



Apollo's Fire, The Cleveland Baroque Orchestra

Financial Statements
July 31, 2020 and 2019

Cohen & Co

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APOLLO'S FIRE,
THE CLEVELAND BAROQUE ORCHESTRA

JULY 31, 2020 AND 2019

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Independent Auditors' Report

Board of Directors
Apollo's Fire,
The Cleveland Baroque Orchestra

We have audited the accompanying financial statements of Apollo's Fire, The Cleveland Baroque Orchestra (a nonprofit organization), which comprise the statement of financial position as of July 31, 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.

Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 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 Apollo's Fire, The Cleveland Baroque Orchestra as of July 31, 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.



Cleveland, Ohio
January 4, 2021

STATEMENT OF FINANCIAL POSITION

JULY 31, 2020 AND 2019

	ASSETS	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 828,281	\$ 597,466
Grants receivable	95,863	101,250
Pledges receivable - Current	22,448	15,000
Accounts receivable	7,193	
Inventory	13,241	17,291
Asset held for sale	12,000	12,000
Prepaid expenses and other assets	49,855	56,624
	1,028,881	799,631
PROPERTY AND EQUIPMENT - AT COST		
	142,387	123,114
Less: Accumulated depreciation	122,517	112,741
	19,870	10,373
OTHER ASSET		
Pledges receivable - Long-term	20,000	130,000
Funds held by others	67,348	64,141
	87,348	194,141
	\$ 1,136,099	\$ 1,004,145
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 23,504	\$ 6,692
Accounts payable and accrued expenses	64,258	38,332
Deferred revenue	95,218	25,077
	182,980	70,101
LONG-TERM DEBT		
	57,656	2,855
	240,636	72,956
COMMITMENTS		
NET ASSETS		
Without donor restrictions	591,805	605,309
With donor restrictions	303,658	325,880
	895,463	931,189
	\$ 1,136,099	\$ 1,004,145

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

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE AND SUPPORT			
Revenue			
Ticket sales	\$ 342,104		\$ 342,104
Touring fees	253,053		253,053
Merchandise sales	34,854		34,854
Advertising	16,101		16,101
	<u>646,112</u>		<u>646,112</u>
Support			
Grants	276,094	\$ 206,670	482,764
Donations	455,600	46,988	502,588
Board donations	115,933	10,000	125,933
Ambassador donations	56,078	10,000	66,078
Donated goods and services	87,981		87,981
	<u>991,686</u>	<u>273,658</u>	<u>1,265,344</u>
Other			
Interest income	4,158		4,158
Change in fair value of funds held by others	3,207		3,207
Miscellaneous	3,750		3,750
Net assets released from restrictions	295,880	(295,880)	
	<u>306,995</u>	<u>(295,880)</u>	<u>11,115</u>
Total revenue and support	<u>1,944,793</u>	<u>(22,222)</u>	<u>1,922,571</u>
EXPENSES			
Program - Concerts and recordings	1,627,227		1,627,227
Supporting services - Administrative	169,135		169,135
- Fundraising	161,935		161,935
Total expenses	<u>1,958,297</u>		<u>1,958,297</u>
CHANGE IN NET ASSETS	(13,504)	(22,222)	(35,726)
NET ASSETS - BEGINNING OF YEAR	<u>605,309</u>	<u>325,880</u>	<u>931,189</u>
NET ASSETS - END OF YEAR	<u>\$ 591,805</u>	<u>\$ 303,658</u>	<u>\$ 895,463</u>

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

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Revenue			
Ticket sales	\$ 505,489		\$ 505,489
Touring fees	221,126		221,126
Merchandise sales	51,943		51,943
Advertising	8,572		8,572
	<u>787,130</u>		<u>787,130</u>
Support			
Grants	360,038	\$ 174,130	534,168
Donations	331,497	11,750	343,247
Board donations	280,584	140,000	420,584
Ambassador donations	19,520		19,520
Donated goods and services	150,697		150,697
Benefit events	214,135		214,135
	<u>1,356,471</u>	<u>325,880</u>	<u>1,682,351</u>
Other			
Interest income	4,810		4,810
Change in fair value of funds held by others	2,192		2,192
Miscellaneous	3,982		3,982
Net assets released from restrictions	145,000	(145,000)	
	<u>155,984</u>	<u>(145,000)</u>	<u>10,984</u>
Total revenue and support	<u>2,299,585</u>	<u>180,880</u>	<u>2,480,465</u>
EXPENSES			
Program - Concerts and recordings	1,571,584		1,571,584
Supporting services - Administrative	138,151		138,151
- Fundraising	212,493		212,493
Total expenses	<u>1,922,228</u>		<u>1,922,228</u>
CHANGE IN NET ASSETS	377,357	180,880	558,237
NET ASSETS - BEGINNING OF YEAR	<u>227,952</u>	<u>145,000</u>	<u>372,952</u>
NET ASSETS - END OF YEAR	<u>\$ 605,309</u>	<u>\$ 325,880</u>	<u>\$ 931,189</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2020

	Program	Supporting Services		
	Concerts and Recordings	Administrative	Fundraising	Total
Contract compensation - Musicians	\$ 495,631			\$ 495,631
Contract compensation - Non-musicians	62,827	\$ 44,695	\$ 28,124	135,646
Salaries and related expenses	<u>329,783</u>	<u>68,228</u>	<u>77,290</u>	<u>475,301</u>
	888,241	112,923	105,414	1,106,578
Benefit events			2,833	2,833
Concert expenses	111,697	220	7,417	119,334
Development			12,827	12,827
In-kind	83,582	4,399		87,981
Office	74,766	35,686	18,266	128,718
Professional fees	68,231	14,554	13,646	96,431
Publicity	155,298			155,298
Recording	31,589			31,589
Travel, food, and lodging	<u>204,292</u>	<u>1,237</u>	<u>1,403</u>	<u>206,932</u>
	1,617,696	169,019	161,806	1,948,521
Depreciation	<u>9,531</u>	<u>116</u>	<u>129</u>	<u>9,776</u>
Total expenses	<u>\$ 1,627,227</u>	<u>\$ 169,135</u>	<u>\$ 161,935</u>	<u>\$ 1,958,297</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JULY 31, 2019

	Program	Supporting Services		Total
	Concerts and Recordings	Administrative	Fundraising	
Contract compensation - Musicians	\$ 426,876			\$ 426,876
Contract compensation - Non-musicians	36,536	\$ 46,545	\$ 37,501	120,582
Salaries and related expenses	<u>324,907</u>	<u>40,511</u>	<u>43,785</u>	<u>409,203</u>
	788,319	87,056	81,286	956,661
Benefit events			45,129	45,129
Concert expenses	165,454		8,525	173,979
Development			14,547	14,547
In-kind	125,531		25,166	150,697
Office	49,109	23,343	17,327	89,779
Professional fees	52,947	13,837	13,196	79,980
Publicity	134,014	1,396	4,188	139,598
Recording	60,766			60,766
Travel, food, and lodging	<u>189,302</u>	<u>3,129</u>	<u>3,129</u>	<u>195,560</u>
	1,565,442	128,761	212,493	1,906,696
Depreciation	6,142	1,050		7,192
Write down of asset held for sale		<u>8,340</u>		<u>8,340</u>
Total expenses	<u>\$ 1,571,584</u>	<u>\$ 138,151</u>	<u>\$ 212,493</u>	<u>\$ 1,922,228</u>

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

STATEMENT OF CASH FLOWS

YEARS ENDED JULY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOW PROVIDED FROM OPERATING ACTIVITIES		
Change in net assets	\$ (35,726)	\$ 558,237
Noncash items included in operations		
Depreciation on property and equipment	9,776	7,192
Write down of asset held for sale		8,340
Increase in fair value of funds held by others	(3,207)	(2,192)
Increase (decrease) in cash and cash equivalents caused by changes in current items		
Grants receivable	5,387	(84,770)
Pledges receivable	102,552	(138,927)
Accounts receivable	(7,193)	1,951
Inventory	4,050	2,398
Prepaid expenses and other assets	6,769	8,052
Accounts payable and accrued expenses	25,926	(17,577)
Deferred revenue	<u>70,141</u>	<u>11,400</u>
Net cash flow provided from operations	<u>178,475</u>	<u>354,104</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	(19,273)	(1,319)
Purchase of funds held by others		<u>(43,441)</u>
	<u>(19,273)</u>	<u>(44,760)</u>
CASH FLOW PROVIDED FROM (USED) IN FINANCING ACTIVITIES		
Repayments on long-term debt	(9,547)	(6,313)
Proceeds from long-term debt	<u>81,160</u>	
	<u>71,613</u>	<u>(6,313)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	230,815	303,031
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>597,466</u>	<u>294,435</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 828,281</u>	<u>\$ 597,466</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Presentation

Apollo's Fire, The Cleveland Baroque Orchestra (the Organization) is a not-for-profit corporation established in 1992. The Organization provides Northeast Ohio, national, and international audiences with professional performances of baroque and classical orchestral repertoire on period instruments and educates young people from diverse ethnic backgrounds in the field of early music. The Organization receives funding from foundation grants, donations, ticket sales, and touring.

Revenue Recognition and Adoption of New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue guidance under accounting principles generally accepted in the United States of America (GAAP). The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, however the FASB issued Accounting Standards Update (ASU) 2020-05 in June 2020, which deferred the effective date for annual reporting periods beginning after December 15, 2019, for certain entities that had not yet issued financial statements reflecting the adoption of ASC 606 upon issuance of the ASU. The Organization adopted the provisions of ASC 606 using the modified retrospective approach. The adoption of ASC 606 did not have a material impact on the Organization's financial statements, although the financial statement presentation and disclosures have changed. See Note 10 for further discussion regarding the transition method.

The Organization has also adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which is effective for annual periods beginning after December 15, 2018, for resource recipients. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU clarifies how a not-for-profit organization determines whether a resource provider is participating in an exchange transaction. ASU 2018-08, defines a contribution as "an unconditional transfer of cash or other assets, as well as unconditional promises to give, to an entity, or a reduction, settlement, or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner." Thus, the transfer of assets or settlement of liabilities must be both voluntary and nonreciprocal to be a contribution. These characteristics distinguish contributions from exchange transactions, which are reciprocal transfers in which each party receives and sacrifices approximate commensurate value. Contributions are accounted for within the scope of ASC 958, while exchanges are recognized as revenue under ASC 606 when performance obligations are satisfied.

The Organization adopted ASU 2018-08 on a modified prospective basis. Under the modified prospective basis, the Organization applied ASU 2018-08 to contracts that were not completed as of August 1, 2019, and entered into after August 1, 2019. Prior-period financial information was not restated.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Adoption of New Accounting Pronouncements (continued)

Revenue from Contracts with Customers

Concurrent with the adoption of ASC 606, the Organization has elected to apply certain practical expedients available to nonprofit organization with respect to disclosure requirements.

The Organization's revenue from contracts with customers consists primarily of ticket sales and touring revenue, each of which are recognized at a point in time when the underlying performance obligation (concerts) is performed. Revenue from ticket sales results from transactions that arise from a written contract with the customer for one or multiple concerts. The contract will outline the services to be provided, time and location of the concert, as well as the price and payment terms. Ticket sales received in advance of performances are deferred until the period earned. Ticket sales revenue amounted to \$342,104 and \$505,489 for the years ended July 31, 2020 and 2019, respectively. The decreased ticket sale revenue for the year ended July 31, 2020 was mainly due to cancelled performances as a result of the coronavirus pandemic (see Note 11).

Revenue from touring revenue results from transactions that arise from a written contract with venues at which the Organization's orchestra performs. The contract will outline the specifications and parameters of performance, the time and location of the concert, as well as the price and payment terms. Touring revenue amounted to \$253,053 and \$221,126 for the years ended July 31, 2020 and 2019, respectively.

Contribution Revenue

The Organization 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 measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

All donor-restricted support that was initially a conditional contribution and for which the donor-imposed conditions and restrictions are met in the same reporting period are reported as increases in net assets without donor restrictions. 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.

Revenue Recognition Prior to the Adoption of ASC 606 and ASU 2018-08

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. 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. Any other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Ticket sales, touring fees, and special events are recognized at the time of the event. Ticket sales received prior to the fiscal year to which they apply are deferred until the period earned.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, as well as highly liquid cash deposits held in money market accounts. The Organization's cash and cash equivalents balances may, at times, exceed the limits of related federal deposit insurance. The Organization has not experienced any losses on such accounts and management believes they are not exposed to any significant credit risk on cash and cash equivalents.

Receivables and Credit Policies

Receivables include amounts due for program income, grants, and contributions (pledges). These amounts are due under various payment terms and do not accrue interest. Amounts due from contracts with customers are shown in the accounts receivable on the statement of financial position.

The Organization's policy is to reduce grants, pledges, and accounts receivable by a valuation allowance that reflects management's best estimate of the amounts that will not be collected based on historical experience. Additionally, management individually reviews all receivable balances that exceed 90 days from invoice date and estimates the portion, if any, of the balance that will not be collected. When receivables are determined to be uncollectible, they are written off against the allowance. At July 31, 2020 and 2019, management believes that all receivables are collectible and, therefore, no allowance is required.

Accounting Estimates

Management uses estimates and assumptions in preparing its financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Donated Goods and Services

The Organization recognizes donated facilities and donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received the following donations in support of its programs during 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Musician lodging	\$ 57,200	\$ 95,403
Public service announcements and advertising	25,280	27,118
Fundraising - Auction items		22,463
Other in-kind	<u>5,501</u>	<u>5,713</u>
	<u>\$ 87,981</u>	<u>\$ 150,697</u>

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of compact discs and a children's book and is stated at the lower of cost (first-in, first-out method) or net realizable value.

Asset Held for Sale

Included in asset held for sale is a concert piano that was donated to the Organization. It is recorded at fair value plus the applicable expenses for relocation to the Organization. The fair value of the asset held for sale was \$12,000 at July 31, 2020 and 2019.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. Donated property and equipment is recorded at estimated fair value at the date of donation. The Organization's capitalization policy is to capitalize property and equipment with a cost greater than \$1,000 and a useful life of greater than one year. Maintenance and repairs are charged to expense as incurred.

Depreciation of property and equipment is provided by use of the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3 - 7 years
Production equipment	10 years
Vehicle	5 years

Funds Held by Others

In 2015, the Organization established an investment fund known as the Apollo's Fire Baroque Orchestra Legacy Fund of The Cleveland Foundation (the Fund) with the Cleveland Foundation (the Foundation). The Fund represents the interest in assets held at the Foundation and are valued, as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. Realized and unrealized gains and losses and net investment income are reported in the statements of activities as changes in fair value of funds held by others. The change in fair value of funds held by others are reported as increases or decreases in net assets without donor restrictions.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The statements of activities and functional expenses report certain categories of expenses that are attributable to more than one program or supporting function. Therefore these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated have been summarized on a functional basis on the statement of activities and functional expenses, which are allocated on the basis of estimates of time and effort.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Income Taxes

The Organization is an Ohio non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization recognizes and discloses uncertain tax positions in accordance with GAAP. As of and for the years ended July 31, 2020 and 2019, the Organization did not have a liability for unrecognized tax benefits.

Subsequent Events

The Organization has evaluated subsequent events through January 4, 2021, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available to meet cash needs for general expenditures within one year were as follows at July 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 828,281	597,466
Grants receivable	95,863	101,250
Pledges receivable - Current	22,448	15,000
Accounts receivable	7,193	
Funds held by others	<u>67,348</u>	<u>64,141</u>
	1,021,133	777,857
Less: Assets subject to expenditure for specified purpose within one year:	<u>(273,658)</u>	<u>(185,880)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 747,475</u>	<u>\$ 591,977</u>

The Organization has a goal to keep at least three months' worth of operating expenses in a cash reserve, in order to protect the Organization in times of unpredictable circumstances. The Organization can make requests to draw from the funds held by others from the net assets without donor restrictions in the Fund (see Note 5).

NOTES TO THE FINANCIAL STATEMENTS

3. PLEDGES RECEIVABLE

At July 31, 2020 and 2019, pledges receivable consisted of pledges to support the general operations of the Organization. The Organization accounts for the discounting of pledges receivable in accordance with GAAP. As of July 31, 2020 and 2019, the discount on pledges receivable was immaterial. At July 31, 2020, collections of contributions are expected to be received as follows:

<u>Year ending July 31,</u>	
2021	\$ 22,448
2022	10,000
2023	<u>10,000</u>
	<u>\$ 42,448</u>

4. PROPERTY AND EQUIPMENT

At July 31, 2020 and 2019, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 81,741	\$ 75,988
Production equipment	29,918	16,398
Vehicle	<u>30,728</u>	<u>30,728</u>
	142,387	123,114
Less: Accumulated depreciation	<u>122,517</u>	<u>112,741</u>
	<u>\$ 19,870</u>	<u>\$ 10,373</u>

5. FUNDS HELD BY OTHERS

The purpose of the Fund is to provide an ongoing source of annual support to benefit the Organization. The Foundation's investments are composed approximately of 45% domestic equities, 34% international equities, 14% fixed income bonds and 7% cash equivalents. During 2019, the Organization contributed approximately \$43,000 into the Fund. As of July 31, 2020 and 2019, the Fund balance amounted to approximately \$67,300 and \$64,100, respectively.

The assets in the Fund are to be invested at the discretion of the Organization. There are no restrictions on the fund and the Organization can make requests to from the Fund, which are subject to approval by a voting majority of the members of the executive committee of the Organization's board of directors.

NOTES TO THE FINANCIAL STATEMENTS

6. LONG-TERM DEBT

At July 31, 2019, long-term debt consisted of a vehicle loan, payable to a financial institution in 60 monthly installments of \$587 including interest at 5.39% through December 2020. This loan was collateralized by a vehicle and was fully paid off in January 2020.

At July 31, 2020, long-term debt consisted of proceeds from their lending bank of \$81,160 as guaranteed by the Small Business Administration's Paycheck Protection Program (PPP). The Organization secured these funds in order to help keep their workforce employed during the COVID-19 crisis. The loan can be 100% forgiven as long as the Organization meets specific criteria, as defined, for the 24 weeks following receipt of the loan proceeds. This includes maintaining a certain level of employee headcount and compensation during that time period as well as demonstrating that the money was used for payroll costs, rent, mortgage interest, or utilities. If the Organization does not apply for and receive loan forgiveness, the loan will be required to be repaid in monthly installments of \$3,417 including interest at 1%, beginning in December 2020 through November 2022. Management expects the Organization to meet the criteria for loan forgiveness.

At July 31, 2020, future maturities of long-term debt are as follows:

<u>Year ending July 31,</u>		
2021	\$	23,504
2022		40,613
2023		<u>17,043</u>
	\$	<u>81,160</u>

Subsequent to July 31, 2020, the Small Business Administration modified the PPP loan payment date to be the earlier of 10 months after the end of the Organization's loan forgiveness "covered period", or when the SBA determines the loan is not forgiven or is partially forgiven, in which case loan repayment shall commence immediately

7. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods as follows at July 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Program support	\$ 273,658	\$ 185,880
Subject to the passage of time	<u>30,000</u>	<u>140,000</u>
	<u>\$ 303,658</u>	<u>\$ 325,880</u>

NOTES TO THE FINANCIAL STATEMENTS

7. NET ASSETS (Continued)

The Organization's net assets without donor restrictions is comprised of undesignated and Board designated amounts at July 31, 2020 and 2019, for the following purposes:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 524,457	\$ 541,168
Board designated for funds held by others	<u>67,348</u>	<u>64,141</u>
	<u>\$ 591,805</u>	<u>\$ 605,309</u>

8. COMMITMENTS

Leases

The Organization has two operating leases for office space and equipment expiring in December 2020 and January 2025, respectively. Future minimum lease payments under non-cancelable leases at July 31, 2020, are as follows:

<u>Year ending July 31,</u>	
2021	\$ 12,708
2022	3,208
2023	2,858
2024	2,608
2025	<u>1,087</u>
	<u>\$ 22,469</u>

Rent expense totaled approximately \$26,000 in each of the years ended July 31, 2020 and 2019, and is included in office expense on the statement of functional expenses.

9. RETIREMENT PLAN

The Organization sponsors a voluntary 403(b) contributory retirement plan (the Plan) that covers substantially all eligible employees. There were no contributions to the Plan by the Organization during the years ended July 31, 2020 or 2019.

10. REVENUES

Disaggregation of Revenue

The Organization disaggregates revenue based on the type of service provided to customers. The accompanying statement of activities shows those disaggregated revenue streams for the years ended July 31, 2020 and 2019, which are comprised of ticket sales, touring fees, merchandise sales, and advertising.

NOTES TO THE FINANCIAL STATEMENTS

10. REVENUES (Continued)

Modified Retrospective Transition Method

As discussed in Note 1, the Organization adopted the requirements of ASC 606 as of August 1, 2019, utilizing a modified retrospective method of transition, which results in recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets at August 1, 2019. Therefore, the comparative information has not been adjusted and continues to be reported under prior revenue guidance.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of ASC 606 did not have a significant impact on the Organization's financial position, change in its net asset, or cash flows for the year ended July 31, 2020, or to opening balance of net assets at August 1, 2019. Based on the Organization's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

11. UNCERTAINTY

During March 2020, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The accompanying financial statements do not include adjustments to fair value that have resulted from these declines.