

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 (Audited) AND 2021 (Unaudited)



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of The Little Orchestra Society/Orpheon, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Little Orchestra Society/Orpheon, Inc. as of June 30, 2022, 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.

Basis for Opinion

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

Prior Period Financial Statements

The 2021 financial statements were reviewed by us, and our report thereon, dated May 10, 2022, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Little Orchestra Society/Orpheon, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Little Orchestra Society/Orpheon, Inc.'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.

Lutz + Carr, LLP

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 (Audited) AND 2021 (Unaudited)

	<u>2022</u> <u>(Audited)</u>	<u>2021</u> <u>(Unaudited)</u>
Assets		
Cash and cash equivalents (Notes 2a and 5)	\$186,091	\$ 83,642
Unconditional promises to give (Notes 2b and 6)		
Without donor restrictions	42,950	91,150
With donor restrictions	10,000	-
Refundable federal credits receivable (Note 12)	118,386	-
Accounts receivable	42,493	27,282
Prepaid expenses	4,631	2,106
Prepaid production costs	2,265	4,195
Property and equipment, at cost (net of accumulated depreciation) (Notes 2c and 7)	1,140	2,280
Security deposits	4,428	4,428
	<u>412,384</u>	<u>215,083</u>
Total Assets	<u>\$412,384</u>	<u>\$ 215,083</u>
Liabilities and Net Assets		
Liabilities		
Loan payable (Note 8)	\$ -	\$ 16,334
Accounts payable and accrued expenses	44,795	95,439
Advance box office receipts (Note 2d)	12,496	-
Total Liabilities	<u>57,291</u>	<u>111,773</u>
Commitments and Contingency (Note 9)		
Net Assets		
Without Donor Restrictions		
Operating	136,048	94,265
Board-designated reserve (Note 4a)	200,000	-
Total Without Donor Restrictions	<u>336,048</u>	<u>94,265</u>
With Donor Restrictions (Note 4b)	<u>19,045</u>	<u>9,045</u>
Total Net Assets	<u>355,093</u>	<u>103,310</u>
	<u>\$412,384</u>	<u>\$ 215,083</u>
Total Liabilities and Net Assets	<u>\$412,384</u>	<u>\$ 215,083</u>

See notes to financial statements.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 (Audited) AND 2021 (Unaudited)

	2022					2021		
	(Audited)					(Unaudited)		
	Without Donor Restrictions			With Donor Restrictions		Without Donor Restrictions	With Donor Restrictions	Total
Operating	Board Designated Reserve	Total	Restrictions	Total	Restrictions	Restrictions	Total	
Changes in Net Assets								
Revenue and Support								
Ticket sales and streaming income (Note 2d)	\$ 135,475	\$ -	\$ 135,475	\$ -	\$ 135,475	\$ 38,339	\$ -	\$ 38,339
Less: Community outreach tickets	(61,892)	-	(61,892)	-	(61,892)	-	-	-
Performance fees	77,310	-	77,310	-	77,310	35,100	-	35,100
Handling charges	16,379	-	16,379	-	16,379	2,423	-	2,423
Contributions (Note 8)	585,882	-	585,882	10,000	595,882	649,700	-	649,700
Shuttered Venue Operators Grant (Note 11)	233,398	-	233,398	-	233,398	-	-	-
Refundable federal credits (Note 12)	118,386	-	118,386	-	118,386	-	-	-
Donated services and facilities (Note 10)	13,468	-	13,468	-	13,468	83,966	-	83,966
Interest and other revenue	253	-	253	-	253	1,005	-	1,005
	<u>1,118,659</u>	<u>-</u>	<u>1,118,659</u>	<u>10,000</u>	<u>1,128,659</u>	<u>810,533</u>	<u>-</u>	<u>810,533</u>
Net assets released from restrictions								
Satisfaction of time and program restrictions	-	-	-	-	-	19,000	(19,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,000</u>	<u>(19,000)</u>	<u>-</u>
Total Revenue and Support	<u>1,118,659</u>	<u>-</u>	<u>1,118,659</u>	<u>10,000</u>	<u>1,128,659</u>	<u>829,533</u>	<u>(19,000)</u>	<u>810,533</u>
Expenses								
Program Services								
Family concerts	535,509	-	535,509	-	535,509	384,852	-	384,852
Public service programs	215,411	-	215,411	-	215,411	126,178	-	126,178
Other program services	39,212	-	39,212	-	39,212	41,426	-	41,426
Total Program Services	<u>790,132</u>	<u>-</u>	<u>790,132</u>	<u>-</u>	<u>790,132</u>	<u>552,456</u>	<u>-</u>	<u>552,456</u>
Supporting Services								
Management and general	50,825	-	50,825	-	50,825	109,382	-	109,382
Fundraising	35,919	-	35,919	-	35,919	92,650	-	92,650
Total Supporting Services	<u>86,744</u>	<u>-</u>	<u>86,744</u>	<u>-</u>	<u>86,744</u>	<u>202,032</u>	<u>-</u>	<u>202,032</u>
Total Expenses	<u>876,876</u>	<u>-</u>	<u>876,876</u>	<u>-</u>	<u>876,876</u>	<u>754,488</u>	<u>-</u>	<u>754,488</u>
Increase (Decrease) in Net Assets Before Fund Transfers	<u>241,783</u>	<u>-</u>	<u>241,783</u>	<u>10,000</u>	<u>251,783</u>	<u>75,045</u>	<u>(19,000)</u>	<u>56,045</u>
Transfer to board-designated reserve (Note 4a)	(200,000)	200,000	-	-	-	-	-	-
Increase (decrease) in net assets	<u>41,783</u>	<u>200,000</u>	<u>241,783</u>	<u>10,000</u>	<u>251,783</u>	<u>75,045</u>	<u>(19,000)</u>	<u>56,045</u>
Net assets, beginning of year	94,265	-	94,265	9,045	103,310	19,220	28,045	47,265
	<u>94,265</u>	<u>-</u>	<u>94,265</u>	<u>9,045</u>	<u>103,310</u>	<u>19,220</u>	<u>28,045</u>	<u>47,265</u>
Net Assets, End of Year	<u>\$ 136,048</u>	<u>\$ 200,000</u>	<u>\$ 336,048</u>	<u>\$ 19,045</u>	<u>\$ 355,093</u>	<u>\$ 94,265</u>	<u>\$ 9,045</u>	<u>\$103,310</u>

See notes to financial statements.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022 (Audited)
WITH COMPARATIVE TOTALS FOR 2021 (Unaudited)

	2022 (Audited)							2021 (Unaudited)	
	Program Services				Supporting Services			Total Expenses	Total Expenses
	Family Concerts	Public Service Programs	Other Program Services	Total	Management and General	Fundraising	Total		
Salaries	\$140,693	\$ 75,409	\$ 12,996	\$229,098	\$ 22,982	\$ 19,718	\$42,700	\$271,798	\$ 308,848
Artist fees	144,631	-	-	144,631	-	-	-	144,631	131,554
Guest artists	25,575	-	-	25,575	-	-	-	25,575	10,950
Consultants									
Audit and bookkeeping	-	-	-	-	12,856	-	12,856	12,856	46,143
Legal	-	-	-	-	3,468	-	3,468	3,468	15,884
Education	800	98,248	-	99,048	-	-	-	99,048	49,013
Marketing	12,000	2,250	750	15,000	-	-	-	15,000	12,000
Computer and others	18,095	5,100	10,017	33,212	124	1,867	1,991	35,203	17,767
Payroll taxes and benefits	18,177	5,049	2,020	25,246	2,430	2,867	5,297	30,543	28,901
Total Salaries, Fees, Payroll Taxes and Benefits	<u>359,971</u>	<u>186,056</u>	<u>25,783</u>	<u>571,810</u>	<u>41,860</u>	<u>24,452</u>	<u>66,312</u>	<u>638,122</u>	<u>621,060</u>
Concert production expenses	5,652	-	2,651	8,303	-	-	-	8,303	11,559
Instrument rental	4,782	-	-	4,782	-	-	-	4,782	1,012
Total Concert Production Expenses	<u>10,434</u>	<u>-</u>	<u>2,651</u>	<u>13,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,085</u>	<u>12,571</u>
Advertising and marketing	12,655	675	1,925	15,255	99	446	545	15,800	8,243
Postage	5,864	-	-	5,864	935	656	1,591	7,455	1,894
Printing	7,763	-	-	7,763	3	-	3	7,766	877
Total Advertising and Marketing	<u>26,282</u>	<u>675</u>	<u>1,925</u>	<u>28,882</u>	<u>1,037</u>	<u>1,102</u>	<u>2,139</u>	<u>31,021</u>	<u>11,014</u>
Rent - concert hall and office space	129,534	22,642	7,547	159,723	3,027	7,045	10,072	169,795	81,937
Travel/transportation/freight	-	48	-	48	162	-	162	210	51
Insurance	1,587	793	264	2,644	867	346	1,213	3,857	7,871
Office equipment rental	1,495	748	249	2,492	149	326	475	2,967	3,923
Office supplies	183	74	25	282	-	52	52	334	589
Telephone and internet	2,109	1,054	351	3,514	394	460	854	4,368	6,550
Other operating expenses	3,339	3,034	321	6,694	3,272	2,011	5,283	11,977	7,782
Total Operating Expenses	<u>8,713</u>	<u>5,703</u>	<u>1,210</u>	<u>15,626</u>	<u>4,682</u>	<u>3,195</u>	<u>7,877</u>	<u>23,503</u>	<u>26,715</u>
Total expenses before depreciation	534,934	215,124	39,116	789,174	50,768	35,794	86,562	875,736	753,348
Depreciation	575	287	96	958	57	125	182	1,140	1,140
Total Expenses	<u>\$535,509</u>	<u>\$215,411</u>	<u>\$ 39,212</u>	<u>\$790,132</u>	<u>\$ 50,825</u>	<u>\$ 35,919</u>	<u>\$86,744</u>	<u>\$876,876</u>	<u>\$ 754,488</u>
	<u>61.07%</u>	<u>24.57%</u>	<u>4.47%</u>	<u>90.11%</u>	<u>5.79%</u>	<u>4.10%</u>	<u>9.89%</u>	<u>100.00%</u>	

See notes to financial statements.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

(Unaudited)

	Program Services				Supporting Services			Total Expenses
	Family Concerts	Public Service Programs	Other Program Services	Total	Management and General	Fundraising	Total	
Salaries	\$137,552	\$ 40,408	\$ 13,988	\$191,948	\$ 40,221	\$ 76,679	\$116,900	\$308,848
Artist fees	131,554	-	-	131,554	-	-	-	131,554
Guest artists	10,950	-	-	10,950	-	-	-	10,950
Consultants								
Audit and bookkeeping	-	-	-	-	46,143	-	46,143	46,143
Legal	-	-	-	-	15,884	-	15,884	15,884
Education	-	48,763	250	49,013	-	-	-	49,013
Marketing	9,600	1,800	600	12,000	-	-	-	12,000
Computer and others	8,400	2,400	5,773	16,573	50	1,144	1,194	17,767
Payroll taxes and benefits	17,549	5,122	1,834	24,505	1,349	3,047	4,396	28,901
Total Salaries, Fees, Payroll Taxes and Benefits	<u>315,605</u>	<u>98,493</u>	<u>22,445</u>	<u>436,543</u>	<u>103,647</u>	<u>80,870</u>	<u>184,517</u>	<u>621,060</u>
Concert production expenses	4,528	-	7,031	11,559	-	-	-	11,559
Instrument rental	1,012	-	-	1,012	-	-	-	1,012
Total Concert Production Expenses	<u>5,540</u>	<u>-</u>	<u>7,031</u>	<u>12,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,571</u>
Advertising and marketing	5,690	-	2,069	7,759	95	389	484	8,243
Postage	-	-	726	726	50	1,118	1,168	1,894
Printing	-	-	-	-	-	877	877	877
Total Advertising and Marketing	<u>5,690</u>	<u>-</u>	<u>2,795</u>	<u>8,485</u>	<u>145</u>	<u>2,384</u>	<u>2,529</u>	<u>11,014</u>
Rent - concert hall and office space	43,433	21,425	7,142	72,000	3,105	6,832	9,937	81,937
Travel/transportation/freight	-	-	51	51	-	-	-	51
Insurance	3,967	1,983	661	6,611	394	866	1,260	7,871
Office equipment rental	1,958	979	326	3,263	298	362	660	3,923
Office supplies	276	138	46	460	47	82	129	589
Telephone and internet	3,090	1,545	515	5,150	726	674	1,400	6,550
Other operating expenses	4,718	1,328	318	6,364	963	455	1,418	7,782
Total Operating Expenses	<u>14,009</u>	<u>5,973</u>	<u>1,866</u>	<u>21,848</u>	<u>2,428</u>	<u>2,439</u>	<u>4,867</u>	<u>26,715</u>
Total expenses before depreciation	384,277	125,891	41,330	551,498	109,325	92,525	201,850	753,348
Depreciation	575	287	96	958	57	125	182	1,140
Total Expenses	<u>\$384,852</u>	<u>\$126,178</u>	<u>\$ 41,426</u>	<u>\$552,456</u>	<u>\$ 109,382</u>	<u>\$ 92,650</u>	<u>\$202,032</u>	<u>\$754,488</u>
	<u>51.01%</u>	<u>16.72%</u>	<u>5.49%</u>	<u>73.22%</u>	<u>14.50%</u>	<u>12.28%</u>	<u>26.78%</u>	<u>100.00%</u>

See notes to financial statements.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 (Audited) AND 2021 (Unaudited)

	<u>2022</u> <u>(Audited)</u>	<u>2021</u> <u>(Unaudited)</u>
Cash Flows From Operating Activities		
Increase in net assets	\$251,783	\$ 56,045
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	1,140	1,140
Forgiveness of loans payable	(16,334)	(92,869)
(Increase) decrease in:		
Unconditional promises to give	38,200	(11,600)
Accounts receivable	(15,211)	(4,638)
Refundable federal credits receivable	(118,386)	-
Prepaid expenses	(2,525)	3,105
Prepaid production costs	1,930	2,560
Increase (decrease) in:		
Accounts payable and accrued expenses	(50,644)	(1,544)
Advance box office receipts	12,496	(46,026)
Net Cash Provided (Used) By Operating Activities	<u>102,449</u>	<u>(93,827)</u>
Cash Flows From Financing Activities		
Proceeds from loans payable	<u>-</u>	<u>65,335</u>
Net increase (decrease) in cash and cash equivalents	102,449	(28,492)
Cash and cash equivalents, beginning of year	<u>83,642</u>	<u>112,134</u>
Cash and Cash Equivalents, End of Year	<u><u>\$186,091</u></u>	<u><u>\$ 83,642</u></u>

See notes to financial statements.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 (Audited) AND 2021 (Unaudited)****Note 1 - Organization**

Founded in 1947, The Little Orchestra Society/Orpheon, Inc. ("The Little Orchestra Society" or, the "Organization") 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.

The Little Orchestra Society transitioned from virtual programming in 2020-21 back to in-person programming in 2021-22. All program services took place in public schools, public facilities, and concert halls, including Musical Connections, Live In Concert!, and L.O.S. KIDS concert series performances.

During the year ended June 30, 2022, approximately 56% of contributions were received from two government agencies. During the year ended June 30, 2021, approximately 46% of contributions were received from three government agencies.

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, 2022 (Audited) AND 2021 (Unaudited)****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.

The Organization uses the allowance method to determine uncollectible promises to give based on prior years' experience and management's analysis of specific promises made.

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 - Revenue Recognition

The Organization has multiple revenue streams that are accounted for as exchange transactions including ticket sales and streaming income, performance fees, and handling charges.

Ticket sales are recognized when the concert takes place and streaming income is recognized over the period in which concert streaming is available. Handling fees are recognized at the point of ticket purchase. The Organization's performance obligations have an initial expected duration of one year or less. The Organization records deferred revenue in situations when amounts are collected, but the performance obligations have not yet been met.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 (Audited) AND 2021 (Unaudited)****Note 2 - Summary of Significant Accounting Policies (continued)****e - Financial Statement Presentation**

The Organization's financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require 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.

f - 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.

g - 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.

h - Advertising

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for 2022 and 2021 was \$6,610 and \$3,052, respectively.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 (Audited) AND 2021 (Unaudited)****Note 2 - Summary of Significant Accounting Policies (continued)****i - New Accounting Standard**

For 2022, the Organization adopted Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

j - Subsequent Events

The Organization has evaluated subsequent events through May 12, 2023, the date that the financial statements are considered available to be issued.

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 LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 (Audited) AND 2021 (Unaudited)

Note 3 - Information Regarding Liquidity and Availability (continued)

The Organization's financial assets as of June 30, 2022 and 2021 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$186,091	\$ 83,642
Unconditional promises to give	52,950	91,150
Accounts receivable	42,493	27,282
Refundable federal credits receivable	<u>118,386</u>	<u>-</u>
Total Financial Assets	399,920	202,074
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	(19,045)	(9,045)
Less: Net assets with purpose restrictions to be met in less than one year	15,000	9,045
Board-designated reserve	<u>(200,000)</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$195,875</u>	<u>\$202,074</u>

In addition to these financial assets available within one year, the Organization's board-designated reserve could be made available at any time to meet cash needs for general expenditures at the discretion of the Board (Note 4a).

Note 4 - Net Assets With Donor Restrictions

a - Net Assets Without Donor Restrictions

The Organization's Board of Directors approved the designation of \$200,000 from the operating surplus for the year ended June 30, 2022 to create a board designated reserve fund to be used for future operating purposes.

b - Net Assets With Donor Restrictions

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

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 (Audited) AND 2021 (Unaudited)

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 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2022</u>	<u>2021</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>(24,001)</u>	<u>(22,861)</u>
		<u>\$ 1,140</u>	<u>\$ 2,280</u>

Note 8 - Loans Payable

On May 1, 2020, the Organization received a loan totaling \$65,335 under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration. The loan and any accrued interest were eligible for forgiveness if the loan proceeds were 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 payable and subsequently recognized contribution income of \$43,868 and \$21,467 during the years ended June 30, 2021 and 2020, respectively, to match the amounts expended. The loan was forgiven in full in April 2021.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 (Audited) AND 2021 (Unaudited)

Note 8 - Loans Payable (continued)

On February 19, 2021, the Organization received a second loan under the PPP totaling \$65,335. The Organization initially recorded the balance as a loan payable and subsequently recognized contribution income of \$16,334 and \$49,001 during the years ended June 30, 2022 and 2021, respectively, to match the amounts expended. The loan was forgiven in full in October 2021.

Note 9 - Commitments and Contingency

a - The Organization occupies office space under a lease ending in September 2022. Minimum rental payments through September 2022 total \$14,950.

Rent expense for the years ended June 30, 2022 and 2021 was \$63,852 and \$62,041 (including \$56,082 of donated rent (Note 10)), respectively.

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 contribute to this plan.

Note 10 - Donated Services and Facilities

Donated services and facilities consist of the following:

	<u>2022</u>	<u>2021</u>
Legal services	\$ 3,468	\$15,884
Rent	-	56,082
Consulting and other services	<u>10,000</u>	<u>12,000</u>
Total	<u>\$13,468</u>	<u>\$83,966</u>

The value of the donated services was provided by the service providers, based on rates charged for similar services and footnotes.

THE LITTLE ORCHESTRA SOCIETY/ORPHEON, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2022 (Audited) AND 2021 (Unaudited)****Note 11 - Shuttered Venue Operators Grant**

In July 2021, the Organization was awarded a grant totaling \$233,398 by the U.S. Small Business Administration through the Shuttered Venue Operators Grant program. The grant covered allowable expenses, including payroll costs, artistic and independent contractor fees, and other ordinary and necessary business expenses incurred by the Organization during the year ended June 30, 2022. Accordingly, the grant is reflected in revenue and support on the accompanying statement of activities.

Note 12 - Refundable Federal Credits

The Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted in 2020 allowed eligible employers to claim Employee Retention Tax Credits for qualified wages paid after March 12, 2020 and before September 30, 2021. The Organization qualified for a credit of \$118,386. Accordingly, \$118,386 has been recognized as refundable federal credits revenue in the accompanying statement of activities.