# Boston Landmarks Orchestra, Inc.

Financial Statements

December 31, 2020

Kevin P. Martin & Associates, P.C

**BOSTON LANDMARKS ORCHESTRA, INC.**

Index

December 31, 2020

Kevin P. Martin & Associates, P.C.
ASSURANCE | TAX | RISK MANAGEMENT | IT ADVISORY

**Independent Auditors' Report**

To the Board of Directors of
Boston Landmarks Orchestra, Inc.

We have audited the accompanying financial statements of Boston Landmarks Orchestra, Inc. (a nonprofit organization), (the Organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Organization as of December 31, 2020, 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.

## Report on Summarized Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2020. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Braintree, Massachusetts
October 15, 2021

**BOSTON LANDMARKS ORCHESTRA, INC.**

Statement of Financial Position

As of December 31, 2020
With Comparative Totals as of December 31, 2019

| | 2020 | 2019 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ 937,065 | $ 681,095 |
| Promises to give | 18,335 | 56,600 |
| Accounts receivable | - | 56,430 |
| Prepaid expenses | 15,125 | 7,042 |
| Total current assets | 970,525 | 801,167 |
| **Fixed Assets** | | |
| Furniture and equipment | 80,411 | 80,411 |
| Less: accumulated depreciation | (61,650) | (52,851) |
| Total net fixed assets | 18,761 | 27,560 |
| **Other Assets** | | |
| Security deposit | - | 5,434 |
| **Total Assets** | $ 989,286 | $ 834,161 |
| **Current Liabilities** | | |
| Capital lease obligation, current portion | $ 3,700 | $ 3,520 |
| Accounts payable | 19,882 | 13,746 |
| Accrued expenses | 15,621 | 16,202 |
| Note payable - paycheck protection program | 49,300 | - |
| Total current liabilities | 88,503 | 33,468 |
| **Long Term Liabilities** | | |
| Capital lease obligation, net of current portion | 5,742 | 11,678 |
| Total liabilities | 94,245 | 45,146 |
| **Net Assets** | | |
| Net assets without donor restrictions | 876,706 | 661,132 |
| Net assets with donor restrictions | 18,335 | 127,883 |
| Total net assets | 895,041 | 789,015 |
| **Total Liabilities and Net Assets** | $ 989,286 | $ 834,161 |

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

**BOSTON LANDMARKS ORCHESTRA, INC.**

Statement of Activities

For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | 2020 Total | 2019 Total |
|---|---|---|---|---|
| **Support and Revenue** | | | | |
| Support | | | | |
| Individual contributions | $ 265,452 | $ - | $ 265,452 | $ 303,663 |
| Foundation grants | 407,665 | 18,335 | 426,000 | 573,683 |
| Corporate sponsorship | 7,516 | - | 7,516 | 97,306 |
| Donated goods and services | - | - | - | 63,872 |
| Special events | 135,405 | - | 135,405 | 302,884 |
| Government grants | 65,250 | - | 65,250 | 109,900 |
| Revenue | | | | |
| Concert performance fees | - | - | - | 28,500 |
| CD sales and chair rental fees | - | - | - | 905 |
| Interest | 4,622 | - | 4,622 | 6,292 |
| Other | - | - | - | 1,042 |
| Released from restriction - time | 127,883 | (127,883) | - | - |
| Total support and revenue | 1,013,793 | (109,548) | 904,245 | 1,488,047 |
| **Expenses** | | | | |
| Program services | 507,088 | - | 507,088 | 941,057 |
| General and administrative | 158,577 | - | 158,577 | 269,083 |
| Fundraising | 132,554 | - | 132,554 | 261,789 |
| Total expenses | 798,219 | - | 798,219 | 1,471,929 |
| **Change in Net Assets from Operations** | 215,574 | (109,548) | 106,026 | 16,118 |
| **Non - Operating Revenue** | | | | |
| Proceeds from lease buyout | - | - | - | 75,000 |
| **Change in Net Assets** | 215,574 | (109,548) | 106,026 | 91,118 |
| **Net Assets at Beginning of Year** | 661,132 | 127,883 | 789,015 | 697,897 |
| **Net Assets at End of Year** | $ 876,706 | $ 18,335 | $ 895,041 | $ 789,015 |

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

**BOSTON LANDMARKS ORCHESTRA, INC.**

Statement of Cash Flows

For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

| **Cash Flows from Operating Activities** | 2020 | 2019 |
|---|---|---|
| Change in net assets | $ 106,026 | $ 91,118 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 8,799 | 7,184 |
| Other | - | (1,042) |
| Decrease (increase) in assets | | |
| Promises to give | 38,265 | (4,353) |
| Accounts receivable | 56,430 | (16,050) |
| Prepaid expenses | (8,083) | 4,858 |
| Security deposit | 5,434 | 90 |
| Increase (decrease) in liabilities | | |
| Accounts payable | 6,136 | 1,306 |
| Accrued expenses | (581) | 3,540 |
| **Net Cash Provided by Operating Activities** | 212,426 | 86,651 |
| **Cash Flows from Investing Activities** | | |
| Purchase of fixed assets | - | (9,706) |
| **Net Cash Used in Investing Activities** | - | (9,706) |
| **Cash Flows from Financing Activities** | | |
| Repayments of capital lease obligations | (5,756) | (3,349) |
| Proceeds from note payable - paycheck protection program | 49,300 | - |
| **Net Cash Provided by (Used in) Financing Activities** | 43,544 | (3,349) |
| **Net Increase in Cash and Cash Equivalents** | 255,970 | 73,596 |
| **Cash and Cash Equivalents - Beginning** | 681,095 | 607,499 |
| **Cash and Cash Equivalents - Ending** | $ 937,065 | $ 681,095 |
| **Supplemental Disclosure of Cash Flow Information** | | |
| Cash paid during the year for interest | $ 935 | $ 1,074 |
| Disposal of fully depreciated fixed assets | $ - | $ 18,547 |
| **Supplement Data for Noncash Investing and Financing Activities** | | |
| Fixed assets acquired under capital leases | $ - | $ 18,547 |

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

**BOSTON LANDMARKS ORCHESTRA, INC.**

Statement of Functional Expenses

For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

| | Program Services | General and Administrative | Fundraising | 2020 Total | 2019 Total |
|---|---|---|---|---|---|
| Salaries | $ 198,744 | $ 63,294 | $ 49,576 | $ 311,614 | $ 472,591 |
| Payroll taxes | 17,957 | 5,719 | 4,479 | 28,155 | 49,697 |
| Benefits | 18,408 | 5,861 | 4,591 | 28,860 | 65,653 |
| Total salaries and related taxes and benefits | 235,109 | 74,874 | 58,646 | 368,629 | 587,941 |
| Advertising | - | 2,079 | - | 2,079 | 48,251 |
| Bank charges | 35 | 813 | 4,617 | 5,465 | 5,089 |
| Consultants | 200 | 60 | 39,360 | 39,620 | 36,470 |
| Contracted services | 142,020 | 27,984 | - | 170,004 | 367,546 |
| Depreciation | 5,612 | 1,787 | 1,400 | 8,799 | 7,184 |
| Dues and fees | 5,238 | 2,530 | 531 | 8,299 | 12,089 |
| Equipment rental | - | 935 | - | 935 | 1,074 |
| Insurance | - | 5,319 | - | 5,319 | 5,126 |
| Miscellaneous | 2,129 | 12,260 | 6,198 | 20,587 | 25,807 |
| Office supplies | 314 | 1,376 | 174 | 1,864 | 3,806 |
| Program expenses | 55,151 | 383 | 7,150 | 62,684 | 106,107 |
| Payroll processing fees | 1,065 | 339 | 266 | 1,670 | 2,302 |
| Performance space rental | 34,711 | - | 1,267 | 35,978 | 15,595 |
| Postage | 851 | 497 | 1,117 | 2,465 | 4,198 |
| Printing | 670 | 173 | 2,985 | 3,828 | 29,209 |
| Professional fees | 4,756 | 11,500 | - | 16,256 | 29,225 |
| Rent | 5,558 | 1,770 | 1,386 | 8,714 | 35,293 |
| Special events | - | 236 | 1,248 | 1,484 | 72,611 |
| Storage rental | 7,279 | 2,359 | - | 9,638 | 7,798 |
| Technology | 2,070 | 7,508 | 3,687 | 13,265 | 41,518 |
| Telephone | - | 2,892 | - | 2,892 | 3,773 |
| Travel and meals | 1,919 | 415 | 62 | 2,396 | 18,908 |
| Website | 2,401 | - | 2,460 | 4,861 | 2,345 |
| Utilities | - | 488 | - | 488 | 2,664 |
| | $ 507,088 | $ 158,577 | $ 132,554 | $ 798,219 | $ 1,471,929 |

## (1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Boston Landmarks Orchestra, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

### *(a) Nature of Activities*

The Organization was founded in 2001. The Organization's orchestra is comprised of all professional musicians and is active throughout the neighborhoods of Boston, Massachusetts. The Organization's mission is to perform free summer concerts in settings of historical, geographical and architectural significance in the Boston area.

### *(b) Basis of Presentation*

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating and non-operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts. Non-operating revenues consists of proceeds from a lease buyout in a prior year.

### *(c) Standards of Accounting and Reporting*

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

## (1) Summary of Significant Accounting Policies - continued

### *(d) Cash and Cash Equivalents*

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes ae excluded from this definition.

The Organization maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2020.

### *(e) Revenue Recognition*

The Organization earns revenue as follows:

The Organization generally measures revenue based on the amounts of consideration it expects to be entitled for the transfers of goods and services to a customer, then recognizes its revenue as performance obligations are satisfied under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Individual Contributions, Foundation Grants and Corporate Sponsorships - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

## (1) Summary of Significant Accounting Policies - continued

### *(e) Revenue Recognition - continued*

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. Contributions with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

<ins>Special Events</ins> - Special event revenue is primarily derived from contributions collected and fees charged for admission at the Organization's annual gala. Special events revenue is recognized when earned and is shown separate of related direct expenses in the accompanying statement of activities. The related cost of direct benefit to donors were immaterial for the year ended December 31, 2020.

<ins>Government Grants</ins> - Federal and state contracts that are considered reciprocal transactions or purchases of services, the results of which are turned over to the grantor, are recognized as the work under the contract is performed. Contracts that are considered nonreciprocal transactions that further the programs of the Organization are recorded when the Organization receives notification of the contract, or if, conditions for performance are imposed, revenue is recognized when conditions have been met. Government grants relate to cost-reimbursement contracts with governmental agencies. Revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental agency.

<ins>Concert Performance Fees</ins> - Concert performance fees are primarily derived from fees the Organization charges to provide concert performances for other organizations. Revenue derived from these events are recognized as income when the orchestra performs.

All of the Organization's revenue is derived from its activities in Massachusetts. During the year ended December 31, 2020, the Organization derived approximately 47% of its total revenue from foundation grants, 15% from special events, 29% from individual contributions, 7% from government grants, 1% from corporations, and 1% from interest. Revenue from one foundation approximated 38% of revenue for the year ended December 31, 2020. All revenue is recorded at the estimated net realizable amounts.

## (1) Summary of Significant Accounting Policies - continued

### *(f) Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for doubtful accounts based on a history of past write-offs and collections and current credit conditions. As of December 31, 2020, management has determined any allowance would be immaterial.

### *(g) Promises to Give*

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date. As of December 31, 2020, conditional promises to give consists of $15,000 according to programmatic milestones.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of December 31, 2020, management has determined any allowance would be immaterial. As of December 31, 2020, approximately 61% of promises to giver were due from the Board of Directors.

### *(h) Furniture and Equipment*

Furniture and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Organization computes depreciation using the straight-line method over the estimated lives for furniture and equipment of 3-5 years.

## (1) Summary of Significant Accounting Policies - continued

### *(i) Contributed Services and Gifts in Kind*

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Organization personnel.

### *(j) Fundraising*

Fundraising relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contributions and special event revenue was 16% for the year ended December 31, 2020. The ratios of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

### *(k) Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon time charges. Occupancy costs are allocated based upon the salary allocation.

### *(l) Use of Estimates*

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *(m) Income Taxes*

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1) of the IRC.

## (1) Summary of Significant Accounting Policies - continued

### *(n) Summarized Financial Information for 2019*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

### *(o) Paycheck Protection Program Loan*

As described at Note 7, the Organization received a Paycheck Protection Program (PPP) loan during the year ended December 31, 2020. The Organization has elected to follow the guidance regarding Debt found in FASB ASC 470 - *Not-for-Profit-Entities - Debt* to account for its PPP loan. As a result, during the year ended December 31, 2020, the Organization recognized $49,300 of debt.

### *(p) Recent Accounting Standards Adopted*

On January 1, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606). ASC 606 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. On January 1, 2020, the Organization adopted ASC 606 using the modified retrospective method applied to those contracts which were not competed as of January 1, 2020 (the practical expedient elected). Results for reporting periods beginning after January 1, 2020, are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with the Organization's historic accounting under ASC 605.

There were no material changes in the timing of recognition of revenue and, therefore, there were no adjustments to the opening balance of net assets without donor restrictions. The Organization does not expect the adoption of the new revenue standard to have a significant impact on its changes in net assets on an ongoing basis.

### *(q) Recent Accounting Standards*

In June 2020, FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842). ASU 2020-05 deferred the implementation date of ASU 2016-02 and ASU 2014-09 by one year. The Organization has adopted ASU 2014-09. ASU 2016-02 is described below.

## (1) Summary of Significant Accounting Policies - continued

### *(q) Recent Accounting Standards - continued*

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases* and *ASU 2018-11, Leases (Topic 842), Targeted Improvements*. In December 2019, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the Organization's adoption of ASU 2016-02.

## (2) Operating Lease Commitments

In a prior year, the Organization entered into a new operating lease agreement in Cambridge, Massachusetts effective January 15, 2019. The new operating lease agreement would have expired in April 2022. During the year ended December 31, 2020, the Organization terminated the lease as of March 15, 2020. The cost to terminate the lease early was $2,800. Rent expense under operating leases for the year ended December 31, 2020 was $8,714.

## (3) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2020, net assets with donor restrictions amounted to $18,335 which are restricted due to time restrictions for use during 2021.

## (4) Capital Lease Obligations

The Organization leases office equipment under a capital lease arrangement. The economic substance of the lease is that the Organization is financing the acquisition of an asset through the lease and, accordingly, it is recorded on the statement of financial position. Capital leases are recorded at the lower of fair market value or the present value of future lease payments using interest rates appropriate at the inception of each lease.

The Organization's monthly capital lease payment is $350. Interest rates on these obligations is 5%.

The following is an analysis of the asset under capital lease included in furniture and equipment in the accompanying statement of financial position as of December 31, 2020:

| | |
|---|---|
| Furniture and equipment | $ 18,547 |
| Accumulated depreciation | ( 5,564) |
| | $ 12,983 |

Depreciation expense on equipment under capital lease amounted to $3,709 for the year ended December 31, 2020.

Subsequent to year end in January 2021, the Organization ended the lease as part of a buy-out option in the amount of $6,000.

## (5) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date.

| | |
|---|---|
| Financial assets at year-end: | |
| Cash and cash equivalents | $ 937,065 |
| Accounts receivable and promises to give | 18,335 |
| Total | 955,400 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 955,400 |

The Organization is supported by restricted contributions. Because a donors' restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### (6) Collective Bargaining Agreement

During a prior year, the Organization was involved in a pending settlement related to negotiating a collective bargaining agreement for the Orchestra's musicians. The negotiations were resolved on January 22, 2020 and the outcome did not have a material impact on the financial statements. Accordingly, the accompany statement of financial position does not include a liability for future legal costs related to this matter.

All of the Organization's musicians, as of March 1, 2020, are now part of a collective bargaining agreement which expires in 2025. The administrative and fundraising staff of the Organization are not subject to this agreement, unless they are compensated as musicians for any services.

### (7) Note Payable - Paycheck Protection Program

The Organization received a Paycheck Protection Program loan from Century Bank during the year ended December 31, 2020 in the original amount of $49,300 with a maturity date of May 6, 2022. The loan bears interest at a rate of 1%, which is deferred for the first six months. The Small Business Administration (SBA) has disclosed criteria for forgiveness which includes but is not limited to maintaining the full-time equivalent number of employees over certain time period and expending the funds on eligible expenses over the covered period. If the Organization does not receive loan forgiveness, it will be required to pay monthly principal and interest payments once the deferral period ends. All remaining principal and accrued interest are due at the maturity date of the note. As of December 31, 2020, the outstanding principal balance for the PPP loan was $49,300, and was presented as a current liability on the accompanying statement of financial position in accordance with prevalent industry practice. Subsequent to year end, the PPP loan was forgiven, see Note 9.

### (8) COVID-19 - Risks and Uncertainties

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. As described in Notes 1(o) and 7, the Organization received a PPP loan. Further, the Organization's liquidity as of December 31, 2020 is documented at Note 5. The Organization also received an Economic Injury Disaster grant in the amount of $6,000. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. The Organization does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity, as the Organization has been able to adjust operations due to the pandemic including aligning expenses to reduced revenue during the year.

## (9) Subsequent Events

The Organization has performed an evaluation of subsequent events through October 15, 2021 which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since December 31, 2020, other than the item disclosed below, that required recognition or disclosure in these financial statements.

On June 10, 2021, the Organization received approval from the SBA for full forgiveness on the PPP loan. Furthermore, on February 8, 2021, the Organization received a second PPP loan in the amount of $111,379 which the Organization expects to be forgiven during 2021.