at cost. Property and equipment are depreciated using the straight-line method over the estimated useful life of the related asset.

d - Financial Statement Presentation

The Organization's financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 2 - Summary of Significant Accounting Policies (continued)**e - Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. The expenses that are allocated include salaries and related expenses, rent and office expenses which are allocated on the basis of time and effort.

g - Advertising

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for 2020 and 2019 was \$3,020 and \$5,142, respectively.

h - New Accounting Pronouncements

For 2020, the Organization adopted Accounting Standards Update ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*". The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than 12 months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of ASU 2016-02 on its financial statements.

i - Subsequent Events

The Organization has evaluated subsequent events through March 5, 2021, the date that the financial statements are considered available to be issued.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 3 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue and ticket sale income raised during the current year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures

The organization's financial assets as of June 30, 2020 and 2019 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$112,134	\$154,653
Unconditional promises to give	<u>79,550</u>	<u>69,364</u>
Total Financial Assets	191,684	224,017
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(28,045)	(43,712)
Less: Net assets with purpose restrictions to be met in less than one year	<u>28,045</u>	<u>43,712</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$191,684</u>	<u>\$224,017</u>

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 4 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for future programs and periods.

Note 5 - Concentration of Credit Risk

The Organization maintains cash balances at financial institutions located in New York City. The cash accounts are insured by the Federal Deposit Insurance Corporation up to applicable limits.

Note 6 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

Note 7 - Prepaid Production Costs

Prepaid production costs consist of costumes and set pieces for various concert productions which are expected to be used over five years:

	<u>2020</u>	<u>2019</u>
Costume/set pieces	\$56,875	\$62,775
Less: Accumulated cost	<u>(50,120)</u>	<u>(52,645)</u>
	<u>\$ 6,755</u>	<u>\$10,130</u>

Costume/set pieces expense for the years ended June 30, 2020 and 2019 was \$3,375 and \$8,113, respectively.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 8 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2020</u>	<u>2019</u>
Leasehold improvements	Life of lease	\$ 5,700	\$ 5,700
Computer equipment	5 years	14,198	14,198
Furniture and equipment	5 years	<u>5,243</u>	<u>5,243</u>
		25,141	25,141
Less: Accumulated depreciation		<u>(21,721)</u>	<u>(20,581)</u>
		<u>\$ 3,420</u>	<u>\$ 4,560</u>

Note 9 - Loans Payable

- a - In fiscal year 2015, the Organization secured a cash flow loan, subject to a service charge of 1.5% of principal, from the Fund for the City of New York. The remaining outstanding balance of this loan was repaid in full during the year ended June 30, 2020.
- b - On May 1, 2020, the Organization received a loan totaling \$65,335 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 1% per annum and is due on May 1, 2022. The loan and any accrued interest can be forgiven if the loan proceeds are applied toward applicable payroll and occupancy costs, as defined in the Coronavirus Aid, Relief and Economic Security Act. The Organization initially recorded the balance as a loan and subsequently recognized \$21,467 as contribution income to match the amounts expended during the year ended June 30, 2020.

Note 10 - Commitments and Contingency

- a - The Organization occupies office space under a lease that provides for minimum rental payments as follows:

<u>Year Ending June 30,</u>	
2021	\$56,366
2022	58,057
2023	59,798

Rent expense for the years ended June 30, 2020 and 2019 was \$59,140 and \$57,891, respectively.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 10 - Commitments and Contingency (continued)

- b - Government supported projects are subject to audit by the applicable government granting agencies.
- c - The Organization provides its employees the option of deferring current earnings by participating in a tax deferred 403(b) retirement plan. The Organization does not make any contributions to this plan.

Note 11 - Donated Services

Donated services consist of the following:

	2020	2019
Legal services	\$18,567	\$110,386
Consulting and other services	1,845	7,111
Total	\$20,412	\$117,497

Note 12 - Risks and Uncertainties

In March 2020, the United States declared the global pandemic novel coronavirus, COVID-19 outbreak a national emergency. As a result, the Organization cancelled some of its program activities at the direction of state and local governmental authorities. This disruption lasted beyond the end of the Organization's fiscal year, June 30, 2020.

In response to the pandemic, the Organization transitioned to virtual work and cancelled all in person activities. Performances for fiscal year 2021 are being streamed online and are available to members of the Organization. The Organization's management continues to evaluate the impact these uncertainties in connection with the ongoing pandemic will have on operations.