

**Handel and Haydn Society**

**Financial Statements**

**For the Year Ended**

**June 30, 2021**

Tsoutsouras & Company, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Governors

Handel and Haydn Society

We have audited the accompanying financial statements of Handel and Haydn Society, which comprise the balance sheet as of June 30, 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.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Handel and Haydn Society as of June 30, 2021, and the changes in 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 Handel and Haydn Society's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Tsoutsouras & Company, P.C.  
Certified Public Accountants  
Ipswich, Massachusetts  
September 15, 2021

# Handel and Haydn Society

Balance Sheet

June 30, 2021

(With Summarized Financial Information for the Year Ended June 30, 2020)

	Without Donor Restriction				
	Board				
	Operating Fund	Designated Operating Reserve Fund	Total Without Donor Restriction	With Donor Restrictions	Total 6/30/2021
					Total 6/30/2020
Assets					
Cash and Cash Equivalents	\$ 69,910	\$ 1,000,000	\$ 1,069,910	\$ 558,667	\$ 1,519,818
Accounts receivable	63,848	-	63,848	-	23,234
Pledges receivable (note 4)	96,625	-	96,625	269,593	837,497
Employee Retention Credit (note 5)	673,395	200,000	873,395	-	-
Investments, at market value (note 6)	215,732	-	215,732	15,389,310	11,729,131
Prepaid expenses (note 7)	140,790	-	140,790	-	248,001
Furniture and equipment, net of accumulated depreciation of \$761,423 in 2021.	174,102	-	174,102	-	215,290
Total Assets	\$ 1,434,402	\$ 1,200,000	\$ 2,634,402	\$ 16,217,570	\$ 14,572,971
Liabilities & Net Assets					
Accounts payable and accrued expenses	\$ 461,398	\$ -	461,398	\$ -	\$ 343,590
Liabilities under split interest agreements (note 12)	73,352	-	73,352	28,598	105,857
Notes Payable	491,280	-	491,280	-	483,700
Deferred revenue	279,510	-	279,510	-	725,925
Total Liabilities	1,305,540	-	1,305,540	28,598	1,659,072
Net Assets	128,862	1,200,000	1,328,862	16,188,972	12,913,899
Total Liabilities & Net Assets	\$ 1,434,402	\$ 1,200,000	\$ 2,634,402	\$ 16,217,570	\$ 14,572,971

See Accompanying Notes to the Financial Statements

**Handel and Haydn Society**  
Statement of Activities  
Year Ended June 30, 2021  
(With Summarized Financial Information for the Year Ended June 30, 2020)

	Without Donor Restriction			With Donor Restriction	Total Year Ended 6/30/2021	Total Year Ended 6/30/2020
	Operating Fund	Board Designated Operating Reserve Fund	Total Without Donor Restriction			
Revenue						
Concerts						
Subscriptions	-	-	-	\$ -	\$ -	\$ 841,740
Individual Tickets	-	-	-	-	-	549,076
Performance Fees	2,554	-	2,554	-	2,554	167,636
Contributions	3,914,617	-	3,914,617	540,633	4,455,250	4,099,222
Government Grants	90,200	-	90,200	40,000	130,200	84,450
Benefits, net of cost of donor benefits of \$0 in 2021	71,925	-	71,925	-	71,925	1,549
Investment Return	29,510	-	29,510	3,594,320	3,623,830	60,295
PPP Loan Forgiveness Income	483,700	-	483,700	-	483,700	-
Other	87,139	-	87,139	-	87,139	225,143
Change in Split Interest Agreements	(2,923)	-	(2,923)	(1,383)	(4,306)	1,857
Transfer (to)/from Board Designated	(1,200,000)	1,200,000	-	-	-	-
Net Assets Released from Restriction:						
Satisfaction of Donor Restrictions	798,252	-	798,252	(798,252)	-	-
Appropriation of Endowment Earnings	-	-	-	-	-	-
Total Revenue	4,274,974	1,200,000	5,474,974	3,375,318	8,850,292	6,030,968
Expenses						
Performances	1,874,356	-	1,874,356	-	1,874,356	3,364,576
Education Program	456,266	-	456,266	-	456,266	462,702
General and Administrative	1,295,552	-	1,295,552	-	1,295,552	1,410,882
Fundraising	620,183	-	620,183	-	620,183	698,912
Total Expenses	4,246,357	-	4,246,357	-	4,246,357	5,937,072
Change in Net Assets	28,617	1,200,000	1,228,617	3,375,318	4,603,935	93,896
Net Assets, beginning of year	100,245	-	100,245	12,813,654	12,913,899	12,820,003
Net Assets, end of year	\$ 128,862	\$ 1,200,000	\$ 1,328,862	\$ 16,188,972	\$ 17,517,834	\$ 12,913,899

See Accompanying Notes to the Financial Statements

**Handel and Haydn Society**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**  
**(With Summarized Financial Information for the Year Ended June 30, 2020)**

	Program Services			Support Services		
	Performances	Education Program	Total Program Services	General and Administrative	Fundraising	Total Year Ended 6/30/2021
						Total Year Ended 6/30/2020
Salaries	\$ 349,394	\$ 161,953	\$ 511,347	\$ 612,134	\$ 384,453	\$ 1,678,125
Payroll taxes and employee benefits	74,030	34,715	108,745	126,673	109,690	317,149
Conductor fees	87,362	97,156	184,518	-	-	357,963
Guest artist fees	25,160	76,122	101,282	-	-	224,082
Chorus fees	89,156	5,398	94,554	-	-	412,318
Orchestra fees and expenses	348,260	2,063	350,323	-	618	922,813
Advertising and printing	97,053	1,541	98,594	-	23,334	394,350
Box office expense	479	-	479	-	-	6,317
Calling campaigns	6,194	-	6,194	-	33,846	72,366
Depreciation	-	-	-	56,307	-	55,704
Dues and publications	7,218	13,265	20,483	27,470	4,523	37,510
Electronic media	330,350	-	330,350	-	-	43,516
Fundraising	-	-	-	-	5,964	36,399
Insurance	23,137	-	23,137	10,504	-	38,819
Interest expense	-	-	-	3,123	-	3,438
Miscellaneous	93,565	22,403	115,968	40,870	20,021	155,887
Performance hall, instrument, and music rental	106,904	20,030	126,934	-	-	299,676
Office rental, software license and training	-	-	-	256,494	-	313,081
Postage and supplies	4,258	1,101	5,359	9,776	3,731	78,271
Press and publicity	10,071	10,465	20,536	30	-	26,465
Professional services	139,535	4,618	144,153	129,684	34,003	295,694
Subscriber and donor benefits	686	-	686	-	-	688
Touring and technical production	78,810	5,328	84,138	-	-	92,638
Telephone and utilities	2,434	-	2,434	21,644	-	23,380
Travel and delivery	300	108	408	843	-	50,423
Total expenses by function	1,874,356	456,266	2,330,622	1,295,552	620,183	5,937,072
Less: Cost of direct benefits to donors	-	-	-	-	-	-
Total year ended June 30, 2021	\$ 1,874,356	\$ 456,266	\$ 2,330,622	\$ 1,295,552	\$ 620,183	\$ 4,246,357
Total year ended June 30, 2020	\$ 3,364,576	\$ 462,702	\$ 3,827,278	\$ 1,410,882	\$ 698,912	\$ 5,937,072

See Accompanying Notes to the Financial Statements

**Handel and Haydn Society**  
**Statement of Cash Flows**  
**Year Ended June 30, 2021**  
(With Summarized Financial Information for the Year Ended June 30, 2020)

	Total Year Ended 6/30/2021	Total Year Ended 6/30/2020
Operating Activities		
Change in net assets	\$ 4,603,935	\$ 93,896
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Restricted contributions received in cash	(645,300)	(150,222)
Depreciation	56,307	55,704
Realized and Unrealized (gain) loss on sale of investments	(3,465,293)	159,477
PPP Loan Forgiveness	(483,700)	
Changes in assets and liabilities:		
Accounts and pledges receivable	430,665	429,785
Employee Retention Credit Receivable	(873,395)	-
Prepaid expenses	107,212	11,425
Accounts payable and accrued expenses	117,808	(2,609)
Split Interest Agreements	(3,908)	63,810
Deferred revenue	(446,415)	(267,317)
Net cash flow provided (used) by operating activities	<u>(602,084)</u>	<u>393,949</u>
Investing activities		
Purchases of furniture and equipment	(15,119)	(40,112)
Purchases of investments and certificates of deposit	(802,194)	(2,391,301)
Sales of investments and certificates of deposit	391,576	2,225,031
Net cash flow provided (used) by investment activities	<u>(425,737)</u>	<u>(206,382)</u>
Financing activities		
Borrowings on Long Term Liabilities	491,280	483,700
Restricted contributions	645,300	150,222
Net cash flow provided (used) by financing activities	<u>1,136,580</u>	<u>633,922</u>
Net increase (decrease) in cash during the year	108,759	821,489
Cash, beginning of year	<u>1,519,818</u>	<u>698,329</u>
Cash, end of year	<u><u>\$ 1,628,577</u></u>	<u><u>\$ 1,519,818</u></u>

See Accompanying Notes to the Financial Statements

**Handel and Haydn Society**  
Notes to Financial Statements  
June 30, 2021

**Note 1. Organization:**

Handel and Haydn Society (Society) is a Boston-based nonprofit organization that performs Baroque and Classical music with a freshness, a vitality, and a creativity that inspires all ages. Its mission is to inspire the intellect, touch the heart, elevate the soul, and connect all of us with our shared humanity through transformative experiences with Baroque and Classical. The majority of the concerts take place in Symphony Hall in Boston.

**Note 2. COVID-19**

As a result of the Coronavirus (COVID-19), the Governor of Massachusetts instituted a closure of all non-essential businesses with a phased reopening. Operations of the Society were affected by the cancellation of performances and events for the June 30, 2021 fiscal year. Despite these cancellations, due to the generosity of patrons and donors and support through government programs, COVID-19 did not have a material impact on the financial results of the Society for the fiscal year ended June 30, 2021. The Society cannot reasonably estimate the total effect of COVID-19 on future operations because it does not know for sure if the closures will be reinstituted. Management is monitoring the situation on a continuing basis to mitigate the potential impact of COVID-19 on the Society's operations and financial performance, including reducing costs, looking at alternative ways for performances to be presented, and possibly increasing the draw from the endowment fund if necessary and prudent.

During the fiscal year ended June 30, 2021 The Society received the following COVID related support through government programs that are reflected in change in the Statement of Activities:

Employee Retention Credit	\$ 873,395
Forgiven Initial Paycheck Protection Program Loan	\$ 483,700
National Endowment for the Arts Grants	\$ 50,000
	<u>\$ 1,407,095</u>

**Note 3. Summary of Significant Accounting Policies:**

**A. Basis of Presentation:**

The financial statements of the Society have been prepared on the accrual basis in accordance with generally accepted accounting principles of the United States of America.

**B. Summarized Comparative Information for June 30, 2020:**

The financial statements include certain prior year summarized financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles of the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

**C. Fair Value Measurements:**

The Society uses fair value measurements in the financial statements as follows:

- Recurring measurement of investments (Note 6)
- Non-recurring initial measurement of non-cash gifts and pledges receivable

**Handel and Haydn Society**  
**Notes to Financial Statements**  
**June 30, 2021**

**Summary of Significant Accounting Policies – Fair Value Measurements – Continued:**

ASC 820-10, 'Fair Value Measurements and Disclosures' defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market based measurement that should utilize market data or assumptions that market participants would use in pricing assets or liabilities including assumptions about risks. The ASC requires the Society to classify its fair value measurements into a three tier level hierarchy, based on the priority of inputs to the valuation technique as either level 1, level 2, or level 3. Level 1 being the highest and level 3 being the lowest as follows:

- Level 1 – Quoted prices which are available in active markets for identical assets or liabilities;
- Level 2 – Inputs other than level 1, quoted prices for similar assets or liabilities in markets that are not active or model derived valuations whose inputs are observable either directly or indirectly through market corroboration.
- Level 3 – Inputs that are generally unobservable for which market data is not available and developed using best information available about assumptions that the market would use to price the assets or liabilities.

**D. Revenue Recognition:**

The Society recognizes revenue in accordance with Accounting Standards Codification (ASC) 958-605-25 'Not For Profit Entities Revenue Recognition.' Under ASC 958-605-25, unconditional contributions are recognized as revenues when received or pledged in the appropriate net asset category depending upon the nature of any donor restrictions. When donor restrictions expire, restricted assets are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restriction. If donor restrictions expire in the year of receipt, the contribution is reported as unrestricted net assets.

Contributions of assets other than cash are reported at fair value on the date the property is pledged or donated. The initial fair value measurement is generally considered a Level 1 measurement. Pledges that are expected to be collected in less than one year are reported at net realizable value. Pledges that are expected to be collected in more than one year from the financial statement date are recorded at fair value at the date of promise. Fair value is computed using a present value technique, anticipated cash flows and a risk adjusted discount rate. The Society is using a discount rate of 5%. This is considered a Level 2 fair value measurement. Amortization of the discount is recorded as additional contribution revenue. Conditional gifts and grants are recognized as revenue when the conditions on which they depend are met.

Revenue from ticket sales and performances is recognized at the state price per ticket. In the case of a subscription, the revenue is recognized as each contractual performance obligation is satisfied. The subscription price is allocated to each performance based on the separate ticket prices for performances included in the subscription.

Ticket sales and performance fees collected in advance of a performance are reflected as a contract liability called deferred revenue and recognized as revenue in the period in which the performances occur. Contract assets are reflected as accounts receivable.

Contract liabilities of \$279,510 are reflected as a deferred revenue as of June 30, 2021.



Handel and Haydn Society  
Notes to Financial Statements  
June 30, 2021

Summary of Significant Accounting Policies - Continued:

E. Net Asset Categories:

Net Assets Without Donor Restrictions:

This category includes resources which contain no external restrictions, resources for which restrictions have lapsed in the current fiscal year, and the Board Designated Operating Reserve Fund.

The Board Designated Operating Reserve Fund was established by the Board as a reserve to support the society's day-to-day operations in the event of an unforeseen shortfall. The reserve may also be used for one-time nonrecurring expenses that will build long-term capacity strategic projects and general operations. Operating reserves are not intended to replace a permanent loss of funds or eliminate an ongoing budget gap. The society intends to replenish the reserve for funds used within a reasonable time.

In the fiscal year ended June 30, 2021 \$1,200,000 of assets were transferred to the Board Designated Operating Reserve Fund operating reserve consisting of cash, receivables, and investments.

Net Assets With Donor Restrictions:

This includes gifts for which donors imposed restrictions. Some donor-imposed restrictions are temporary in nature and will expire when the resource is used for a particular purpose or in a particular future period. Other donor-imposed restrictions are perpetual in nature (endowment gifts). The Society must invest endowment gifts in perpetuity and use the endowment in accordance with donor instructions.

F. Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

G. Investments:

Investments are carried at fair value.

H. Accounts and Pledges Receivable:

It is the Society's policy to provide an allowance for uncollectible pledges and receivables based upon management's evaluation of the collectability of individual pledges and receivables. At June 30, 2021, the allowance was \$89,165.

I. Furniture and equipment:

Furniture and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed over estimated useful lives of between three to seven years on a straight-line basis. Significant additions and improvements are capitalized. Maintenance and repairs which do not extend the useful lives of assets are expensed as incurred.

**Handel and Haydn Society**  
**Notes to Financial Statements**  
**June 30, 2021**

**Summary of Significant Accounting Policies – Tax Status – Continued:**

**J. Cash:**

For purposes of the statement of cash flows, cash includes cash in bank accounts, money market accounts and certificates of deposit with original maturities under ninety days.

**K. Advertising Costs:**

The Society expenses the production costs of advertising as incurred, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits. Direct response advertising consists primarily of production and mailing costs of subscription and individual mailings which include order forms for performances. The capitalized costs include those related to the next subscription season. These capitalized costs are expensed when the season begins. At June 30, 2021, \$48,390 of advertising was reported as an asset. Advertising expense was \$121,929.

**L. Tax Status:**

The Society is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC) and is a publicly supported organization as defined in IRC Section 509(a)(2). The Society may, however, incur a tax liability on certain ancillary activities.

In accordance with ASC 740-Income Taxes, the Society recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

In addition, interest and penalties are accrued on any unrecognized tax benefit from uncertain tax positions.

Tax years ended June 30, 2018, 2019, 2020 and 2021 are within the statute of limitations and open for examination by Federal and State jurisdictions.

**M. Future Accounting Standard Updates (ASU):**

**Adopted**

Effective July 1, 2020, the society adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, "Revenue from contracts with customers", which was issued in May 2014 and amended in 2015, 2016, and 2020. The new standard FASB ASU topic 606 replaces substantially all current US GAAP guidance on revenue recognition and eliminates industry specific guidance. The core principal of the ASU is to reflect revenue based upon the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled if exchange for those goods or services.

In accordance with ASC 606, the society has adopted the requirements using the modified retrospective approach. Adoption of the new guidance resulted in no significant changes to the society's revenue recognition policy or disclosures. As reflected in Note 3, the society's accounts receivable are contract assets and deferred revenue is considered to replace contract liability under the new standard. Under the modified retrospective approach, and cumulative effects of initial application are to be presented as an adjustment to opening net assets in the year of adoption. No adjustment to opening net assets was necessary upon adoption.

**Handel and Haydn Society**  
Notes to Financial Statements  
June 30, 2021

**Summary of Significant Accounting Policies - Tax Status - Continued:**

**Future Accounting Standard Updates (ASU) - Continued:**

**Not Yet Adopted**

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, "Leases." The ASU requires that lessees recognize on the balance sheet the rights and obligations created by leases with terms of more than twelve months, regardless of their classification as either operating or capital leases. As amended by ASU 2020-05, for non-profit organizations, this ASU takes effect for fiscal years beginning after December 15, 2021. The Society has not determined the effect of this update on its financial statement.

**Note 4. Pledges Receivable:**

Pledges receivable are comprised as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
In One Year or Less	\$ 174,000	\$ 76,000	\$ 250,000
Between One and Five Years	-	92,000	92,000
More than Five Years	-	225,000	225,000
Less: Unamortized discount	-	(111,617)	(111,617)
Less: Reserve	(77,375)	(11,790)	(89,165)
Total	<u>\$ 96,625</u>	<u>\$ 269,593</u>	<u>\$ 366,218</u>

Not included in the pledges above is a \$750,000 Campaign Endowment Fund gift that may be rescinded by the donors at their discretion. In accordance with ASC 958-605-25, this contingent pledge will not be recognized as revenue until the donation is received.

The Society is a beneficiary of certain estate gifts which have not been recognized in the financial statements. The Society will recognize them when its irrevocable right has been established, such as when a probate court declares a will valid.

**Note 5. Employee Retention Credit:**

The CARES Act, as amended by the Consolidated Appropriations Act of 2021, includes a provision allowing employers who were subject to full or partial suspension of operations or who realized significant reductions in gross receipts to receive federal tax credits for retaining employees. The society is eligible for this credit, has made the required filings with the IRS and has reflected a receivable on the balance sheet of \$873,395.

The employee retention credit resulted in a direct reductions of payroll costs as follows:

Salaries	\$ 442,999
Chorus Fees	\$ 151,202
Orchestra Fees	\$ 279,194
Total	<u>\$ 873,395</u>

**Handel and Haydn Society**  
Notes to Financial Statements  
June 30, 2021

**Note 6. Investments:**

At June 30, 2021, investments consist of the following mutual fund investments:

	Cost	Carrying Value (Level 1 Fair Value)	Unrealized Gain (Loss)
Perspective II Variable & Fixed Annuity	\$ 215,732	\$ 215,732	\$ 0
Fidelity Low Priced Stock Fund	1,121,791	1,391,496	269,705
Fidelity Stock Selector Large Cap	350,000	398,090	48,090
Fidelity Contrafund	1,344,920	2,385,078	1,040,158
Fidelity Small Cap Growth Fund	738,507	1,174,341	435,834
Fidelity Int'l Discovery Fund	359,326	526,481	167,155
Oakmark International Investor Fund	499,156	546,780	47,624
Fidelity Limited Term Bond Fund	3,798,120	3,915,940	117,820
Fidelity Total Market Index Fund	1,722,879	3,486,128	1,763,249
Matthews Pacific Tiger Fund	537,302	687,489	150,187
Barclays Bank Exchange Traded Notes+ Select	1,003,655	877,487	(126,168)
	<u>\$ 11,691,388</u>	<u>\$ 15,605,042</u>	<u>\$ 3,913,654</u>

Investment return consisted of the following for the year ended June 30, 2021:

Interest and Dividend Income	\$205,786
Realized Gain (Loss)	517,225
Change in Unrealized Gain (Loss)	
Unrealized Gain (Loss) -Beginning of Year	1,012,835
Unrealized Gain (Loss) -End of Year	<u>3,913,654</u>
Change in Unrealized Gain (Loss)	<u>2,900,819</u>
Total investment return	<u>\$ 3,623,830</u>

**Note 7. Prepaid Expenses:**

At June 30, 2021, prepaid expenses consist of the following:

Marketing Expenses	\$ 48,390
Performance Expenses	7,415
Other Prepaid Expenses	<u>84,985</u>
Total	<u>\$ 140,790</u>

**Handel and Haydn Society**  
Notes to Financial Statements  
June 30, 2021

**Note 8. Net Assets With Donor Restrictions:**

At June 30, 2021, Net assets with donor restrictions consisted of the following:

Available for spending but restricted to a purpose	
Restricted working capital reserve funds	\$ 78,992
Education and programs	\$ 1,550
Total available for spending but restricted to a purpose	<u>\$ 80,542</u>
Available for spending but restricted to a particular time (some of which are also subject to purpose restrictions)	
Fiscal 2022 annual fund	\$ 88,076
Strategic initiatives fund	\$ 437,780
Total available for spending but restricted to a particular time	<u>\$ 525,856</u>
Endowment funds which must be appropriated by the board before use	
Original gifts	\$ 9,938,564
Accumulated income	\$ 5,644,010
Total endowment funds	<u>\$ 15,582,574</u>
Total net assets with donor restrictions	<u><u>\$ 16,188,972</u></u>

Restricted Working Capital Reserve Fund:

The restricted working capital reserve fund includes the portion of contributions and grants restricted by donors as a cash reserve. Income earned on these funds is unrestricted and is reported in the unrestricted fund. The principal of the fund may be borrowed; however, each borrowing must be repaid within two years. There are no borrowings at June 30, 2021.

The Restricted Working Capital Reserve Fund included \$150,000 awarded from a 1994 NEA challenge grant, \$100,000 awarded under a 1988 NEA challenge grant and \$78,992 of matching funds. Under the terms of the grants and according to a letter from the NEA dated November 20, 2007, the \$250,000 became unrestricted in fiscal year 2008, leaving \$78,992 as temporarily restricted.

The Society has complied with all significant grant requirements.

Strategic Initiative Funds

This fund was established as part of the 2018 strategic initiative plan to meet strategic funding needs and cover one-time, annual costs and incremental costs to be incurred during fiscal year 2019 through 2023 to implement the strategic plan.

Endowment Funds:

The Society has several endowment funds which receive non-expendable contributions and grants (donor restricted). The purpose of the funds is to maintain the financial health of the organization and to support its mission. The donor restricted net asset category includes the original principal and accumulated income of the endowment funds. The Society has an investment policy for its endowment funds which is monitored by the Investment Committee of its Board of Governors. The investment policy is designed to achieve a consistent performance with risk commensurate with the investment returns. The Society manages the capital using a total return spending policy in accordance with the Uniform Prudent Management of Institutional Funds Act of 2009 (UPMIFA). Under UPMIFA, the Society may appropriate for expenditure so much of the endowment fund as is prudent taking into consideration: the duration and preservation of the endowment fund, the purposes of the Society and the endowment fund, the possible effect of inflation or deflation, the expected total return from income and the appreciation of investments, other resources of the Society, and the investment policy. Under the Society's policy, generally no more than 4% of the average value of the endowment will be appropriated for expenditure for a fiscal year. The society implemented a 4% draw of \$435,301 for the year ending June 30, 2021.

**Handel and Haydn Society**  
Notes to Financial Statements  
June 30, 2021

**Note 9. Changes in Endowment Net Assets:**

The following schedule summarizes the change in endowment net assets for the year ended June 30, 2021:

Endowment Net Assets - Beginning of Year	\$ 11,854,570
Investment Return	3,594,320
Contributions	590,000
Change in Pledge Discounting & Bad Debt Reserve	(19,632)
Appropriated for Expenditure	(435,301)
Change in Split Interest Agreements	(1,383)
	<hr/>
Endowment Net Assets - End of Year	<u>\$15,582,574</u>

**Note 10. Line of Credit:**

The Society has a \$275,000 line of credit with a bank, bearing interest at 3.25% and maturing on November 30, 2021. As of June 30, 2021, the Society has no borrowings on this line of credit. All of the Society's assets have been pledged as collateral for this loan.

**Note 11. Long Term Debt**

On April 20, 2020, the Society was granted a loan from Boston Private Bank and Trust Company of \$483,700 pursuant to the Paycheck Protection Program (PPP). The loan was forgivable if it was used for qualifying expenses and other criteria were met. The society submitted it's application for forgiveness and received full forgiveness of the loan in the fiscal year ended June 30, 2021.

On March 17, 2021, the Society was granted a second PPP loan from Boston Private Bank and Trust Company of \$491,280 pursuant to the Paycheck Protection Program (PPP). The loan is payable in principal and interest payments of \$8,477 and bears interest at 1% per annum and is payable monthly commencing on March 26, 2022. The note is unsecured. Funds from the loan may only be used for payroll costs, costs to continue group healthcare benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before May 26, 2021. The loan is forgivable if it is used for qualifying expenses and certain other employment criteria are achieved. The Society has used the entire loan for qualifying expenses so the loan should be forgiven. The Society submitted it's application for forgiveness on August 6, 2021, but has reflected the loan as a liability as of June 30, 2021 since it has not yet been approved by the SBA. Scheduled principal and interest payments will change based on the amount forgiven.

Maturities of Long-term debt are as follows:

2022	\$ 76,298
2023	98,025
2024	99,011
2025	100,006
2026 and thereafter	117,940
	<hr/>
	<u>\$ 491,280</u>

**Handel and Haydn Society**  
Notes to Financial Statements  
June 30, 2021

**Note 12. Split Interest Agreements:**

Under Split interest agreements, donors enter into planned giving arrangements using charitable gift annuities, in which the donors make an irrevocable transfer of assets to the organization and in exchange the donor receives periodic fixed payments for a period of time. Assets received under split interest agreements are initially recognized at fair value (see note 3). These assets are subsequently invested with other investments of the Society and are then recorded at fair value (a level 1 method, see note 3). Associated liabilities are recorded at the present value of estimated future payments due to beneficiaries. These liabilities are calculated using each gift's IRS discount rate as specified in IRC Section 7520 (a), ranging from 2.0% to 2.2%.

During the term of these agreements, changes in the value of split interest agreements are recognized in the Statement of Activities based on amortization of the discount associated with the contribution and revaluations of future payments to beneficiaries, based on changes in life expectancy, and other actuarial assumptions.

Net assets related to split interest agreements consist of the following:

	Without Donor Restriction	With Donor Restriction	Total
Split interest agreement assets Charitable gift annuity cash	\$99,615	\$39,610	\$139,225
Liabilities due under split interest agreements	(73,352)	(28,598)	(101,950)
Split interest agreement net assets	<u>\$26,263</u>	<u>\$11,012</u>	<u>\$37,275</u>

Changes in Split interest agreement assets and liabilities are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Change in split interest agreement liability			
Liability balance at July 1, 2020	\$76,013	\$29,844	\$105,857
Payments to beneficiaries	(5,584)	(2,629)	(8,213)
Change in agreement value:			
Passage of time                      \$4,306	2,923	1,383	4,306
Liability balance at June 30, 2021	<u>\$73,352</u>	<u>\$28,598</u>	<u>\$101,950</u>

**Note 13. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Handel and Haydn Society**  
Notes to Financial Statements  
June 30, 2021

**Note 14. Concentrations of Credit Risk:**

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash equivalents, investment securities and receivables. The maximum exposure due to credit loss is the carrying value on the balance sheet. Cash and cash equivalents includes the following bank accounts:

Boston Private Bank	\$1,149,643
Fidelity Government Money Market	459,606
RBC Government Money Market	0
Santander Bank	18,778
	<u>\$1,628,027</u>

The FDIC provides insurance of up to \$250,000 on balances in Boston Private Bank and Santander Bank. Funds in the Fidelity government money market are insured up to \$250,000 by the securities investors protection corp (SPIC), other investments at Fidelity have an additional \$250,000 through the SPIC.

Investments are exposed to various risks, such as interest rate, market volatility and credit risk. The Society's diversification through mutual funds mitigates some of this potential exposure (see Note 5).

Approximately 68% of pledges receivable as of June 30, 2021 are from five donors. Donation revenue from no single donor accounts for more than 11.3% of total FY 2021 revenue.

The Society does not require collateral on receivables.

**Note 15. Operating Lease Commitment:**

The Society leases office space under a non-cancellable operating lease that expires on July 31, 2024. The Society also leases office equipment and a vehicle under non-cancellable operating leases. Future minimum payments due on these leases at June 30, 2021 are:

	Office Space	Vehicles & Equipment	Total
Fiscal Year 2022	175,055	5,988	181,043
Fiscal Year 2023	185,870	5,988	191,858
Fiscal Year 2024	187,454	4,990	192,444
Fiscal Year 2025	219,286	-	219,286
Fiscal Year 2026	226,400	-	226,400
Fiscal Year 2027 and thereafter	18,899	-	18,899
	<u>\$1,012,964</u>	<u>\$16,966</u>	<u>\$1,029,930</u>

Included in rent expense for fiscal year 2021 is \$137,246 incurred under non-cancellable operating leases.



**Handel and Haydn Society**  
Notes to Financial Statements  
June 30, 2021

**Note 16. Pension Plans:**

The Society has a Section 403 (b) retirement plan for non-union employees. The plan permits participants to make contributions up to the maximum limits allowed by Internal Revenue Code section 403 (b). The Society matches employee contributions to this plan up to 3% of participant pay. For the year ended June 30, 2021 the Society contributed \$41,953 to the plan. Amounts contributed by employees plus earnings they generate are 100% vested. Amounts contributed by the Society plus earnings they generate vest according to the following table.

Years of Service	Vesting percentage
Less than 1	0%
1	33%
2	67%
3	100%

The Society contributes to a multiemployer defined benefit plan under the terms of the collective bargaining agreement that covers its union employees. The risks of participating in a multiemployer plan are different from a single-employer plan in the following aspects:

- 1) Assets contributed to the multiemployer plan by an employer may be used to provide benefits to employees of other participating employers.
- 2) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- 3) If the Society chooses to stop participating in the plan, the Society may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal penalty.

The Society's participation in the plan for the annual plan year ended March 31, 2021 and plan information is outlined below.

Certified Zone Information: The most recent Pension Protection Act (PPA) zone status available in 2021 is for the plan's year end at March 31, 2021. The zone status is based on information that the Society received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. As in this situation, a plan's status is also affected if future contributions are projected to be less than the minimum funding requirement.

FIP/RP status: The FIP/RP indicates whether the plan has a financial improvement plan (FIP) or a rehabilitation plan (RP) either pending or implemented.

The last item shows the expiration date of the collective bargaining agreement (CBA) to which the plan is subject.

The plan requires the Society to contribute a fixed contracted percentage of applicable wages for each employee covered by the CBA. The contributions made by the Society in Fiscal year ended 2021 were less than 5 percent of the total contributions to the plan.

**Handel and Haydn Society**  
Notes to Financial Statements  
June 30, 2021

**Pension Plans - continued**

Plan Name -	American Federation of Musicians and Employers' Pension Fund
Federal ID number	51-6120204
Plan number	001
Certified Zone Status	Red as of the March 31, 2021 plan year
Contributions by the Society	\$31,797 for the fiscal year end June 30, 2021
FIP/RP status	Implemented
Extended Amortization Provisions	Yes
Surcharge paid to the plan	No
Expiration date of the CBA	June 30, 2022

**Note 17. Liquidity and Availability:**

The society works to maintain financial assets on hand to meet its normal operating expenses and structures its financial assets to be available as its covered expenditures and liabilities come due. As more fully described in Note 8, the society also has a \$275,000 line of credit available in the event of an unanticipated liquidity need.

The society's financial assets available for general expenditure within one year of June 30, 2021 are as follows:

	From assets without donor restrictions	From appropriations of donor restricted endowment	From other donor restricted assets	Total
Cash	\$ 1,069,910	\$ -	\$ 88,576	\$ 1,158,486
Accounts Receivable	63,848	-	-	63,848
Employee Retention Credit Receivable	873,395			873,395
Pledges Receivable	96,625	-	-	96,625
Investments	-	457,975	-	457,975
	<u>\$ 2,103,778</u>	<u>\$ 457,975</u>	<u>\$ 88,576</u>	<u>\$ 2,650,329</u>

**Note 18. Subsequent Events:**

The Society has evaluated subsequent events through September 15, 2021, the date the financial statements were available to be issued.