

ST. LUKE'S CHAMBER ENSEMBLE, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
St. Luke's Chamber Ensemble, Inc.

We have audited the accompanying financial statements of St. Luke's Chamber Ensemble, Inc., which comprise the statements of financial position as of August 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Luke's Chamber Ensemble, Inc. as of August 31, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
February 15, 2022

ST. LUKE'S CHAMBER ENSEMBLE, INC.

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents (Notes 1b and 4)	\$ 2,785,109	\$ 2,119,872
Investments and cash held for investment (Notes 1c, 1d, 5 and 6)	18,583,074	13,299,458
Unconditional promises to give (Notes 1e and 7)		
Without donor restrictions	896,622	554,758
With donor restrictions	918,754	622,671
Receivables and advances	4,563	44,071
Prepaid expenses and other current assets	91,978	163,674
Property and equipment, at cost (net of accumulated depreciation) (Notes 1f and 9)	<u>23,721,290</u>	<u>24,340,926</u>
Total Assets	<u><u>\$47,001,390</u></u>	<u><u>\$41,145,430</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 196,805	\$ 173,277
Deferred revenue (Note 1g)	40,019	24,112
Refundable advances (Note 11)	393,743	25,000
Loans payable (Note 10)	<u>759,472</u>	<u>1,121,157</u>
Total Liabilities	<u>1,390,039</u>	<u>1,343,546</u>
Commitments and Contingency (Notes 10, 12, 13 and 15)		
Net Assets (Note 3)		
Without Donor Restrictions	<u>28,179,618</u>	<u>26,038,914</u>
With Donor Restrictions		
Time and purpose restrictions	9,759,994	6,091,231
Perpetual in nature	<u>7,671,739</u>	<u>7,671,739</u>
Total With Donor Restrictions	<u>17,431,733</u>	<u>13,762,970</u>
Total Net Assets	<u>45,611,351</u>	<u>39,801,884</u>
Total Liabilities and Net Assets	<u><u>\$47,001,390</u></u>	<u><u>\$41,145,430</u></u>

See notes to financial statements.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED AUGUST 31, 2021 AND 2020

	2021				2020			
	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Total	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Total
Changes in Net Assets								
Operating Activities								
Revenue, Gains and Other Support								
Contributions	\$ 1,880,465	\$ 2,939,393	\$ -	\$ 4,819,858	\$ 2,490,221	\$ 718,061	\$ -	\$ 3,208,282
Loan forgiveness - Paycheck Protection Program (Note 10)	971,257	-	-	971,257	-	-	-	-
Federal Relief Program - Employee retention tax credits (Note 8)	570,747	-	-	570,747	-	-	-	-
Shuttered Venue Operators Grant (Note 11)	628,196	-	-	628,196	-	-	-	-
Donated services and materials	-	-	-	-	14,529	-	-	14,529
Fundraising benefits	791,315	-	-	791,315	872,480	-	-	872,480
Less: Direct fundraising benefit costs	-	-	-	-	(30,126)	-	-	(30,126)
Performances	175,928	-	-	175,928	1,479,800	-	-	1,479,800
Education and community engagement	3,270	-	-	3,270	13,885	-	-	13,885
The DiMenna Center rentals	580,943	-	-	580,943	466,786	-	-	466,786
Net investment income (Note 5)	200,095	-	-	200,095	106,618	-	-	106,618
Other income	15,689	-	-	15,689	13,981	-	-	13,981
	<u>5,817,905</u>	<u>2,939,393</u>	<u>-</u>	<u>8,757,298</u>	<u>5,428,174</u>	<u>718,061</u>	<u>-</u>	<u>6,146,235</u>
Net assets released from restrictions								
Time and program restrictions	882,336	(882,336)	-	-	669,984	(669,984)	-	-
Appropriations for use in operations (Notes 5 and 6)	885,694	-	-	885,694	584,680	-	-	584,680
Appropriation to board designated Artistic Excellence Fund	(365,000)	-	-	(365,000)	(100,000)	-	-	(100,000)
Appropriation to board designated Strategic Action Fund	(2,170,200)	-	-	(2,170,200)	-	-	-	-
Total Revenue, Gains and Other Support from Operating Activities	<u>5,050,735</u>	<u>2,057,057</u>	<u>-</u>	<u>7,107,792</u>	<u>6,582,838</u>	<u>48,077</u>	<u>-</u>	<u>6,630,915</u>
Expenses								
Program Services								
Performances	2,071,010	-	-	2,071,010	3,782,121	-	-	3,782,121
Education and community engagement	846,921	-	-	846,921	771,541	-	-	771,541
The DiMenna Center	1,187,707	-	-	1,187,707	1,061,639	-	-	1,061,639
Total Program Services	<u>4,105,638</u>	<u>-</u>	<u>-</u>	<u>4,105,638</u>	<u>5,615,301</u>	<u>-</u>	<u>-</u>	<u>5,615,301</u>
Supporting Services								
Management and general	559,410	-	-	559,410	498,973	-	-	498,973
Fundraising	350,198	-	-	350,198	450,347	-	-	450,347
Total Supporting Services	<u>909,608</u>	<u>-</u>	<u>-</u>	<u>909,608</u>	<u>949,320</u>	<u>-</u>	<u>-</u>	<u>949,320</u>
Total Expenses	<u>5,015,246</u>	<u>-</u>	<u>-</u>	<u>5,015,246</u>	<u>6,564,621</u>	<u>-</u>	<u>-</u>	<u>6,564,621</u>
Increase in Net Assets from Operating Activities Before Other Activities (carried forward)	<u>35,489</u>	<u>2,057,057</u>	<u>-</u>	<u>2,092,546</u>	<u>18,217</u>	<u>48,077</u>	<u>-</u>	<u>66,294</u>

See notes to financial statements.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED AUGUST 31, 2021 AND 2020

	2021				2020			
	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Total	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Total
Increase in Net Assets from Operating Activities Before Other Activities (brought forward)	\$ 35,489	\$ 2,057,057	\$ -	\$ 2,092,546	\$ 18,217	\$ 48,077	\$ -	\$ 66,294
Other Activities								
Net investment income (Note 5)	610,373	2,243,010	-	2,853,383	201,938	1,061,420	-	1,263,358
Appropriations for use in operations (Notes 5 and 6)	(254,390)	(631,304)	-	(885,694)	(132,366)	(452,314)	-	(584,680)
Loss from write-down of inventory	-	-	-	-	(19,721)	-	-	(19,721)
Contributions to comprehensive campaign	50,000	-	-	50,000	150,000	-	-	150,000
The DiMenna Center - depreciation	(835,968)	-	-	(835,968)	(857,197)	-	-	(857,197)
Appropriation from operations to board designated artistic excellence fund	365,000	-	-	365,000	100,000	-	-	100,000
Appropriation from operations to board designated strategic action fund	2,170,200	-	-	2,170,200	-	-	-	-
Increase (Decrease) in Other Activities	2,105,215	1,611,706	-	3,716,921	(557,346)	609,106	-	51,760
Increase (decrease) in net assets	2,140,704	3,668,763	-	5,809,467	(539,129)	657,183	-	118,054
Net assets, beginning of year	26,038,914	6,091,231	7,671,739	39,801,884	26,578,043	5,434,048	7,671,739	39,683,830
Net Assets, End of Year	\$28,179,618	\$ 9,759,994	\$7,671,739	\$45,611,351	\$26,038,914	\$ 6,091,231	\$7,671,739	\$39,801,884

See notes to financial statements.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2021

	Program Services				Supporting Services			Total Expenses
	Performances	Education and Community Engagement	DiMenna Center	Total	Management and General	Fundraising	Total	
Salaries	\$ 1,116,333	\$ 527,902	\$ 293,718	\$1,937,953	\$ 181,947	\$ 231,022	\$412,969	\$2,350,922
Payroll taxes and fringe benefits	319,072	120,980	71,836	511,888	93,262	31,064	124,326	636,214
Musician pension plan	53,557	9,750	1,510	64,817	-	596	596	65,413
Artistic consulting fees	135,150	14,865	-	150,015	-	1,000	1,000	151,015
Production expenses	196,842	94,211	67,208	358,261	241	6,843	7,084	365,345
Professional fees	117,248	44,170	2,925	164,343	175,942	2,118	178,060	342,403
Building maintenance	-	-	586,080	586,080	-	-	-	586,080
Office and storage space rental	17,730	6,275	21,035	45,040	29,278	9,875	39,153	84,193
Office operations	32,969	11,120	47,935	92,024	36,193	40,573	76,766	168,790
Travel and entertainment	27,597	9,005	537	37,139	776	972	1,748	38,887
Printing and design	2,365	255	-	2,620	-	7,181	7,181	9,801
Advertising	30,575	135	18,228	48,938	642	417	1,059	49,997
Marketing, other	6,375	5,122	699	12,196	1,667	8,863	10,530	22,726
Reception and benefits	-	200	-	200	-	7,004	7,004	7,204
Tickets	5,925	-	-	5,925	-	-	-	5,925
Insurance	1,849	693	72,226	74,768	3,288	1,109	4,397	79,165
Bank fees and miscellaneous expenses	7,423	2,238	3,770	13,431	36,174	1,561	37,735	51,166
Total expenses before depreciation	2,071,010	846,921	1,187,707	4,105,638	559,410	350,198	909,608	5,015,246
Depreciation	-	-	835,968	835,968	-	-	-	835,968
Total Expenses	<u>\$ 2,071,010</u>	<u>\$ 846,921</u>	<u>\$2,023,675</u>	<u>\$4,941,606</u>	<u>\$ 559,410</u>	<u>\$ 350,198</u>	<u>\$909,608</u>	<u>\$5,851,214</u>

See notes to financial statements.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2020

	Program Services				Supporting Services			Total * Expenses
	Performances	Education and Community Engagement	DiMenna Center	Total	Management and General	Fundraising	Total	
Salaries	\$ 2,285,359	\$ 540,306	\$ 294,528	\$3,120,193	\$ 170,523	\$ 225,232	\$395,755	\$3,515,948
Payroll taxes and fringe benefits	502,507	98,022	58,630	659,159	85,349	36,449	121,798	780,957
Musician pension plan	273,435	4,929	-	278,364	2,941	-	2,941	281,305
Artistic consulting fees	281,467	38,878	-	320,345	-	-	-	320,345
Production expenses	112,273	56,262	2,089	170,624	-	1,378	1,378	172,002
Professional fees	74,640	1,000	16,261	91,901	107,189	113	107,302	199,203
Building maintenance	375	-	564,010	564,385	-	-	-	564,385
Office and storage space rental	31,120	6,062	17,910	55,092	17,653	11,031	28,684	83,776
Office operations	26,601	3,157	17,028	46,786	76,228	39,871	116,099	162,885
Travel and entertainment	72,539	7,805	1,119	81,463	420	5,798	6,218	87,681
Printing and design	34,708	2,300	8,688	45,696	10,073	33,119	43,192	88,888
Advertising	14,397	476	5,446	20,319	3,041	866	3,907	24,226
Marketing, other	23,220	8,591	1,612	33,423	2,552	5,946	8,498	41,921
Reception and benefits	37,033	1,523	-	38,556	2,039	63,950	65,989	104,545
Tickets	2,419	187	-	2,606	1,668	24,117	25,785	28,391
Insurance	-	-	65,564	65,564	9,341	-	9,341	74,905
Bank fees and miscellaneous expenses	10,028	2,043	8,754	20,825	9,956	2,477	12,433	33,258
Total expenses before depreciation and inventory writedown	3,782,121	771,541	1,061,639	5,615,301	498,973	450,347	949,320	6,564,621
Inventory write-down	19,721	-	-	19,721	-	-	-	19,721
Depreciation	-	-	857,197	857,197	-	-	-	857,197
Total Expenses	<u>\$ 3,801,842</u>	<u>\$ 771,541</u>	<u>\$1,918,836</u>	<u>\$6,492,219</u>	<u>\$ 498,973</u>	<u>\$ 450,347</u>	<u>\$949,320</u>	<u>\$7,441,539</u>

* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in net assets	\$5,809,467	\$ 118,054
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Loan forgiveness - Paycheck Protection Program	(971,258)	-
Bad debt expense	31,546	6,405
Depreciation	835,968	857,197
Net realized and unrealized gain on investments	(2,792,912)	(1,132,913)
(Increase) decrease in:		
Unconditional promises to give	(669,493)	678,768
Receivables and advances	39,508	(11,374)
Prepaid expenses and other current assets	71,696	80,838
Increase (decrease) in:		
Accounts payable and accrued expenses	23,528	51,332
Deferred revenue	15,907	(49,370)
Refundable advances	368,743	(66,625)
Executive benefit liability	-	(29,286)
Net Cash Provided By Operating Activities	<u>2,762,700</u>	<u>503,026</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(216,332)	(152,764)
Purchase of investments	(3,117,927)	(318,109)
Proceeds from sale of investments	627,223	36,288
Net Cash Used By Investing Activities	<u>(2,707,036)</u>	<u>(434,585)</u>
Cash Flows From Financing Activities		
Proceeds from loans payable	<u>609,573</u>	<u>1,121,157</u>
Net increase in cash and cash equivalents	665,237	1,189,598
Cash and cash equivalents, beginning of year	<u>2,119,872</u>	<u>930,274</u>
Cash and Cash Equivalents, End of Year	<u><u>\$2,785,109</u></u>	<u><u>\$2,119,872</u></u>

See notes to financial statements.

ST. LUKE'S CHAMBER ENSEMBLE, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

St. Luke's Chamber Ensemble, Inc. (the "Organization") is a gathering of outstanding musicians whose purpose is to bring classical music and the communication that is unique to music to as broad an audience as possible through performance and education programs in New York City and beyond. At its home, in New York City, The DiMenna Center for Classical Music ("The Center"), St. Luke's serves the musical community by providing state-of-the-art facilities for classical music rehearsal, recording, and learning. St. Luke's main sources of revenues are performances, rentals and public support.

In November 2008, St. Luke's purchased a condominium on West 37th Street to create The Center. The Center provides rehearsal space for St. Luke's and other musical groups; a home for the arts education program of the Orchestra of St. Luke's; and its administrative offices. The Center was formally opened in March 2011.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for cash managed as part of its long-term investment strategies.

c - Fair Value Measurements

The Organization reflects investments at fair value in the statement of financial position. Fair value is defined as the price that would be received if an asset were sold in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset based on the best information available in the circumstances.

Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

ST. LUKE'S CHAMBER ENSEMBLE, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Fair Value Measurements (continued)**

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

d - Investments and Investment Income

Investments are measured at fair value on a recurring basis. Investments with fair values that are based on quoted market prices in active markets are, therefore, classified within Level 1. These include equities, fixed income, and cash and money market funds. All of the Organization's investments are classified within Level 1.

Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the income is recognized. All other income is recorded as net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

e - Unconditional Promises to Give and Contributions

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Organization records fundraising benefit revenue equal to the fair value of the direct benefit to donors, and contribution income for the excess received when the event takes place.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contribution is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

ST. LUKE'S CHAMBER ENSEMBLE, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****f - Property and Equipment**

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

g - Revenue Recognition

The Organization has multiple revenue streams that are accounted for as exchange transactions including rental income, performance income, education program income, and membership income.

Performance income is recognized on the date of performance. The Organization records deferred revenue in situations when amounts are collected, but the performance obligations have not been met until the subsequent year.

Rental income is recognized in the period in which the rental takes place. Other program income, including education and community engagements, are recognized when these programs occur.

Membership income is collected at the commencement of the membership period. Membership revenue is primarily contribution revenue, and a portion represents an exchange transaction and entitles members to certain discounts and events over the course of the membership period, which is the Organization's fiscal year. The Organization recognizes membership revenue as contribution revenue in the year received since the Organization's performance obligation is completed by the end of the fiscal year.

h - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepting in the United States, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity.

ST. LUKE'S CHAMBER ENSEMBLE, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****i - Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j - Tax Status

St. Luke's Chamber Ensemble, Inc. has been determined by the Internal Revenue Service to be exempt from Federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

k - Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial amount of the Organization's expenses is directly related to program activities which are made up of the orchestra activities, fee engagements, youth orchestra program, DiMenna Center building operation and other programs. The expenses that are allocated include salaries, insurance, occupancy and other administrative costs, which are allocated based upon estimates of time and effort.

l - New Accounting Standard

For 2021, the Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which required entities to recognize revenue through the application of a five-step model, which includes identification of the contract, identification of the performance obligation(s), determination of the transaction price, allocation of the transaction price to the performance obligations, and recognition of revenue as the Organization satisfies the performance obligations. Analysis of the various provisions of these standards resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

m - Subsequent Events

The Organization has evaluated subsequent events through February 15, 2022, the date that the financial statements are available to be issued.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 2 - Information Regarding Liquidity and Availability

The Organization manages its annual finances with the goal that total operating revenues exceed total operating expenses. The Organization has a balanced stream of annual revenue, including a diverse range of both earned and contributed sources. The Organization considers general expenditures to consist of all expenses related to ongoing program activities, and the expenses related to management and general activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs.

The Organization's financial assets as of August 31, 2021 and 2020 available to meet general expenditures within one year are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 2,785,109	\$ 2,119,872
Investments and cash held for investments	18,583,074	13,299,458
Unconditional promises to give	1,815,376	1,177,429
Receivables and advances	<u>4,563</u>	<u>44,071</u>
Total Financial Assets	23,188,122	16,640,830
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for programs, purposes or passage of time	(7,344,485)	(4,962,219)
Plus: Net assets with restrictions expected to be met in less than one year	831,298	1,022,869
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(10,087,248)	(8,800,751)
Plus: Amounts appropriated for use within one year	719,686	452,279
Board designated artistic excellence fund	(1,293,240)	(928,240)
Board designated strategic action fund	(2,170,200)	-
Plus: Amounts appropriated for use within one year	-	10,000
Cash reserve	<u>(672,500)</u>	<u>(672,500)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 3,171,433</u>	<u>\$ 2,762,268</u>

In addition to these financial assets available within one year, the Organization maintains board designated funds of approximately \$4,136,000 and \$1,600,000 for the years ending August 31, 2021 and 2020 (excluding the 2021 appropriation of \$10,000), which could be made available to meet cash needs for general expenditures at the discretion of the Board of Directors.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 3 - Net Assets

Net assets consist of the following as of August 31:

	2021			Total
	Without Donor Restrictions	With Donor Restrictions		
		Time and Purpose Restrictions	Perpetual in Nature	
Operating	\$ 322,388	\$7,344,485	\$ -	\$ 7,666,873
Artistic Excellence Fund	1,293,240	-	-	1,293,240
Strategic Action Fund	2,170,200	-	-	2,170,200
Property and equipment	23,721,290	-	-	23,721,290
Cash reserve funds	672,500	-	500,000	1,172,500
Endowment	-	2,415,509	7,171,739	9,587,248
	<u>\$28,179,618</u>	<u>\$9,759,994</u>	<u>\$7,671,739</u>	<u>\$45,611,351</u>

	2020			Total
	Without Donor Restrictions	With Donor Restrictions		
		Time and Purpose Restrictions	Perpetual in Nature	
Operating	\$ 97,248	\$4,962,219	\$ -	\$ 5,059,467
Artistic Excellence Fund	928,240	-	-	928,240
Property and equipment	24,340,926	-	-	24,340,926
Cash reserve funds	672,500	-	500,000	1,172,500
Endowment	-	1,129,012	7,171,739	8,300,751
	<u>\$26,038,914</u>	<u>\$6,091,231</u>	<u>\$7,671,739</u>	<u>\$39,801,884</u>

Board Designated Fundsi - Artistic Excellence Fund

During 2017, the Board established an Artistic Excellence Fund (the "Fund") to fund future artistic initiatives. Each year, the Organization may add a portion of an operating surplus, if any, to the Fund; when needed to support artistic initiatives, the Organization may make an appropriation from the Fund. The Fund balance was \$1,293,240 as of August 31, 2021 and \$928,240 as of August 31, 2020. The Artistic Excellence Fund is included in the board designated operating net assets without donor restrictions.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 3 - Net Assets (continued)Board Designated Funds (continued)ii - Strategic Action Fund

During 2021, the Board established a Strategic Action Fund (the "Fund") to support recovery from the pandemic and responses to changes in the classical music industry. Each year, the Organization may add a portion of an operating surplus, if any, to the Fund; when needed for recovery and strategic response initiatives, the Organization may make an appropriation from the Fund. The Fund balance was \$2,170,200 as of August 31, 2021. The Strategic Action Fund is included in the board designated operating net assets without donor restrictions.

iii - Cash Reserve Fund

The Board allocated \$672,500 toward a board designated cash reserve from time restricted donor cash reserve funds that had expired as well as from an unrestricted contribution from a Board member. The balance was \$672,500 at August 31, 2021 and 2020.

Note 4 - Concentration of Credit Risk

The Organization's cash accounts are maintained in financial institutions in New York. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation and other agencies. The cash balances, at times, may exceed insured limits.

Note 5 - Investments and Cash Held for Investment

Investments and cash held for investment, which are all classified as Level 1 in the fair value hierarchy, are reflected at fair value and consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity mutual funds	\$ 8,096,674	\$13,094,402	\$ 6,572,152	\$ 8,824,155
Fixed income mutual funds	4,840,988	5,030,035	3,400,809	3,632,185
Cash and money market funds	<u>458,637</u>	<u>458,637</u>	<u>843,118</u>	<u>843,118</u>
	<u>\$13,396,299</u>	<u>\$18,583,074</u>	<u>\$10,816,079</u>	<u>\$13,299,458</u>

ST. LUKE'S CHAMBER ENSEMBLE, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 5 - Investments and Cash Held for Investment (continued)

Net investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 260,566	\$ 237,063
Net unrealized and realized gains	<u>2,792,912</u>	<u>1,132,913</u>
	<u>\$3,053,478</u>	<u>\$1,369,976</u>

Net investment income has been allocated as follows:

	<u>2021</u>	<u>2020</u>
Operating activities	\$ 200,095	\$ 106,618
Other activities:		
Without donor restrictions	610,373	201,938
With donor restrictions	<u>2,243,010</u>	<u>1,061,420</u>
	<u>\$3,053,478</u>	<u>\$1,369,976</u>

In 2021 and 2020, allocations were made from unrestricted income - other activities, of current and accumulated investment income in the amount of \$254,390 and \$132,366, respectively, for use in operations.

Note 6 - Endowment Funds

The Organization's endowment consists of funds established to support general operations, educational and other programs. The endowment is currently comprised of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Organization classifies as net assets of a perpetual nature (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is classified as endowment subject to spending policy and appropriation until these amounts are appropriated for expenditure by the Organization.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 6 - Endowment Funds (continued)

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Organization and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Organization;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization; and
- (viii) the investment policy of the Organization

The composition of the Organization's invested endowment funds, by type of fund and classification, are summarized as follows at August 31:

	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds, 2021	<u>\$2,415,509</u>	<u>\$7,171,739</u>	<u>\$9,587,248</u>
Donor-restricted endowment funds, 2020	<u>\$1,129,012</u>	<u>\$7,171,739</u>	<u>\$8,300,751</u>

Changes in the invested endowment funds for the years ended August 31, 2021 and 2020 are summarized as follows:

	<u>2021</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	<u>\$1,129,012</u>	<u>\$7,171,739</u>	<u>\$8,300,751</u>
Investment Return			
Interest and dividends	164,003	-	164,003
Net unrealized and realized gain	<u>1,753,798</u>	-	<u>1,753,798</u>
Total Investment Return	<u>1,917,801</u>	-	<u>1,917,801</u>
Appropriation for use in operations	<u>(631,304)</u>	-	<u>(631,304)</u>
Endowment Funds, End of Year	<u>\$2,415,509</u>	<u>\$7,171,739</u>	<u>\$9,587,248</u>

ST. LUKE'S CHAMBER ENSEMBLE, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 6 - Endowment Funds (continued)

	<u>2020</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$ 687,694	\$7,171,739	\$7,859,433
Investment Return			
Interest and dividends	155,538	-	155,538
Net unrealized and realized gain	738,094	-	738,094
Total Investment Return	<u>893,632</u>	<u>-</u>	<u>893,632</u>
Appropriation for use in operations	<u>(452,314)</u>	<u>-</u>	<u>(452,314)</u>
Endowment Funds, End of Year	<u>\$1,129,012</u>	<u>\$7,171,739</u>	<u>\$8,300,751</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board designated funds.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that aims to achieve its long-term return objectives within prudent risk constraints.

The Organization has followed a policy of appropriating for distribution a percentage of the average fair value of endowment funds over a number of quarters preceding the end of the fiscal year in which the distribution is planned. The current policy is to appropriate 5% of the average fair value of endowment funds over the preceding twelve quarters. In 2021, the Board approved a non-recurring departure from the policy in response to the pandemic and calculated the appropriation at 7%. The Organization expects to return to the 5% appropriation basis in 2022. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment to grow. The Organization's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 7 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	2021			2020	
	Without Donor Restrictions	Restricted for Future Periods and Programs	Restricted for Capital Projects	Total	Total
Due within one year	\$896,622	\$330,500	\$350,000	\$1,577,122	\$1,122,758
Due in one to five years	-	250,000	-	250,000	58,000
	896,622	580,500	350,000	1,827,122	1,180,758
Less: Discount	-	(11,746)	-	(11,746)	(3,329)
Total 2021	<u>\$896,622</u>	<u>\$568,754</u>	<u>\$350,000</u>	<u>\$1,815,376</u>	
Total 2020	<u>\$554,758</u>	<u>\$272,671</u>	<u>\$350,000</u>		<u>\$1,177,429</u>

Uncollectible promises are expected to be immaterial. Unconditional promises to give due after one year are discounted to net present value using a discount rate of 3% per annum.

Note 8 - Employee Retention Tax Credits

The Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted in 2020 allowed eligible employers to claim employee retention tax credits for qualified wages paid after March 12, 2020 through the first three quarters of 2021. The Organization qualified for the credit based on partial suspension of operations due to government COVID-related orders and a decrease in gross receipts.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 9 - Property and Equipment

Property and equipment at August 31 consisted of:

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Condominium and related acquisition costs	40 years	\$14,944,929	\$14,944,929
Building improvements, architect and other costs	40 years	14,007,679	14,007,679
Control room	7 years	167,204	167,204
Pianos	30 years	310,774	310,774
Office equipment	5-7 years	346,080	305,184
Furniture, fixtures and equipment	5 years	833,530	823,594
Condo Improvements	7-10 years	147,468	10,272
Computers	5 years	66,796	58,293
CRM Software	3 years	19,801	-
Website	3 years	18,670	18,670
		<u>30,862,931</u>	<u>30,646,599</u>
Less: Accumulated depreciation		<u>(8,960,513)</u>	<u>(8,124,545)</u>
		21,902,418	22,522,054
Land		<u>1,818,872</u>	<u>1,818,872</u>
		<u>\$23,721,290</u>	<u>\$24,340,926</u>

The City of New York's capital contributions to the Center obligated the Organization to operate the facility and/or maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or related purposes.

Note 10 - Loans Payable

On April 14, 2020, the Organization received a loan of \$971,257 under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration. The full amount of the loan was forgiven in August 2021 and, accordingly, recognized as loan forgiveness revenue for the year ended August 31, 2021.

On January 31, 2021, the Organization received a second PPP loan of \$609,572. The full amount of the loan was forgiven in October 2021, and accordingly, will be recognized as loan forgiveness revenue for the year ended August 31, 2022.

On May 22, 2020, the Organization received a \$149,900 Economic Disaster Injury Loan. The loan bears interest at 2.75% per annum with installment payments of principal and interest of \$641 monthly, to begin twenty four months from the date of the promissory note. The balance of interest and principal is due on May 22, 2050. The Organization plans to retire the EIDL Loan completely in May 2022.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 10 - Loans Payable (continued)

On February 3, 2020, the Organization executed a \$1,500,000 line of credit agreement with a financial institution. The line of credit is set to expire in May 2022. There were no borrowings on the line during the years ended August 31, 2021 and 2020.

Note 11 - Refundable Advances

a - On July 3, 2021, the Organization received a Shuttered Venue Operators Grant (the "SVOG") from the U.S. Small Business Administration (the "SBA") in the amount of \$916,990. The SVOG is recognized as income when approved expenses have been incurred. During the year ended August 31, 2021, the Organization incurred approved expenses totaling \$628,196, and therefore, \$288,794 is reflected as a refundable advance at August 31, 2021.

On November 16, 2021, the Organization was awarded a supplemental SVOG in the amount of \$763,280.

b - The Organization has received \$104,949 and \$25,000 through August 31, 2021 and 2020, respectively, for the Organization's fiscal year 2022 and 2021 fundraising events.

Note 12 - Commitments and Contingency

a - The Organization entered into a long-term lease agreement for office space with a term expiring on November 30, 2026 and with options to renew through November 30, 2045. The lease agreement provides for rental payments as follows:

<u>Year ending August 31,</u>	
2022	\$68,593
2023	70,137
2024	72,240
2025	74,407
2026	76,640
Thereafter, through November 30, 2026	19,301

b - Government supported projects are subject to audit by the applicable granting agency.

ST. LUKE'S CHAMBER ENSEMBLE, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

Note 13 - Pension Plans

- a - Employees, including musician employees, may elect to contribute to St. Luke's Tax Sheltered Annuity Plan, within IRS allowable contribution limits. This plan is an IRS Code Section 403(b) Retirement Plan, which is invested at the direction of the participants within the available funding vehicles.
- b - In addition, the Organization contributes annually to a separate retirement plan for the benefit of full-time staff members. This plan is an IRS Code Section 403(b) Defined Contribution Retirement Plan, which is invested at the direction of the participants within the available funding vehicles. Plan expense was \$51,777 and \$67,778 for 2021 and 2020, respectively.
- c - The Organization contributes to a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement that covers its union-represented musicians.

The following information relates to the Organization's union-managed pension plan.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/Implemented</u>	<u>Contributions of the Organization</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
		<u>2020</u>	<u>2019</u>		<u>2021</u>	<u>2020</u>		
Pension Fund of Local 802, American Federation of Musicians	13-0452820	Red	Red	Implemented	<u>\$65,413</u>	<u>\$281,305</u>	No	September 7, 2021

The Organization is currently in the process of renegotiating the collective bargaining agreement. While negotiations with the union are ongoing, the terms of the expired agreement remain in force.

Note 14 - Executive Benefit

During 2004, St. Luke's Board of Directors agreed to provide a nonqualified post-retirement benefit to its Executive Director in recognition of her 30 years of service and her role as co-founder of St. Luke's. The benefit vested in September 2010 and provided an initial benefit sufficient for the employee to pay income taxes then due with the balance being paid out over a 10-year period.

In September 2010, St. Luke's made a one-time lump sum payment of \$190,490 and began making monthly payments of \$4,146. The monthly payments continued through August 2020, at which time the payment schedule was concluded. Payments under this plan were \$49,752 in 2020.

ST. LUKE'S CHAMBER ENSEMBLE, INC.**NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2021 AND 2020****Note 15 - Risks and Uncertainties**

The Organization's priorities during the pandemic have been to preserve its financial and human capital, to engage its public constituencies, and to prepare for long-lasting or permanent changes to the classical music business in New York City following the pandemic. In March 2020, the Organization responded to COVID's first wave by moving its staff to remote work, temporarily closing the DiMenna Center, and together with third-party presenters, eventually canceling fiscal year 2020's remaining scheduled concerts. With revenues from a special fundraising campaign and the first round of federal government relief funds and reduced operating expenses, the Organization was able to retain all full-time staff on payroll, to pay musicians for all canceled concerts through August 2020, to complete education programs for the school year through remote teaching, and to invest in state-of-the-art live-streaming equipment at the DiMenna Center. In fiscal year 2021, the Organization presented an extensive series of live-streamed programming, continued remote teaching of the youth orchestra, and undergirded its financial condition with additional federal relief funds. In fiscal year 2022, the Organization plans on returning to an extensive schedule of in-person performances by the full orchestra and chamber ensembles, continuation of the education programs either remotely or in person, as conditions allow, and carrying out several major maintenance projects for the DiMenna Center. The Organization believes that the steps taken thus far, and its plans for fiscal year 2022 and beyond, will allow the Organization to continue to have a meaningful impact on the artistic life of New York City.