AGRESTA, STORMS & O'LEARY PC
CERTIFIED PUBLIC ACCOUNTANTS

October 12, 2020

Board of Directors
Columbus Pro Musica, Inc.
Columbus, Indiana

Dear Members of the Board:

Thank you for the opportunity to serve Columbus Pro Musica, Inc. (the Organization) as independent auditors. We have audited the financial statements of Columbus Pro Musica, Inc. DBA Columbus Indiana Philharmonic (the Organization) as of and for the year ended July 31, 2020, and have issued our report thereon dated October 12, 2020. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated June 13, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Columbus Pro Musica, Inc. DBA Columbus Indiana Philharmonic solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weaknesses. However, material weaknesses may exist that have not been identified.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team and our firm have complied with all relevant ethical requirements regarding independence.

**Qualitative Aspects of the Entity's Significant Accounting Practices**

*Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in Note 1 to the financial statements.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Accounting Standards Not Yet Adopted*

As noted in Note 1, the Organization has not adopted Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842), which it is not required to adopt until its year ending 2023. The organization has also not adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which it is not required to adopt until its year ending 2021.

The Organization is presently evaluating the effects that these standards will have on future financial statements, including related disclosures.

*Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's determination of functional expense allocations and allowance for uncollectible pledges.

*Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Organization's financial statements relate to functional expenses and investments.

**Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. Material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management and are attached for your review.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Organization's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated October 12, 2020.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings or Issues**

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

**Other Matters**

This report is intended solely for the information and use of the board of directors and management of Columbus Pro Musica, Inc. DBA Columbus Indiana Philharmonic and is not intended to be and should not be used by anyone other than these specified parties.

Agresta, Storms & O'Leary, PC

Agresta, Storms & O'Leary, PC

Client: ***319300 - Columbus Pro Musica, Inc.***
Engagement: ***AUD - Columbus Pro Musica, Inc.***
Period Ending: ***7/31/2020***
Trial Balance: ***TB***
Workpaper: ***1400.06 - AJE report to go with SAS 114-115 letter***

| Account | Description | W/P Ref | Debit | Credit |
|---|---|---|---|---|
| **Adjusting Journal Entries JE # 1** | | | | |
| To progress retained earnings/LJJ20 | | | | |
| 3000.00.00 | Net Assets - Unrestricted | | 1.00 | |
| 3003.00.00 | Net Assets - Restricted | | 2,247.00 | |
| 4476.00.04 | Dividend and interest - temp restricted | | | 2,247.00 |
| 5279.00.02 | Misc - G&A | | | 1.00 |
| **Total** | | | **2,248.00** | **2,248.00** |
| **Adjusting Journal Entries JE # 2** | | | | |
| To adjust current and noncurrent portion of Pledge receivable/LJJ20 | | | | |
| 1047.00.01 | Promises to give - current | | 126,700.00 | |
| 1048.00.02 | Promises to give- noncurrent | | 220,350.00 | |
| 1049.00.02 | Allowance for uncollectible accounts - noncurrent | | 26,499.00 | |
| 1043.00.01 | Capital Pledges Receivable | | | 347,050.00 |
| 1049.00.01 | Allowance for Uncollectable Accounts - current | | | 6,134.00 |
| 1050.00.01 | TVM discount - noncurrent pledges | | | 7,451.00 |
| 5440.00.02 | Bad Debt Expense | | | 12,914.00 |
| **Total** | | | **373,549.00** | **373,549.00** |
| **Adjusting Journal Entries JE # 4** | | | | |
| To adjust Furn & Equip/AA20 | | | | |
| 1143.00.01 | Construction in Progress | | 90,910.00 | |
| 1140.00.01 | Furniture and Equipment | | | 4,125.00 |
| 1140.00.01 | Furniture and Equipment | | | 86,785.00 |
| **Total** | | | **90,910.00** | **90,910.00** |
| **Adjusting Journal Entries JE # 6** | | | | |
| To reclass interest on CD/LJJ20 | | | | |
| 6702.00.07 | Capital campaign - unconditional pledges | | 1,670.00 | |
| 4475.00.04 | Interest Income | | | 1,670.00 |
| **Total** | | | **1,670.00** | **1,670.00** |
| **Adjusting Journal Entries JE # 7** | | | | |
| To reclass donated assets/LJJ20 | | | | |
| 6703.00.07 | Donated HHH Assets | | 3,452.00 | |
| 4106.00.04 | Donated Capital Assets | | | 3,452.00 |
| **Total** | | | **3,452.00** | **3,452.00** |
| **Adjusting Journal Entries JE # 8** | | | | |
| To adjust depreciation to actual/AA20 | | | | |
| 5279.00.02 | Misc - G&A | | 406.00 | |
| 5390.00.02 | Depreciation | | 110.00 | |
| 1160.00.01 | Acc. Dep. - G&A Assets | | | 516.00 |
| **Total** | | | **516.00** | **516.00** |

Agresta, Storms & O'Leary, PC
524 Franklin Street
Columbus, IN 47201

Dear Gentlemen and Madam:

This representation letter is provided in connection with your audit of the financial statements of Columbus Pro Musica, Inc. DBA Columbus Indiana Philharmonic, which comprise the statement of financial position as of July 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 12, 2020:

**Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 13, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statements all assets and liabilities under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.

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- Reclassifications between net asset classes are proper.
- The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.

**Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
- We have no knowledge of any noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Heidi Kelley, Executive Director

Terry Trautman, Treasurer

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# COLUMBUS PRO MUSICA, INC.
# DBA COLUMBUS INDIANA PHILHARMONIC

## FINANCIAL STATEMENTS

## JULY 31, 2020
## WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED JULY 31, 2019

# COLUMBUS PRO MUSICA, INC.
# DBA COLUMBUS INDIANA PHILHARMONIC

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### JULY 31, 2020
### WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED JULY 31, 2019

AGRESTA, STORMS & O'LEARY PC
CERTIFIED PUBLIC ACCOUNTANTS

# Independent Auditors' Report

Board of Directors and Management
COLUMBUS PRO MUSICA, INC.
Columbus, Indiana

## Report on the Financial Statements

We have audited the accompanying financial statements of Columbus Pro Musica, Inc., DBA Columbus Indiana Philharmonic, which comprise the statement of financial position as of July 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 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 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.



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Turning Vision Into Value

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbus Pro Musica, Inc., DBA Columbus Indiana Philharmonic, as of July 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 Columbus Pro Musica, Inc., DBA Columbus Indiana Philharmonic's July 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Agresta, Storms & O'Leary, PC

Columbus, Indiana
October 12, 2020

# COLUMBUS PRO MUSICA, INC.
# DBA COLUMBUS INDIANA PHILHARMONIC

## STATEMENT OF FINANCIAL POSITION

## YEAR ENDED JULY 31, 2020
## WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JULY 31, 2019

| | 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 426,249 | $ 439,090 |
| Pledges receivable, net | 120,566 | 1,150,995 |
| Grant receivable | 10,000 | 1,000 |
| Accounts receivable | 11,125 | 22,180 |
| Prepaid expenses | 17,520 | 20,797 |
| **Total current assets** | 585,460 | 1,634,062 |
| **Restricted assets:** | | |
| Cash, restricted | 35,700 | 147,883 |
| Investments, restricted | 49,264 | 449,899 |
| **Total restricted assets** | 84,964 | 597,782 |
| **Other assets:** | | |
| Noncurrent pledges receivable, net | 190,864 | 283,923 |
| Property and equipment, net | 363,643 | 369,484 |
| Construction in progress | 2,201,821 | 385,648 |
| Branding | 13,675 | -0- |
| **Total other assets** | 2,770,003 | 1,039,055 |
| **Total assets** | $ 3,440,427 | $ 3,270,899 |
| **LIABILITIES AND NET ASSETS** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 10,590 | $ -0- |
| Retainage payable | 116,984 | 37,465 |
| Accrued liabilities | 12,223 | 8,817 |
| Deferred income | 150,798 | 226,005 |
| CARES Act note payable | 105,200 | -0- |
| **Total current liabilities** | 395,795 | 272,287 |
| **Net assets:** | | |
| Without donor restrictions | 563,401 | 617,729 |
| With donor restrictions | 2,481,231 | 2,380,883 |
| **Total net assets** | 3,044,632 | 2,998,612 |
| **Total liabilities and net assets** | $ 3,440,427 | $ 3,270,899 |

# COLUMBUS PRO MUSICA, INC.
# DBA COLUMBUS INDIANA PHILHARMONIC

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

### YEAR ENDED JULY 31, 2020
### WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JULY 31, 2019

| | Year Ended July 31, 2020 | | | |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Year Ended July 31, 2019 |
| **Revenues:** | | | | |
| Capital campaign | $ -0- | $ 103,756 | $ 103,756 | $ 610,358 |
| Resource development | 365,497 | -0- | 365,497 | 386,458 |
| Artistic | 280,877 | -0- | 280,877 | 303,749 |
| Special events, net | 18,766 | -0- | 18,766 | 82,025 |
| Education | 65,470 | -0- | 65,470 | 105,863 |
| Donated assets | 3,452 | -0- | 3,452 | 19,500 |
| Donated services | 19,455 | -0- | 19,455 | 17,376 |
| Investment income | 2,652 | 2,247 | 4,899 | 5,685 |
| Other revenues | 1,800 | -0- | 1,800 | 2,251 |
| Net assets released from restrictions | 18,569 | (18,569) | -0- | -0- |
| **Total revenues** | 776,538 | 87,434 | 863,972 | 1,533,265 |
| **Expenses:** | | | | |
| Program service expenses: | | | | |
| Artistic | 492,090 | -0- | 492,090 | 544,983 |
| Education | 192,756 | -0- | 192,756 | 189,331 |
| **Total program service expenses** | 684,846 | -0- | 684,846 | 734,314 |
| Supporting service expenses: | | | | |
| Marketing/public relations | 28,784 | -0- | 28,784 | 18,833 |
| Administrative | 72,413 | -0- | 72,413 | 58,863 |
| **Total supporting service expenses** | 101,197 | -0- | 101,197 | 77,696 |
| Fundraising and resource development expenses: | | | | |
| Fundraising | 22,794 | -0- | 22,794 | 24,106 |
| Resource development | 22,029 | (12,914) | 9,115 | 64,481 |
| **Total fundraising and resource development expenses** | 44,823 | (12,914) | 31,909 | 88,587 |
| **Total expenses** | 830,866 | (12,914) | 817,952 | 900,597 |
| **Change in net assets** | (54,328) | 100,348 | 46,020 | 632,668 |
| **Net assets**, beginning of year | 617,729 | 2,380,883 | 2,998,612 | 2,365,944 |
| **Net assets**, end of year | $ 563,401 | $ 2,481,231 | $ 3,044,632 | $ 2,998,612 |

# COLUMBUS PRO MUSICA, INC.
# DBA COLUMBUS INDIANA PHILHARMONIC

## STATEMENT OF FUNCTIONAL EXPENSES

## YEAR ENDED JULY 31, 2020
## WITH SUMMARIZED COMPARATIVE FINANCIAL
## INFORMATION FOR THE YEAR ENDED JULY 31, 2019

| | Year Ended July 31, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Program Services | | Supporting Services | | Fundraising & Resource Development Expense | | | |
| | Artistic | Education | Marketing & Public Relations | Administrative | Fundraising | Resource Development | Total | Year Ended July 31, 2019 |
| Salaries | $ 109,768 | $ 124,761 | $ 6,394 | $ 37,140 | $ 8,679 | $ 12,816 | $ 299,558 | $ 286,722 |
| Concert and production | 226,457 | 17,412 | -0- | -0- | -0- | -0- | 243,869 | 293,456 |
| Payroll taxes | 39,392 | 19,249 | 1,186 | 4,267 | 1,891 | 1,561 | 67,546 | 65,154 |
| Advertising | 17,540 | -0- | 13,612 | -0- | -0- | 1,945 | 33,097 | 27,618 |
| Depreciation | 17,697 | 6,444 | -0- | 5,473 | -0- | -0- | 29,614 | 19,463 |
| Miscellaneous | 3,977 | 1,324 | 381 | 5,814 | 7,370 | 3,824 | 22,690 | 24,638 |
| Contracted services | 24,600 | -0- | -0- | -0- | -0- | -0- | 24,600 | 25,104 |
| Rent and utilities | 11,939 | 2,809 | 1,686 | 2,809 | 562 | 562 | 20,367 | 23,310 |
| In-kind expenses | 6,428 | 6,428 | -0- | 6,600 | -0- | -0- | 19,456 | 17,376 |
| Insurance | 6,788 | 3,394 | -0- | 3,394 | -0- | -0- | 13,576 | 12,053 |
| Travel | 11,204 | 920 | -0- | -0- | -0- | -0- | 12,124 | 15,378 |
| Fundraising expenses | -0- | -0- | -0- | -0- | 1,945 | -0- | 1,945 | 7,648 |
| Equipment rent and repair | 3,703 | 2,165 | 1,299 | 2,165 | 433 | 433 | 10,198 | 7,528 |
| Legal and accounting | 2,995 | 1,775 | 1,065 | 1,775 | 762 | 355 | 8,727 | 10,383 |
| Music and other materials | 5,141 | 3,408 | -0- | -0- | -0- | -0- | 8,549 | 10,088 |
| Supplies | 1,377 | 1,377 | 826 | 1,377 | 275 | 275 | 5,507 | 4,143 |
| Telephone and Internet | 1,290 | 1,290 | 774 | 1,290 | 258 | 258 | 5,160 | 4,080 |
| Printing and postage | 1,794 | -0- | 1,561 | 309 | 619 | -0- | 4,283 | 3,322 |
| Provision for uncollectible accounts | -0- | -0- | -0- | -0- | -0- | (12,914) | (12,914) | 37,449 |
| Bank charges | -0- | -0- | -0- | -0- | -0- | -0- | -0- | 5,684 |
| **Total** | $ 492,090 | $ 192,756 | $ 28,784 | $ 72,413 | $ 22,794 | $ 9,115 | $ 817,952 | $ 900,597 |

# COLUMBUS PRO MUSICA, INC.
# DBA COLUMBUS INDIANA PHILHARMONIC

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED JULY 31, 2020
### WITH SUMMARIZED COMPARATIVE FINANCIAL
### INFORMATION AS OF AND FOR THE YEAR ENDED JULY 31, 2019

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 46,020 | $ 632,668 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 22,037 | 19,463 |
| Donated property and equipment | (3,452) | (19,500) |
| Donation of securities | (19,842) | (19,647) |
| Loss on disposition of fixed assets | 7,959 | -0- |
| Gain on investments | (4,899) | (4,394) |
| (Increase) decrease in current assets: | | |
| Pledges receivable | 1,123,488 | 59,233 |
| Accounts receivable | 11,055 | (6,905) |
| Grant receivable | (9,000) | 2,490 |
| Prepaid expenses | 3,277 | (2,094) |
| Branding | (13,675) | -0- |
| Increase (decrease) in current liabilities: | | |
| Accounts payable | 10,590 | (8,423) |
| Retainage payable | 79,519 | 37,465 |
| Accrued liabilities | 3,406 | 2,206 |
| Deferred income | (75,207) | 76,687 |
| **Net cash provided by operating activities** | 1,181,276 | 769,249 |
| **Cash flows from investing activities:** | | |
| Capital expenditures | (1,836,876) | (387,431) |
| Purchase of investments | -0- | (402,882) |
| Proceeds from sale of investments | 425,376 | 19,647 |
| Proceeds from CARES Act note payable | 105,200 | -0- |
| **Net cash used in investing activities** | (1,306,300) | (770,666) |
| **Net decrease in cash and cash equivalents** | (125,024) | (1,417) |
| **Cash, cash equivalents, and restricted cash, beginning of year** | 586,973 | 588,390 |
| **Cash, cash equivalents, and restricted cash, end of year** | $ 461,949 | $ 586,973 |

# COLUMBUS PRO MUSICA, INC.
# DBA COLUMBUS INDIANA PHILHARMONIC

## NOTES TO FINANCIAL STATEMENTS

## JULY 31, 2020
## WITH SUMMARIZED COMPARATIVE FINANCIAL
## INFORMATION AS OF AND FOR THE YEAR ENDED JULY 31, 2019

### 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ENTITY

Columbus Pro Musica, Inc. (the Organization) was organized in 1971 as a not-for-profit organization to provide musical performances and education to the Columbus community. The Organization operates under the name of Columbus Indiana Philharmonic. Substantially all ticket sales, memberships, and donations are from residents and businesses in and around Columbus, Indiana.

FINANCIAL STATEMENT PRESENTATION

The financial statements are in conformity with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. This statement established standards for external financial reporting for not-for-profit organizations.

ASC 958 primarily affects the display of financial statements and requires that the amounts for each of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions – be displayed in an aggregate statement of financial position and the amounts of change in each of those classes be displayed in a statement of changes in net assets. The two part net asset accounts used include the following:

*Net Assets Without Donor Restrictions* – Funds that have not been restricted in any manner by the donors are referred to as net assets without donor restrictions and are available for general Organization purposes. At July 31, 2020 and 2019, the Organization had net assets without donor restrictions of $563,401 and $617,729, respectively.

*Net Assets With Donor Restrictions* – Funds received from donors or grantors who have specified as to the use of their gifts or grants for specific purposes. Net assets with donor restrictions are subject to donor-imposed restrictions that will be met by future obligations or are to be invested and maintained intact in perpetuity. At July 31, 2020 and 2019, the Organization had net assets with donor restrictions of $2,481,231 and $2,380,883, respectively.

REVENUE RECOGNITION

The Organization uses the accrual method of accounting. Program fee revenues are recognized in the period in which the programs are performed. Grant revenue is recorded in the period in which the funds are granted or earned. Expenses are recorded in the period incurred. The Organization has classified its revenues into the following major classifications:

*Artistic* — Revenue items which include ticket sales, program book advertising, and community events, including the Cabaret events.

*Resource Development* — Revenue items which include annual contributions or grants from individuals, corporations, and foundations or endowments.

*Education* — Revenue items which relate to the educational mission of the Organization, such as tuitions, scholarships, strings, and the adventure concerts.

*Special Events* — Revenues (net of related expenses) from fundraising events held by the Organization.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Significant estimates made in the preparation of the financial statements include fair value of investments, pledge receivable, and allocation of functional expenses.

STATEMENT OF CASH FLOWS

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

INVESTMENTS

The Organization carries its investments at fair market value as required by ASC 820, *Fair Value Measurement.* Interest and dividends are reported in the period earned or accrued. Realized and unrealized gains and losses are included in the statement of activities and changes in the period recognized.

PLEDGES RECEIVABLE

The Organization announced and carried out a capital campaign during fiscal years 2018 for the purpose of constructing the *Helen Haddad Music, Arts and Events Center* as an addition to the Organization's existing building. This campaign continued through fiscal years 2019 and 2020. Pledges that are expected to be received during fiscal year 2021 are classified as current and recorded at fair value. Pledges expected to be received subsequent to fiscal year 2021 are classified as noncurrent and recorded at net present value. See Note 5.

ACCOUNTS/GRANTS RECEIVABLE

All accounts and grants receivables are carried at cost. On a periodic basis, the Organization evaluates its receivables and determines if an allowance for uncollectible accounts is necessary. As of July 31, 2020 and 2019, there is no allowance for uncollectible accounts and grants receivables.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost or fair market value at the date of purchase or date of donation. Depreciation is recorded over the estimated useful lives of the assets utilizing the straight-line method ranging from 3 to 39 years. The Organization capitalizes property and equipment that is in excess of $500 and has a useful life of over 1 year.

### CONTRIBUTED GOODS AND SERVICES

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial 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, are recorded at their fair values in the period received.

### FUNCTIONAL EXPENSES

The allocation of the costs of providing the Organization's various programs has been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain indirect costs have been allocated to program services, supporting services, and resource development expense based on management's estimates of resources devoted to these activities.

### INCOME TAXES

The Organization is organized as a not-for-profit corporation and, accordingly, is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, except for amounts representing unrelated business income. Unrelated business income (primarily from advertising monies received for program sponsorships) included in artistic income in the statement of activities was $24,548 and $21,925 for the years ended July 31, 2020 and 2019, respectively.

The Organization files income tax returns in the U.S. federal jurisdiction and one state. The Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years before the year ended July 31, 2017. As of and for the year ended July 31, 2020, the tax authorities have not proposed any adjustments to the Organization that would result in a material change to the Organization's financial position. No interest or penalties have been recorded in these financial statements. GAAP requires an entity to recognize the financial statement impact of a tax benefit position when it is more likely than not that the position will be sustained upon examination. The Organization does not believe it is taking any uncertain tax benefit positions.

### ADVERTISING

Advertising costs are expensed as incurred and included in the statement of activities. For the years ended July 31, 2020 and 2019, the Organization incurred advertising expenses of $33,097 and $27,618, respectively.

### DEFERRED REVENUE

Sales from advance tickets and advance sponsorships are recorded as a liability and recognized as revenue as production events occur throughout the year.

### RECLASSIFICATION

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net assets.

NEW ACCOUNTING STANDARD

In November 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-18, Statement of Cash Flows: Restricted Cash (Topic 230) that clarifies how changes in restricted cash are classified and presented on the statement of cash flows. This new standard, which the Corporation has adopted during the year ended July 31, 2020, requires restricted cash and restricted cash equivalents to change the definition of restricted cash equivalents. Previously, changes in restricted cash were shown as investing activities. Implementation of this standard, resulted in the reclassification and inclusion of restricted cash in the beginning and ending cash balances shown on the statement of cash flows for all years presented.

ACCOUNTING STANDARDS NOT YET ADOPTED

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842). This new standard which the Organization is not required to adopt until its year ending 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize in their balance sheets the assets and liabilities for the rights and obligations created by those leases and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on the entity's balance sheet.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU, which the Organization is not required to adopt until its year ending 2021, supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Organization is presently evaluating the effects that these standards will have on future financial statements, including related disclosures.

## 2. RECONCILIATION OF CASH WITH AND WITHOUT DONOR RESTRICTIONS

The following table provides a reconciliation of cash, cash equivalents, and restricted cash as reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 426,249 | $ 439,090 |
| Restricted cash | 35,700 | 147,883 |
| Total cash and cash equivalents as shown in the statement of cash flows | $ 461,949 | $ 586,973 |

## 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available for general expenditures within one year of the statement of financial position date include the following at July 31, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 426,249 | $ 439,090 |
| Pledges receivable, current | 120,566 | 1,150,995 |
| Grants receivable | 10,000 | 1,000 |
| Accounts receivable | 11,125 | 22,180 |
| Restricted cash | 35,700 | 147,883 |
| Investments | 49,264 | 449,899 |
| Pledges receivable, noncurrent | 190,864 | 283,923 |
| Total financial assets | 843,768 | 2,494,970 |
| Less amounts unavailable for general expenditures within one year | | |
| Restrictions of time or purpose: | | |
| Capital campaign, cash | (35,700) | (147,883) |
| Investment | (49,264) | (449,889) |
| Pledge receivables, current and noncurrent | (311,430) | (1,434,918) |
| Total financial assets available to management for general expenditures within one year | $ 447,374 | $ 462,280 |

As part of the Organization's liquidity management, it may invest cash in excess of daily requirements for general expenditures, liabilities, and other obligations in short term investments.

### 4. INVESTMENTS

The Organization has invested funds in a mutual fund and certificates of deposit. Although the market value of the mutual fund is subject to fluctuations on a year-to-year basis, management believes the investment program is prudent for the long-term welfare of the Organization. The contractual maturities of the certificates of deposit expired during the year ended 2020. The Organization redeemed the certificates of deposit to assist with funding the capital project. As of July 31, 2020 and 2019, investments consisted of the following:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Cost | Market Value | Cost | Market Value |
| Vanguard Wellington Fund | $ 49,264 | $ 49,264 | $ 47,017 | $ 47,017 |
| Certificates of deposit | -0- | -0- | 402,882 | 402,882 |
| | $ 49,264 | $ 49,264 | $ 449,899 | $ 449,899 |

The Organization reinvested $4,899 and $7,276 of investment gains during the years ended July 31, 2020 and 2019, respectively.

### 5. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give amounts to the Organization as part of its Capital Campaign (see Note 1). The Organization uses a discount rate of 3.5% to calculate the present value of future cash flows expected from pledges more than one year from the date of the financial statements. Pledges receivable as of July 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Unconditional promises to give, current | $ 126,700 | $ 1,155,665 |
| Less allowance for uncollectable pledges, current | (6,134) | (4,670) |
| | 120,566 | 1,150,995 |
| Unconditional promises to give, noncurrent | 220,350 | 327,787 |
| Less allowance for uncollectable pledges, noncurrent | (22,035) | (32,779) |
| Less discount to net present value | (7,451) | (11,085) |
| | 190,864 | 283,923 |
| | $ 311,430 | $ 1,434,918 |

## 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at July 31, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Land | $ 51,800 | $ 51,800 |
| Building and improvements | 111,700 | 124,357 |
| Musical instruments | 303,740 | 303,740 |
| Orchestral equipment | 72,819 | 72,819 |
| Furniture and equipment | 61,859 | 37,704 |
| | 601,918 | 590,420 |
| Accumulated depreciation | (238,275) | (220,936) |
| **Property and equipment, net** | $ 363,643 | $ 369,484 |

## 7. CONSTRUCTION LINE OF CREDIT

At July 31, 2020 and 2019, the Organization had available a $587,178 construction line of credit, with a bank, for the purpose of assisting with capital project. The construction line of credit bears interest at 4%, is secured by the related real estate and expires March 19, 2025. At July 31, 2020 and 2019, there were no borrowings on the line of credit. In early October the Organization converted this line of credit to a long-term note payable.

## 8. CARES ACT NOTE PAYABLE

The Organization received Paycheck Protection Program (PPP) proceeds of $105,200. If the Organization meets all the required obligations during the PPP forgiveness period, the note will be forgiven under the CARES Act. The unforgiven portion of the note, if any, will be required to be paid back, including 1% interest, beginning on or around December 1, 2020 and maturing April 2025. As of July 31, 2020, all funds from the PPP note had been spent on payroll, rent, and utilities and are expected to be forgiven.

## 9. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at financial institutions located in Indiana. The balances are insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk. At July 31, 2020, deposits at two different financial institutions exceeded the FDIC $250,000 coverage limit.

The Organization receives most of its support from individual and business patrons in and around Columbus, Indiana. This could affect the Organization's overall exposure to credit risk inasmuch as these patrons could be affected by adverse economic or other geographic conditions.

## 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of July 31, 2020 and 2019 consist of the following:

| | 2020 | 2019 |
|---|---|---|
| Construction in process, net of retainage | $ 2,084,837 | $ 348,183 |
| Pledges receivable, net - capital campaign | 311,430 | 1,434,918 |
| Certificates of deposit - capital campaign | -0- | 402,882 |
| Restricted cash - capital campaign | 35,700 | 147,883 |
| Principal second violin chair | 49,264 | 47,017 |
| | $ 2,481,231 | $ 2,380,883 |

## 11. FAIR VALUE MEASUREMENTS

ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Organization’s fair value for investments at July 31, 2020 and 2019 was determined to be:

| | | Fair Value Measurement Inputs | | |
|---|---|---|---|---|
| Description | Total | Level 1 | Level 2 | Level 3 |
| **2020** | | | | |
| Vanguard Wellington Fund | $ 49,264 | $ 49,264 | $ -0- | $ -0- |
| Total investments | $ 49,264 | $ 49,264 | $ -0- | $ -0- |
| **2019** | | | | |
| Vanguard Wellington Fund | $ 47,017 | $ 47,017 | $ -0- | $ -0- |
| Certificates of deposit | 402,882 | 402,882 | -0- | -0- |
| Total investments | $ 449,899 | $ 449,899 | $ -0- | $ -0- |

## 12. COMMITMENTS

On April 1, 2018, the Organization entered into an agreement with an unrelated party for ticketing system software and services. The Organization has agreed to pay $10,000 each year until March 2023.

## 13. ASSETS HELD BY OTHERS

The Organization is the beneficiary of the Columbus Pro Musica Endowment Fund which is held at the Heritage Fund of Bartholomew County. The Organization currently receives annual distributions of up to 4.5% of the investment base of funds which are available for operations. If the fair market value of the funds in the trusts falls below the historical gift value, distributions will not be made from the trusts without prior approval by both the trust’s major donors and the Heritage Fund Board of Directors. For the years ended July 31, 2020 and 2019, annual distributions of $73,719 and $72,685, respectively, were included in resource development revenues.

## 14. LEASES

The Organization leases certain equipment under a monthly lease agreement. In January 2019, the Organization renewed a noncancelable operating lease agreement which requires monthly payments of $279 and expires in January 2023. Operating lease expense for both of the years ended July 31, 2020 and 2019 totaled $3,348. Future minimum lease obligations are as follows:

| Fiscal year ending July 31: | |
|---|---|
| 2021 | $ 3,348 |
| 2022 | 3,348 |
| 2023 | 1,395 |
| | $ 8,091 |

## 15. DONATED GOODS AND SERVICES

The Organization receives support in the form of in-kind goods and services including printing and accounting services, as well as various other miscellaneous donations. The approximate value of such donations was $19,455 and $17,376 for the years ended July 31, 2020 and 2019, respectively.

The Organization receives donated securities throughout the year. The Organization has adopted a policy to sell securities immediately after the date of donation, with the proceeds transferred to operations after the sale. The Organization received donated securities valued at $19,842 and $19,647 for the years ended July 31, 2020 and 2019, respectively.

The Organization receives donated equipment. These items are capitalized and depreciated. The fair market value of such donations was $3,452 and $19,500 for the years ended July 31, 2020 and 2019, respectively.

## 16. RELATED PARTIES

As part of its Annual Fund Drive for the years ended July 31, 2020 and 2019, the Organization received approximately $15,953 and $35,200, respectively, from various related parties

### 17. CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The operations and business results of Organization could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) may impact the Organization will depend on future developments. These future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

### 18. SUBSEQUENT EVENTS

In accordance with ASC Topic 855, *Subsequent Events*, the Organization has evaluated subsequent events through October 12, 2020, which is the date these financial statements were available to be issued, and has determined that, other than matter noted in footnote 7, there are no subsequent events that require disclosure in the financial statements.