

Columbus Pro Música, Inc.
315 Franklin Street
Columbus, IN 47201

December 13, 2022

RBSK Partners PC
575 Plaza Drive
Columbus, IN 47201

This representation letter is provided in connection with your audit of the financial statements of Columbus Pro Música, Inc., which comprise the statement of financial position as of July 31, 2022 and 2021, and the related statements of activities, 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 as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (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 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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 13, 2022, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 18, 2022, including our responsibility for the preparation and fair presentation of the financial statements.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) 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.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

- 9) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 11) Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of financial position date and have been reduced to their estimated net realizable value.
- 12) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.
- 13) The bases used for allocation of functional expenses are reasonable.
- 14) Expenditures of federal awards were below \$750,000 in fiscal year 2022, and we are not required to have an audit in accordance with the Uniform Guidance.

Information Provided

- 15) We have provided you with:
 - a) 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.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 16) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 17) 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.
- 18) We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 19) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 20) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 21) We have disclosed to you all known or actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 22) We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.

- 23) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you.
- 24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain specific asset composition necessary to satisfy their restrictions.
- 26) We understand that you prepared adjusting journal entries and acknowledge that we have reviewed and approved those entries and they have been posted to Columbus Pro Musica, Inc.'s accounts.
- 27) We understand that you prepared the trial balance for use during the audit and that your preparation of the trial balance was limited to formatting the information in Columbus Pro Musica, Inc.'s general ledger into a working trial balance. Also, as part of your audit, you prepared the draft financial statements and related notes from the trial balance. We have reviewed and approved those financial statements and related notes and believe they are adequately supported by the books and records of the Organization.
- 28) In regards to the maintenance of the depreciation records and preparation of the adjusting journal entries services performed by you, we have:
- a) Made all management decisions and performed all management functions.
 - b) Designated an individual with suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.
 - e) Established and maintained internal controls, including monitoring ongoing activities.
- 29) Columbus Pro Musica, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
- 30) In regard to the financial statement preparation services performed by you, we have—
- Assumed all management responsibilities.
 - Designated Finance Manager who has (have) suitable skill, knowledge, or experience to oversee the services.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.

Signature: _____
Title: Executive Director

Signature: _____
Title: Finance Manager



Columbus Pro Musica, Inc.

Financial Statements

July 31, 2022 and 2021

Columbus Pro Música, Inc.

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July 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Columbus Pro Música, Inc. (a nonprofit organization), which comprise the statements of financial position as of July 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbus Pro Música, Inc. as of July 31, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit

RBSK Partners pc

Greensburg, Indiana
December 13, 2022

Columbus Pro Música, Inc.

Statements of Financial Position

July 31, 2022 and 2021

	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 323,991	\$ 354,115
Promises to give, net	131,846	44,357
Accounts receivable	21,100	15,175
Tax credit receivable	188,166	---
Prepaid expenses	2,937	1,800
Total current assets	<u>668,040</u>	<u>415,447</u>
Restricted Assets		
Cash, restricted	49,765	384,214
Investments, restricted	56,427	62,140
Total restricted assets	<u>106,192</u>	<u>446,354</u>
Other Assets:		
Noncurrent promises to give, net	72,200	181,899
Property and equipment, net	2,865,281	2,984,136
Branding, net of amortization	8,205	10,940
Total other assets	<u>2,945,686</u>	<u>3,176,975</u>
Total Assets	<u>\$ 3,719,918</u>	<u>\$ 4,038,776</u>
Liabilities		
Current Liabilities:		
Current portion of long-term debt	\$ 113,767	\$ 116,049
Accounts payable	9,515	15,035
Accrued liabilities	17,107	14,790
Deferred income	66,967	140,414
Total current liabilities	<u>207,356</u>	<u>286,288</u>
Long-term Debt, less current portion above	<u>312,976</u>	<u>416,827</u>
Total liabilities	<u>520,332</u>	<u>703,115</u>
Net Assets		
Without donor restrictions	2,884,348	2,663,051
With donor restrictions	315,238	672,610
Total net assets	<u>3,199,586</u>	<u>3,335,661</u>
Total Liabilities and Net Assets	<u>\$ 3,719,918</u>	<u>\$ 4,038,776</u>

Notes to financial statements are an integral part of these statements

Columbus Pro Musica, Inc.

Statement of Activities

For the Year Ended July 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Public Support			
Resource Development	\$ 329,171	\$ 5,000	\$ 334,171
Artistic	313,302	---	313,302
Special events	38,380	---	38,380
Education	72,349	---	72,349
Investment income	193	(5,713)	(5,520)
Cares Act employee retention credit income	188,166	---	188,166
Other revenues	5,892	---	5,892
Net assets released from restrictions	356,659	(356,659)	---
Total Revenue and Support:	<u>1,304,112</u>	<u>(357,372)</u>	<u>946,740</u>
Functional Expenses			
Program service expenses:			
Artistic	540,723	---	540,723
Education	139,727	---	139,727
Helen Haddad Hall	102,028	---	102,028
Total program service expenses	<u>782,478</u>	<u>---</u>	<u>782,478</u>
Supporting service expenses:			
Marketing/public relations	75,187	---	75,187
Administrative	154,981	---	154,981
Total supporting service expenses	<u>230,168</u>	<u>---</u>	<u>230,168</u>
Fundraising and resource development expenses:			
Resource development	70,169	---	70,169
Total fundraising and resource development expenses	<u>70,169</u>	<u>---</u>	<u>70,169</u>
Total Expenses	<u>1,082,815</u>	<u>---</u>	<u>1,082,815</u>
Change in Net Assets	<u>221,297</u>	<u>(357,372)</u>	<u>(136,075)</u>
Net Assets, Beginning	<u>2,663,051</u>	<u>672,610</u>	<u>3,335,661</u>
Net Assets, Ending	<u>\$ 2,884,348</u>	<u>\$ 315,238</u>	<u>\$ 3,199,586</u>

Notes to financial statements are an integral part of these statements

Columbus Pro Música, Inc.

Statement of Activities

For the Year Ended July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Public Support			
Capital campaign	\$ 32,962	\$ ---	\$ 32,962
Resource Development	360,538	---	360,538
Artistic	158,524	---	158,524
Special events	3,782	---	3,782
Education	48,268	---	48,268
Donated assets	238,929	---	238,929
Donated services	4,398	---	4,398
Investment income	443	12,876	13,319
Cares Act loan forgiveness income	194,955	---	194,955
Other revenues	7,634	---	7,634
Net assets released from restrictions	1,821,497	(1,821,497)	---
Total Revenue and Support:	<u>2,871,930</u>	<u>(1,808,621)</u>	<u>1,063,309</u>
Functional Expenses			
Program service expenses:			
Artistic	272,555	---	272,555
Education	101,259	---	101,259
Helen Haddad Hall	131,192	---	131,192
Total program service expenses	<u>505,006</u>	<u>---</u>	<u>505,006</u>
Supporting service expenses:			
Marketing/public relations	89,613	---	89,613
Administrative	146,025	---	146,025
Total supporting service expenses	<u>235,638</u>	<u>---</u>	<u>235,638</u>
Fundraising and resource development expenses:			
Resource development	31,636	---	31,636
Total fundraising and resource development expenses	<u>31,636</u>	<u>---</u>	<u>31,636</u>
Total Expenses	<u>772,280</u>	<u>---</u>	<u>772,280</u>
Change in Net Assets	2,099,650	(1,808,621)	291,029
Net Assets, Beginning	563,401	2,481,231	3,044,632
Net Assets, Ending	<u>\$2,663,051</u>	<u>\$ 672,610</u>	<u>\$3,335,661</u>

Notes to financial statements are an integral part of these statements

Columbus Pro Música, Inc.

Statement of Functional Expenses

For the Year Ended July 31, 2022

	Program Services			Supporting Services		Fundraising & Resource Development	
	Artistic	Education	Helen Haddad Hall	Marketing & Public Relations	Administrative	Resource Development	Total
Salaries	\$ 356,939	\$ 62,894	\$ 3,077	\$ 37,481	\$ 71,108	\$ 22,154	\$ 553,653
Employee benefits	3,864	681	33	406	770	240	5,994
Payroll taxes	24,311	4,284	210	2,553	4,843	1,509	37,710
Payroll fees	17,733	3,125	153	1,862	3,533	1,101	27,507
Advertising	15,864	—	—	292	—	505	16,661
Concert and production	28,855	11,847	—	—	—	23,084	63,786
Contracted services	—	—	—	4,091	10,368	—	14,459
Depreciation and amortization	21,212	13,299	67,533	8,339	9,340	1,868	121,591
Equipment	961	100	—	—	3,190	—	4,251
Equipment rent and repair	9,704	—	75	—	5,479	—	15,258
Fundraising expenses	—	—	—	—	—	12,695	12,695
Insurance	7,937	3,969	—	—	3,968	—	15,874
Interest	—	—	26,222	—	—	—	26,222
Legal and accounting	8,500	8,500	1,701	5,100	8,500	1,700	34,001
Miscellaneous	6,212	6,562	—	5,990	13,697	—	32,461
Music and other materials	1,421	8,216	—	—	—	—	9,637
Printing and postage	161	—	—	—	2,330	2,289	4,780
Rent and utilities	10,956	10,956	2,191	6,573	10,956	2,191	43,823
Repairs and maintenance	4,167	4,167	833	2,500	4,167	833	16,667
Supplies	180	—	—	—	2,732	—	2,912
Travel	21,746	1,127	—	—	—	—	22,873
Total Expenses	\$ 540,723	\$ 139,727	\$ 102,028	\$ 75,187	\$ 154,981	\$ 70,169	\$ 1,082,815

Notes to financial statements are an integral part of these statements

Columbus Pro Música, Inc.

Statement of Functional Expenses

For the Year Ended July 31, 2021

	Program Services			Supporting Services		Fundraising & Resource Development	
	Artistic	Education	Helen Haddad Hall	Marketing & Public Relations	Administrative	Resource Development	Total
Salaries	\$ 175,727	\$ 46,839	\$ 29,692	\$ 42,296	\$ 85,135	\$ 15,231	\$ 394,920
Employee benefits	848	226	143	204	411	74	1,906
Payroll taxes	14,301	3,812	2,416	3,442	6,929	1,240	32,140
Payroll fees	8,250	2,199	1,394	1,986	3,997	715	18,541
Advertising	4,508	---	147	6,958	---	1,800	13,413
Concert and production	20,858	12,074	134	12,511	1,118	614	47,309
Contracted services	---	---	1,197	5,619	---	---	6,816
Depreciation and amortization	14,797	6,444	66,367	2,735	---	---	90,343
Equipment	80	---	10,151	---	4,095	---	14,326
Equipment rent and repair	1,766	1,766	353	1,059	1,766	353	7,063
Fundraising expenses	---	---	---	---	---	1,940	1,940
In-kind expenses	546	---	1,426	305	4,000	(1,879)	4,398
Insurance	8,126	4,063	---	---	4,062	---	16,251
Interest	---	---	13,614	---	---	---	13,614
Legal and accounting	5,240	5,240	1,049	3,144	5,240	1,048	20,961
Miscellaneous	886	3,781	974	4,433	12,975	2,292	25,341
Music and other materials	3,196	6,385	---	---	---	---	9,581
Printing and postage	629	---	14	---	2,637	6,203	9,483
Rent and utilities	4,021	4,021	804	2,412	4,021	804	16,083
Repairs and maintenance	1,520	1,520	303	912	1,520	304	6,079
Supplies	414	25	483	---	5,457	365	6,744
Telephone and internet	2,662	2,662	531	1,597	2,662	532	10,646
Travel	4,180	202	---	---	---	---	4,382
Total Expenses	\$ 272,555	\$ 101,259	\$ 131,192	\$ 89,613	\$ 146,025	\$ 31,636	\$ 772,280

Notes to financial statements are an integral part of these statements

Columbus Pro Música, Inc.

Statements of Cash Flows

For the Years Ended July 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (136,075)	\$ 291,029
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	121,591	90,343
Donated property and equipment	---	(238,929)
Donation of securities	---	(26,111)
Gain on investments	5,713	(12,876)
Loan forgiveness income	---	(194,955)
Other changes that provided (used) cash:		
Accounts Receivable	(5,925)	(4,050)
Tax credit receivable	(188,166)	---
Grants Receivable	---	10,000
Prepaid Expenses	(1,137)	15,720
Accounts payable	(5,520)	4,445
Accrued liabilities	2,317	2,567
Deferred Income	(73,447)	(10,384)
Net cash used in operating activities	<u>(280,649)</u>	<u>(73,201)</u>
Cash Flows from Investing Activities		
Capital expenditures	---	(384,336)
Proceeds from sale of investments	---	26,112
Net cash used in investing activities	<u>---</u>	<u>(358,224)</u>
Cash Flows from Financing Activities		
Proceeds from long-term debt	---	587,178
Proceeds from CARES Act notes payable	---	89,755
Promises to give	22,210	85,174
Principal payments of long-term debt	(106,134)	(54,302)
Net cash provided by financing activities	<u>(83,924)</u>	<u>707,805</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(364,573)	276,380
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	738,329	461,949
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 373,756	\$ 738,329
Cash paid during the year ended December 31, for:		
Interest	\$ 21,805	\$ 12,759
Income Taxes	\$ ---	\$ ---

Notes to financial statements are an integral part of these statements

Columbus Pro Música, Inc.

Notes to Financial Statements

July 31, 2022 and 2021

1. Summary of Significant Accounting Policies

The summary of significant accounting policies of Columbus Pro Música, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The Organization

Columbus Pro Música, 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.

Basis of 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 – Net assets that are not subject to donor-imposed stipulations. At July 31, 2022 and 2021, the Organization had net assets without donor restrictions of \$2,884,358 and \$2,663,051, respectively.

Net Assets with donor Restrictions – Net assets subject to donor-imposed stipulations that either expire by the passage of time or are fulfilled by the Organization. As the restrictions are met, the net assets are released from restrictions and included in net assets without donor restrictions. At July 31, 2022 and 2021, the Organization had net assets with donor restrictions of \$315,238 and \$672,610, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Columbus Pro Música, Inc.

Notes to Financial Statements *(Continued)*

July 31, 2022 and 2021

1. Summary of Significant Accounting Policies *(Continued)*

Public Support and Revenue Recognition

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.

Public Support

Contributions and grants are recognized as support when they are received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets exists. Conditional contributions are not recognized as revenue until the conditions are substantially met. Cash received prior to when conditions are substantially met are recognized as refundable advances.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Program Service Fees and Other Revenue

The Organization recognizes revenue from the sale of tickets, performance fees, program book advertising, tuition, and scholarships at the time of the event at the stated price per ticket or when the service is performed. Ticket sales, performance fees, advertising, tuition, and scholarships collected in advance of performances, events or programs are deferred and recognized as revenue in the period to which they relate (contract liabilities). Essentially all of the Organizations revenue is earned at a point in time (rather than over time).

Columbus Pro Música, Inc.

Notes to Financial Statements (Continued)

July 31, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Public Support and Revenue Recognition (Continued)

Program Service Fees and Other Revenue

Contract assets and contract liabilities consisted of the following:

	Accounts Receivable (contract asset)	Deferred Income (contract liability)
August 1, 2020	\$11,125	\$150,798
July 31, 2021	\$15,175	\$140,414
July 31, 2022	\$21,100	\$66,967

Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The agency did not hold any cash equivalents at July 31, 2022 and 2021.

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 as changes in the period recognized.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The determination of the allowance for uncollectible promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

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, 2020, and 2021.

Accounts Receivable

Accounts receivable (contract assets) are carried at net realizable value and are due within one year. No interest is charged on past due accounts.

Columbus Pro Música, Inc.

Notes to Financial Statements *(Continued)*

July 31, 2022 and 2021

1. Summary of Significant Accounting Policies *(Continued)*

Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful receivables, if applicable, which is based on prior years' experience and an analysis of current accounts receivable. An allowance for uncollectible accounts as of July 31, 2022 and 2021 was not considered necessary.

Property and Equipment

Property and equipment are stated at cost, or if donated, at fair value at the date of the gift. The Organization follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets. Property and equipment with an item cost or donated value of \$500 or more and a useful life of one year or more are capitalized when acquired. The estimated useful lives of assets are as follows:

Asset	Years
Building	25-39 Years
Building Improvements	5 Years
Musical Instruments	5-25 Years
Office Equipment	5-7 Years
Orchestral Equipment	15 Years

Donated Assets and Services

Donated use of facilities is recorded as contributions at the net present value of their estimated fair rental values or the fair value of the facility, whichever is lesser, at the date of donation. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also donate their time and perform a variety of tasks throughout the year that assist the Organization with specific programs and various committee assignments that are not recognized as contributions in the financial statements since the criteria are not met.

Columbus Pro Música, Inc.

Notes to Financial Statements *(Continued)*

July 31, 2022 and 2021

1. Summary of Significant Accounting Policies *(Continued)*

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 \$15,150 and \$16,850 for the years ended July 31, 2022 and 2021.

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, 2019. As of and for the year ended July 31, 2022 and 2021, 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

The Organization expenses advertising costs as incurred in the statement of activities. Total advertising expense including marketing and printing were \$16,661 and \$13,413 in 2022 and 2021, 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. Deferred revenue represents a contract liability.

Certificates of Deposit

The Organization from time to time invests in certificates of deposit at a local bank at the bank's stated interest rates. The maturity date is normally twelve months. The Organization carries the investment at cost which approximates the fair value of the instrument.

Columbus Pro Música, Inc.

Notes to Financial Statements (Continued)

July 31, 2022 and 2021

1. Summary of Significant Accounting Policies (Continued)

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the financial statements are issued.

Subsequent Events

The Organization has evaluated subsequent events through December 13, 2022, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Change in Accounting Principles

Effective August 1, 2020, the Organization adopted FASB ASU No. 2014-09, *Revenue from Contracts with Customers*, Topic 606 (ASC 606), as issued in May 2014 by the FASB, which supersedes the revenue recognition requirements in FASB ASC Topic 605, *Revenue Recognition*. The core principle of this new 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.

In accordance with ASC 606, the Organization has adopted the requirements using the modified retrospective approach. Adoption of the new guidance resulted in changes to the Organization's accounting policies for revenue recognition. The Organization's accounts receivable is considered to represent contract assets and deferred revenue is considered to represent contract liabilities under the new standard. Under the modified retrospective approach, any cumulative effects of initial application are to be presented as an adjustment to the opening balance of net assets in the year of adoption. No adjustments to the opening net asset balances were necessary upon adoption by the Organization.

Accounting Pronouncement 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.

The Organization is presently evaluating the effect that this standard will have on future financial statements, including related disclosures.

Columbus Pro Música, Inc.

Notes to Financial Statements *(Continued)*

July 31, 2022 and 2021

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.

	2022	2021
Cash and cash equivalents	\$ 323,991	\$ 354,115
Restricted Cash	49,765	384,214
	<hr/>	<hr/>
Total cash and cash equivalents as shown in the statement of cash flows	\$ 373,756	\$ 738,329

3. Liquidity and Availability of Financial Assets

The Organization has \$345,091 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$323,991 and accounts receivable of \$21,100. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The accounts receivable is subject to implied time restrictions but are expected to be collected within one year. The Organization has a goal to maintain financial assets, which consist of cash and short-term receivables, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$270,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Fair Value Measurements and Investments

Major classes of assets and liabilities that are measured at fair value are categorized according to a fair value hierarchy. Accounting standards require the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of input described below:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable 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 or liabilities. These unobservable inputs reflect that reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability.

Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Columbus Pro Música, Inc.

Notes to Financial Statements (Continued)

July 31, 2022 and 2021

4. Fair Value Measurements and Investments (Continued)

The Organization has invested funds in a mutual fund. Although the market value of the 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 cost basis as of July 31, 2022 and 2021, in the mutual fund was \$57,224 and \$51,823, respectively, and the current market value is listed below.

Measured on a Recurring Basis	Year ended July 31, 2022	Fair Value Measurements Using		
		Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Mutual Funds	\$56,427	\$56,427	\$ ---	\$ ---
Totals	\$56,427	\$56,427	\$ ---	\$ ---
Measured on a Recurring Basis	Year ended July 31, 2021	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Mutual Funds	\$62,140	\$62,140	\$ ---	\$ ---
Totals	\$62,140	\$62,140	\$ ---	\$ ---

5. Promises to Give

Promises to give 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 promises to give more than one year from the date of the financial statements. Promises to give as of July 31, 2022 and 2021, are as follows:

	2022	2021
Unconditional promises to give, current	\$ 135,924	\$ 48,134
Less allowance for uncollectable promises to give, current	(4,078)	(3,777)
Estimated to be collected within one year	131,846	44,357
Unconditional promise to give, noncurrent	100,000	210,000
Less allowance for uncollectable promises to give, noncurrent	(24,300)	(21,000)
Less discount to net present value	(3,500)	(7,101)
Estimated to be collected in one to five years	72,200	181,899
Total amount estimated to be collected	\$ 204,046	\$ 226,256

Columbus Pro Música, Inc.
Notes to Financial Statements (Continued)

July 31, 2022 and 2021

6. Property and Equipment

Property and equipment consisted of the following at July 31, 2022 and 2021:

July 31, 2022

	Cost	Accumulated Depreciation	Book Value
Building	\$ 2,672,648	\$ 136,623	\$ 2,536,025
Building Improvements	1,242	435	807
Land	51,800	---	51,800
Musical Instruments	303,740	142,288	161,452
Office Equipment	204,521	94,034	110,487
Orchestral Equipment	76,069	71,359	4,710
Totals	\$ 3,310,020	\$ 444,739	\$ 2,865,281

July 31, 2021

	Cost	Accumulated Depreciation	Book Value
Building	\$ 2,672,648	\$ 66,489	\$ 2,606,159
Building Improvements	1,242	186	1,056
Land	51,800	---	51,800
Musical Instruments	303,740	128,612	175,128
Office Equipment	204,521	61,390	143,131
Orchestral Equipment	76,069	69,207	6,862
Totals	\$ 3,310,020	\$ 325,884	\$ 2,984,136

7. Paycheck Protection Program Loan

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. These loans are forgivable if used for qualifying expenses.

In April 2020, the Organization obtained a PPP loan for \$105,200 and a second loan in February 2021 for \$89,755. The Organization has elected to account for the loan as debt under FASB ASC 470, *Debt*. The Organization has used all the proceeds from the loan for qualifying expenses and, as a result, the loans and accrued interest were forgiven during the year ended July 31, 2021. The Organization recognized a gain on forgiveness of the loans on the statement of activities.

Columbus Pro Música, Inc.

Notes to Financial Statements *(Continued)*

July 31, 2022 and 2021

8. Long-Term Debt

On July 14, 2021 the Organization refinanced the Hadad Hall mortgage in order to lower the interest rate and generate cash flow from lower subsequent payments. The semi-annual payment is \$63,870 due in September and March, and the outstanding balance consisted of the following at July 31, 2022 and 2021:

Interest Rate	Maturity Date	2022	2021
3.500%	September 19, 2025	\$ 312,976	\$ 532,876
	Less Current Portion	113,767	116,049
	Long-term notes payable	<u>\$ 426,743</u>	<u>\$ 416,827</u>

Future minimum principal payments for the next five years are as follows:

2022	\$113,767
2023	\$117,808
2024	\$121,967
2025	\$73,201
2026	---

9. Concentrations

The Organization maintains cash accounts at two banks in Columbus, Indiana. Cash and savings are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

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 similar adverse economic or other geographic conditions.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions as of July 31, 2022 and 2021 consist of the following:

	2022	2021
Restricted cash – capital campaign	\$ 49,765	\$ 384,214
Promises to give – capital campaign	204,046	226,256
Principal second violin chair	56,427	62,140
Bowden Scholarship	<u>5,000</u>	<u>---</u>
	<u>\$ 315,238</u>	<u>\$ 672,610</u>

11. Commitments and Contingencies

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.

Columbus Pro Música, Inc.

Notes to Financial Statements (Continued)

July 31, 2022 and 2021

12. Beneficial Interest in Assets Held by Community Foundation

The Organization is the beneficiary of the Columbus Pro Musica Endowment Fund and the Reeves Early Music Education Endowment Fund, both of which are held at the Heritage Fund of Bartholomew County (HF). Both endowment funds were established and funded by independent donors and are perpetual in nature. Under the terms of the endowment agreements, HF was granted variance power, which allows HF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of HF's board of directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Since HF holds this variance power, the Organization has not recorded this beneficial interest in the endowment funds as an asset on its statement of financial position. Distributions are recorded as revenue only when received.

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 trust 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, 2022 and 2021, annual distributions of \$96,321 and \$73,711, respectively, and were received and included in resource development revenues. The fair market value of the funds at July 31, 2022 and 2021, as reported by HF, was \$1,465,298 and \$1,768,267, respectively.

13. 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 the years ended July 31, 2022 and 2021 totaled \$3,348.

Future minimum lease obligations are as follows:

2023	\$1,395
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14. 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 \$--- and \$4,398 for the years ended July 31, 2022 and 2021.

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 \$--- and \$26,111 for the years ended July 31, 2022 and 2021.

The Organization receives donated equipment. These items are capitalized and depreciated. The fair market value of such donations was \$--- and \$238,929 for the years ended July 31, 2022 and 2021, for construction of Helen Haddad Hall.

15. Related Parties

As part of its annual fund drive for the years ended July 31, 2022 and 2021, the Organization received approximately \$53,157 and \$16,131, respectively, from various related parties.

Columbus Pro Música, Inc.

Notes to Financial Statements *(Continued)*

July 31, 2022 and 2021

16. Employee Retention Credit

The CARES Act provides an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government which extend and slightly expand the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The organization qualifies for the tax credit under the CARES Act. During the year ended July 31, 2022, the organization recorded \$188,166 related to the CARES Employee Retention credit in “Revenue” on the Organization’s Statement of Activities. As of July 31, 2022, the Organization has a \$188,166 receivable balance from the United States government related to the CARES Act, which is recorded in “Tax credit receivable” on the Organization’s Statement of Financial Position.