

APOLLO'S FIRE BAROQUE
AUDITED FINANCIAL STATEMENTS
YEARS ENDED
JULY 31, 2023 AND 2022

APOLLO'S FIRE BAROQUE

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Apollo's Fire Baroque
Cleveland Heights, Ohio

Opinion

We have audited the accompanying financial statements of Apollo's Fire Baroque (the Organization), which comprise the statement of financial position as of July 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2023 financial statements referred to above present fairly, in all material respects, the financial position of Organization as of July 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' 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 auditors' 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, including omissions, 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 Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited Apollo's Fire Baroque 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barnes Wendling CPAs

Sheffield Village, Ohio
December 20, 2023

APOLLO'S FIRE BAROQUE

Statements of Financial Position

	July 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,199,148	\$ 1,424,253
Accounts receivable	144,594	52,239
Grants and pledges receivable	100,954	139,165
Inventory	13,504	12,836
Investments	656,056	465,768
Prepaid expenses and other	26,278	46,908
Property and equipment, net	6,954	10,672
	<u>\$ 2,147,488</u>	<u>\$ 2,151,841</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 98,231	\$ 210,455
Deferred revenue	92,121	42,619
	<u>190,352</u>	<u>253,074</u>
Net Assets		
Without donor restrictions	1,598,703	1,535,220
With donor restrictions	358,433	363,547
	<u>1,957,136</u>	<u>1,898,767</u>
	<u>\$ 2,147,488</u>	<u>\$ 2,151,841</u>

See Notes to Financial Statements

APOLLO'S FIRE BAROQUE

Statements of Activities and Changes in Net Assets

Year Ended July 31, 2023 with Summarized Information for the Year Ended July 31, 2022

	Year Ended July 31, 2023			
	Without Donor Restriction	With Donor Restriction	2023	2022
Revenue and Support				
Ticket sales	\$ 508,514	\$ -0-	\$ 508,514	\$ 487,686
Touring fees	509,232	-0-	509,232	411,733
Merchandise sales	34,226	-0-	34,226	48,424
Advertising	7,617	-0-	7,617	7,475
Total revenue	<u>1,059,589</u>	<u>-0-</u>	<u>1,059,589</u>	<u>955,318</u>
Grants	409,969	332,500	742,469	943,337
Contributions	640,715	25,000	665,715	1,050,636
Donated goods and services	124,244	-0-	124,244	147,246
Benefit events	215,870	-0-	215,870	397,442
Total support	<u>1,390,798</u>	<u>357,500</u>	<u>1,748,298</u>	<u>2,538,661</u>
Interest income	20,247	-0-	20,247	874
Investment income (loss), net	41,214	-0-	41,214	(22,270)
Miscellaneous	15,271	-0-	15,271	10,903
Paycheck Protection Program loan forgiveness	-0-	-0-	-0-	98,867
Net assets released from restrictions	362,614	(362,614)	-0-	-0-
Total other	<u>439,346</u>	<u>(362,614)</u>	<u>76,732</u>	<u>88,374</u>
Total revenue and support	2,889,733	(5,114)	2,884,619	3,582,353
Expenses				
Program expense	2,329,727	-0-	2,329,727	2,204,686
General and administrative expense	155,545	-0-	155,545	170,653
Fundraising expense	340,978	-0-	340,978	441,508
Total expenses	<u>2,826,250</u>	<u>-0-</u>	<u>2,826,250</u>	<u>2,816,847</u>
Changes in net assets	63,483	(5,114)	58,369	765,506
Net assets, beginning of year	<u>1,535,220</u>	<u>363,547</u>	<u>1,898,767</u>	<u>1,133,261</u>
NET ASSETS, end of year	<u>\$ 1,598,703</u>	<u>\$ 358,433</u>	<u>\$ 1,957,136</u>	<u>\$ 1,898,767</u>

See Notes to Financial Statements

APOLLO'S FIRE BAROQUE

Statements of Functional Expenses

Year Ended July 31, 2023 with Summarized Information for the Year Ended July 31, 2022

	Program		Supporting Services		Years Ended July 31,	
	Concerts and Recordings	Administrative	Fundraising	2023	2022	
Contract compensation - musicians	\$ 589,752	\$ -0-	\$ 5,281	\$ 595,033	\$ 632,713	
Contract compensation - non-musicians	208,563	32,957	27,920	269,440	233,673	
Salaries and related expenses	495,815	68,115	132,605	696,535	668,497	
	<u>1,294,130</u>	<u>101,072</u>	<u>165,806</u>	<u>1,561,008</u>	<u>1,534,883</u>	
Benefit events	-0-	-0-	69,854	69,854	113,649	
Concert expenses	231,932	1,678	14,471	248,081	221,091	
Development	5,654	-0-	17,476	23,130	12,179	
In-kind	87,830	8,000	28,414	124,244	147,246	
Office	91,921	27,740	29,129	148,790	144,341	
Professional fees	17,305	14,549	7,450	39,304	83,131	
Publicity	203,307	645	1,122	205,074	207,680	
Recording	45,951	-0-	-0-	45,951	23,324	
Travel, food, and lodging	348,075	1,645	6,945	356,665	327,289	
Other	3,622	216	311	4,149	2,034	
	<u>1,035,597</u>	<u>54,473</u>	<u>175,172</u>	<u>1,265,242</u>	<u>1,281,964</u>	
	<u>\$ 2,329,727</u>	<u>\$ 155,545</u>	<u>\$ 340,978</u>	<u>\$ 2,826,250</u>	<u>\$ 2,816,847</u>	

See Notes to Financial Statements

APOLLO'S FIRE BAROQUE

Statements of Cash Flows

	Years Ended July 31,	
	2023	2022
Cash Flows From Operating Activities		
Changes in net assets	\$ 58,369	\$ 765,506
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by used in operating activities:		
Depreciation expense (recovery)	3,718	(775)
(Increase) decrease in fair value of funds held by others	(41,214)	23,123
Forgiveness of Paycheck Protection Program loan	-0-	(98,867)
(Increase) decrease in assets:		
Accounts receivable	(92,355)	15,003
Grants and pledges receivable	38,211	37,404
Inventory	(668)	(1,005)
Prepaid expenses and other	20,630	15,037
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(112,224)	82,721
Deferred revenue	49,502	(51,070)
Net cash flows (used in) provided by operating activities	(76,031)	787,077
Cash Flows From Investing Activities		
Purchase of investments	(149,074)	(350,000)
Net cash flows used in investing activities	(149,074)	(350,000)
Net (decrease) increase in cash and cash equivalents	(225,105)	437,077
Cash and cash equivalents at beginning of the year	1,424,253	987,176
Cash and cash equivalents at end of the year	\$ 1,199,148	\$ 1,424,253

See Notes to Financial Statements

APOLLO'S FIRE BAROQUE

Notes to Financial Statements Years Ended July 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Presentation

Apollo's Fire Baroque (the Organization), previously named Apollo's Fire, The Cleveland Baroque Orchestra, is a not-for-profit corporation established in 1992. The Organization provides Northeast Ohio, national, and international audiences with professional performances of baroque and classical orchestral repertoire on period instruments and educates young people from diverse ethnic backgrounds in the field of early music. The Organization receives funding from foundation grants, donations, ticket sales, and touring.

Basis of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Furthermore, the accounting policies adhered to by the Organization are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Entities* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its accounting standards for *Not-for-Profit Entities*. Under these standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions

Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions

Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donors. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity.

Forgivable Loans

The Organization accounts for forgivable loans as debt in accordance with Accounting Standards Codification (ASC) 470, *Debt*, and accrues interest in accordance with the interest method under ASC 835-30, *Interest - Imputation of Interest*. Accordingly, proceeds from such loans are recorded as a liability until either the loan is, in part or wholly forgiven and the debt has been legally released or the loan is paid off.

APOLLO'S FIRE BAROQUE

Notes to Financial Statements Years Ended July 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue from Contracts with Customers

The Organization's revenue from contracts with customers consists primarily of ticket sales and touring revenue, each of which are recognized at a point in time when the underlying performance obligation (concerts) is performed. Revenue from ticket sales results from transactions that arise from a written contract with the customer for one or multiple concerts. The contract will outline the services to be provided, time and location of the concert, as well as the price and payment terms.

Ticket sales received in advance of performances are deferred until the period earned. Revenue from touring revenue results from transactions that arise from a written contract with venues at which the Organization's orchestra performs. The contract will outline the specifications and parameters of performance, the time and location of the concert, as well as the price and payment terms.

Contribution Revenue

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 measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

All donor-restricted support where donor-imposed conditions and restrictions are met in the same reporting period are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed nonfinancial assets recognized within the statements of activities and changes in net assets as contribution revenue included:

	Years Ended July 31,	
	2023	2022
Musician lodging	\$ 75,460	\$ 73,700
Auction items	28,414	46,231
Radio advertising	12,370	19,815
Legal services	8,000	7,500
	<u>\$ 124,244</u>	<u>\$ 147,246</u>

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

APOLLO'S FIRE BAROQUE

Notes to Financial Statements Years Ended July 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Musician lodging represents overnight accommodations and transportation provided by individuals to the visiting musicians. In valuing lodging, the Organization estimated the fair market value using surrounding similar Airbnb/hotel pricing.

Auction items represent a variety of gifts and prizes contributed to the Organization which were then sold during fundraising events. In valuing contributed auction items, the Organization utilized the fair value of the items based on donor correspondence or comparable items in the market.

Radio advertising is valued based on the fair market value of airtime that would have had to been purchased by the Organization if it had not been donated.

Legal services were valued using the fair value of the attorney's rate provided by the attorney that donated their services.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, as well as highly liquid cash deposits held in money market accounts. The Organization's cash and cash equivalents balances may, at times, exceed the limits of related federal deposit insurance.

Receivables and Credit Policies

Receivables include amounts due for program income, grants, and contributions (pledges). These amounts are due under various payment terms and do not accrue interest. Amounts due from contracts with customers are shown in the accounts receivable on the statements of financial position.

The Organization's policy is to reduce grants, pledges, and accounts receivable by a valuation allowance that reflects management's best estimate of the amounts that will not be collected based on historical experience. Additionally, management individually reviews all receivable balances that exceed 90 days from invoice date and estimates the portion, if any, of the balance that will not be collected. When receivables are determined to be uncollectible, they are written off against the allowance. At July 31, 2023 and 2022, management believes that all receivables are collectible and, therefore, no allowance is required.

Receivables from contracts with customers were \$144,594, \$52,239, and \$75,130 at July 31, 2023 and 2022, and August 1, 2021, respectively, which are included in accounts receivable in the accompanying statements of financial position. Deferred revenue from contracts with customers were \$92,121, \$42,619, and \$93,689 at July 31, 2023 and 2022, and August 1, 2021, respectively, recognized in the accompanying statements of financial position.

APOLLO'S FIRE BAROQUE

Notes to Financial Statements Years Ended July 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

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

Inventory

Inventory consists of compact discs, a children's book, and other merchandise and is stated at the lower of cost (first-in, first-out method) or net realizable value.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. Donated property and equipment is recorded at estimated fair value at the date of donation. The Organization's capitalization policy is to capitalize property and equipment with a cost greater than \$1,000 and a useful life of greater than one year. Maintenance and repairs are charged to expense as incurred.

Depreciation of property and equipment is provided by use of the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	3-7 Years
Production equipment	10 Years
Vehicle	5 Years

Investments

The Organization has an investment fund known as the Apollo's Fire Baroque Orchestra Legacy Fund (the Fund) held with the Cleveland Foundation (the Foundation). Realized and unrealized gains and losses and net investment income are reported in the statements of activities as investment income (loss), net. The purpose of the Fund is to provide an ongoing source of annual support to benefit the Organization. There are no restrictions on the fund and the Organization can make requests to/from the Fund, which are subject to approval by a voting majority of the members of the executive committee of the Organization's board of directors. As of July 31, 2023 and 2022, the Fund was \$656,056 and \$465,768, respectively.

Fair Value Measurements

Fair value is 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 (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets accessible at the measurement date for identical assets or liabilities (for example, exchange quoted prices).

APOLLO'S FIRE BAROQUE

Notes to Financial Statements Years Ended July 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 2 - Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets not sufficiently active to qualify as Level 1, other observable inputs, or inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

The following is a description of the valuation methodologies used for assets measured at fair value as of July 31, 2023 and 2022. There have been no changes in the methodologies used during the years ended July 31, 2023 and 2022.

Investments are maintained, managed, and invested in a pooled investment held by the Foundation. The investment is classified as level 3, valued at the net asset value of the Organization's percentage of the pooled investments.

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The following table summarizes the changes in fair market values of the level 3 assets:

	<u>Level 3</u>
Beginning as of August 1, 2021	\$ 138,891
Purchase (sales), net	350,000
Investment income, net	<u>(23,123)</u>
Beginning as of July 31, 2022	<u>\$ 465,768</u>
Beginning as of August 1, 2022	\$ 465,768
Purchase (sales), net	149,074
Investment income, net	<u>41,214</u>
Beginning as of July 31, 2023	<u>\$ 656,056</u>

Functional Allocation of Expenses

The statements of activities and functional expenses report certain categories of expenses attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated are allocated on the basis of estimates of time and effort.

APOLLO'S FIRE BAROQUE

Notes to Financial Statements Years Ended July 31, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is an Ohio non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization evaluates at each statement of financial position date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. As of and for the years ended July 31, 2023 and 2022, the Organization did not have a liability for unrecognized tax benefits.

Subsequent Events

The Organization has evaluated subsequent events through December 20, 2023, the date the financial statements were available to be issued.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail of prior year activity to constitute a complete presentation. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended July 31, 2022, from which the summarized information was derived.

Reclassifications

Certain accounts in the 2022 financial statements have been reclassified to conform with the presentation in the 2023 financial statements.

NOTE B - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available to meet cash needs for general expenditures within one year were as follows:

	July 31,	
	2023	2022
Cash and cash equivalents	\$ 1,199,148	\$ 1,424,253
Accounts receivable	144,594	22,745
Pledges and grants receivable	100,954	168,659
Investments	656,056	465,768
Less: Net assets restricted for purpose	(358,433)	(363,547)
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,742,319</u>	<u>\$ 1,717,878</u>

The Organization has a goal to keep at least three months' worth of operating expenses in a cash reserve, in order to protect the Organization in times of unpredictable circumstances.

APOLLO'S FIRE BAROQUE

Notes to Financial Statements Years Ended July 31, 2023 and 2022

NOTE C - PLEDGES AND GRANTS RECEIVABLE

At July 31, 2023 and 2022, pledges and grants receivable are to support the general operations of the Organization. At July 31, 2023, grants and receivables are expected to be received in 2024.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	July 31,	
	2023	2022
Furniture and equipment	\$ 81,741	\$ 81,741
Production equipment	29,918	29,918
Vehicle	30,728	30,728
	<u>142,387</u>	<u>142,387</u>
Less: Accumulated depreciation	<u>135,433</u>	<u>131,715</u>
	<u>\$ 6,954</u>	<u>\$ 10,672</u>

Depreciation (recovery) expense for the years ended July 31, 2023 and 2022 was \$3,718 and (\$775), respectively. During 2022, depreciation expense was adjusted resulting in a reduction of depreciation expense in excess of the annual depreciation expense charged.

NOTE E - PAYCHECK PROTECTION PROGRAM LOAN

On May 6, 2020, the Organization qualified and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), from First Federal Savings and Loan Association of Lakewood, for an aggregate principal amount of \$81,160 (the PPP Loan). In March 2021, forgiveness was granted by the SBA and \$81,160 was recognized as income on the accompanying statements of activities.

On March 6, 2021, the Organization qualified and received a second loan pursuant to the Paycheck Protection Program, a program implemented by the SBA under the Consolidated Appropriations Act, 2021 (CAA Act), from First Federal Savings and Loan Association of Lakewood, for an aggregate principal amount of \$98,867 (the PPP Loan 2). In September 2021, forgiveness was granted by the SBA and \$98,867 was recognized as income as of July 31, 2022.

APOLLO'S FIRE BAROQUE

Notes to Financial Statements Years Ended July 31, 2023 and 2022

NOTE F - COMMITMENT

The Organization rents office space under a month-to-month lease agreement. Rent expense was \$22,800 for both years ended July 31, 2023 and 2022 and is included in office expense on the statements of functional expenses.

NOTE G - RETIREMENT PLAN

The Organization sponsors a defined contribution plan with Teachers Insurance & Annuity Association-College Retirement Equities Fund under which participating employees receive benefits upon retirement. The Organization made no contributions under the agreement for the years ended July 31, 2023 and 2022.