

**CHARLOTTE SYMPHONY ORCHESTRA
SOCIETY, INCORPORATED**

FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION

As of and for the Years Ended June 30, 2018 and 2017

And Report of Independent Auditor

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

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Report of Independent Auditor

To the Board of Directors
Charlotte Symphony Orchestra Society, Incorporated
Charlotte, North Carolina

We have audited the accompanying financial statements of Charlotte Symphony Orchestra Society, Incorporated (the "Society"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 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 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 audits 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 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 Charlotte Symphony Orchestra Society, Incorporated as of June 30, 2018 and 2017, 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 – Liquidity

We draw attention to the fact that as a result of net unrestricted losses for several years the Society has a deficit in working capital of \$496,290 and \$2,615,759, and a deficit in unrestricted net assets of \$2,682,692 and \$5,044,934 as of June 30, 2018 and 2017, respectively. As discussed more fully in Note 2, the Society has taken action to create operating surpluses and to improve its cash flow and liquidity. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying statements of financial position by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of the Society's management and was derived from, and relates to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Cherry Bekacit LLP

Charlotte, North Carolina
April 10, 2019

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 407,582	\$ 422,383
Accounts receivable	74,415	50,423
Allowable endowment spending not withdrawn	373,205	299,398
Pledges receivable, net	97,713	46,868
Prepaid expenses and other current assets	147,137	228,380
Total Current Assets	<u>1,100,052</u>	<u>1,047,452</u>
Restricted pledges receivable, net	<u>497,200</u>	<u>356,000</u>
Property and Equipment:		
Music library	324,010	321,355
Musical instruments	261,779	252,816
Furniture and equipment, less accumulated depreciation of \$204,400 at June 30, 2018 and \$625,100 at June 30, 2017	146,568	149,233
Property and Equipment, Net	<u>732,357</u>	<u>723,404</u>
Restricted Assets - Endowment:		
Certificate of deposit	-	750,000
Cash and cash equivalents	10,672	60,699
Endowment pledge receivable, net	396,500	591,500
Endowed investments	72,261	67,005
Beneficial interests in trusts:		
Campaign for the Cultural Facilities	4,963,619	4,569,974
Campaign for the Cultural Facilities pledges receivable	549,670	669,530
Other beneficial interests in trusts	3,830,760	3,701,330
Total Restricted Assets - Endowment	<u>9,823,482</u>	<u>10,410,038</u>
Total Assets	<u><u>\$ 12,153,091</u></u>	<u><u>\$ 12,536,894</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 694,253	\$ 773,197
Cash receipts applicable to the coming season	902,089	989,246
Other deferred revenue - current portion	-	50,768
Lines of credit and term loan - current portion	-	1,850,000
Total Current Liabilities	<u>1,596,342</u>	<u>3,663,211</u>
Other deferred revenue	<u>1,000,000</u>	<u>1,000,000</u>
Total Liabilities	<u>2,596,342</u>	<u>4,663,211</u>
Net Assets (Deficit):		
Unrestricted	(3,212,584)	(5,044,934)
Board designated	529,892	-
Temporarily restricted	759,700	441,000
Permanently restricted	11,479,741	12,477,617
Total Net Assets	<u>9,556,749</u>	<u>7,873,683</u>
Total Liabilities and Net Assets	<u><u>\$ 12,153,091</u></u>	<u><u>\$ 12,536,894</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Year Ended June 30, 2018				
	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Revenues:					
Concert revenue:					
Season tickets	\$ 1,186,507	\$ -	\$ -	\$ -	\$ 1,186,507
Single tickets	1,538,686	-	-	-	1,538,686
Other fee concerts	621,084	-	-	-	621,084
Youth Orchestras	110,559	-	-	-	110,559
Oratorio Singers	16,171	-	-	-	16,171
Sponsorships	205,950	-	-	-	205,950
Special events, net expenses of \$105,488	303,695	-	-	-	303,695
Contributions:					
Individuals and corporations	5,508,092	-	490,500	2,124	6,000,716
Arts and Science Council	676,443	-	-	-	676,443
Government sources	95,000	-	-	-	95,000
Organizations	19,915	-	-	-	19,915
Allowable endowment balance for spending	373,205	-	-	-	373,205
Other revenue	205,002	-	-	-	205,002
	<u>10,860,309</u>		<u>490,500</u>	<u>2,124</u>	<u>11,352,933</u>
Net assets released from restriction:					
Other	1,171,800	-	(171,800)	(1,000,000)	-
Total Revenues	<u>12,032,109</u>	<u>-</u>	<u>318,700</u>	<u>(997,876)</u>	<u>11,352,933</u>
Expenses:					
Administrative:					
Salaries and wages	1,429,851	-	-	-	1,429,851
Employee benefits and taxes	311,570	-	-	-	311,570
Other	851,421	-	-	-	851,421
	<u>2,592,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,592,842</u>

The accompanying notes to the financial statements are an integral part of this statement.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2018

	Year Ended June 30, 2018				Total
	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	
Expenses (Continued):					
Musical and project:					
Salaries, wages, and travel	\$ 3,830,182	\$ -	\$ -	\$ -	\$ 3,830,182
Employee benefits and taxes	1,310,387	-	-	-	1,310,387
Guest artists	731,149	-	-	-	731,149
Properties and production	745,120	-	-	-	745,120
Education	69,371	-	-	-	69,371
Other project expenses	41,299	-	-	-	41,299
	<u>6,727,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,727,508</u>
Fundraising and development:					
Promotion and subscription campaigns	635,592	-	-	-	635,592
Education	7,908	-	-	-	7,908
Annual Fund drive	108,619	-	-	-	108,619
	<u>752,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>752,119</u>
Total Expenses	<u>10,072,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,072,469</u>
Change in net assets before other changes	1,959,640	-	318,700	(997,876)	1,280,464
Other Changes:					
Allocation to board designated for operating reserve	(529,892)	529,892	-	-	-
Investment return	5,256	-	-	-	5,256
Change in beneficial interests in trusts	770,551	-	-	-	770,551
Release of allowable endowment balance for spending	(373,205)	-	-	-	(373,205)
Change in net assets	<u>1,832,350</u>	<u>529,892</u>	<u>318,700</u>	<u>(997,876)</u>	<u>1,683,066</u>
Net Assets (Deficit):					
Beginning of year	(5,044,934)	-	441,000	12,477,617	7,873,683
End of year	<u>\$ (3,212,584)</u>	<u>\$ 529,892</u>	<u>\$ 759,700</u>	<u>\$ 11,479,741</u>	<u>\$ 9,556,749</u>

The accompanying notes to the financial statements are an integral part of this statement.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Year Ended June 30, 2017				Total
	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	
Revenues:					
Concert revenue:					
Season tickets	\$ 1,123,883	\$ -	\$ -	\$ -	\$ 1,123,883
Single tickets	1,498,709	-	-	-	1,498,709
Other fee concerts	515,505	-	-	-	515,505
Youth Orchestras	99,338	-	-	-	99,338
Oratorio Singers	12,123	-	-	-	12,123
Sponsorships	254,939	-	-	-	254,939
Contributions:					
Individuals and corporations	5,104,032	-	60,000	883	5,164,915
Arts and Science Council	777,500	-	-	-	777,500
Government sources	82,500	-	-	-	82,500
Organizations	18,072	-	-	-	18,072
Allowable endowment balance for spending	299,398	-	-	-	299,398
Other revenue	72,169	-	1,014	-	73,183
	<u>9,858,168</u>	<u>-</u>	<u>61,014</u>	<u>883</u>	<u>9,920,065</u>
Net assets released from restriction:					
Other	230,194	-	(175,714)	(54,480)	-
Total Revenues	<u>10,088,362</u>	<u>-</u>	<u>(114,700)</u>	<u>(53,597)</u>	<u>9,920,065</u>
Expenses:					
Administrative:					
Salaries and wages	1,327,100	-	-	-	1,327,100
Employee benefits and taxes	254,979	-	-	-	254,979
Other	751,862	-	-	-	751,862
	<u>2,333,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,333,941</u>

The accompanying notes to the financial statements are an integral part of this statement.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2017

	Year Ended June 30, 2017				Total
	Unrestricted	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	
Expenses (Continued):					
Musical and project:					
Salaries, wages, and travel	\$ 3,895,230	\$ -	\$ -	\$ -	\$ 3,895,230
Employee benefits and taxes	1,361,195	-	-	-	1,361,195
Guest artists	678,694	-	-	-	678,694
Properties and production	655,036	-	-	-	655,036
Education	74,272	-	-	-	74,272
Other project expenses	78,048	-	-	-	78,048
	<u>6,742,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,742,475</u>
Fundraising and development:					
Promotion and subscription campaigns	720,312	-	-	-	720,312
Education	3,556	-	-	-	3,556
Annual Fund drive	133,432	-	-	-	133,432
	<u>857,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>857,300</u>
Total Expenses	<u>9,933,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,933,716</u>
Change in net assets before other changes	154,646	-	(114,700)	(53,597)	(13,651)
Other Changes:					
Investment return	7,348	-	-	-	7,348
Change in beneficial interests in trusts	701,746	-	-	-	701,746
Release of allowable endowment balance for spending	(299,398)	-	-	-	(299,398)
Change in net assets	<u>564,342</u>	<u>-</u>	<u>(114,700)</u>	<u>(53,597)</u>	<u>396,045</u>
Net Assets (Deficit):					
Beginning of year	<u>(5,609,276)</u>	<u>-</u>	<u>555,700</u>	<u>12,531,214</u>	<u>7,477,638</u>
End of year	<u>\$ (5,044,934)</u>	<u>\$ -</u>	<u>\$ 441,000</u>	<u>\$ 12,477,617</u>	<u>\$ 7,873,683</u>

The accompanying notes to the financial statements are an integral part of this statement.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,683,066	\$ 396,045
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	46,815	35,556
Realized and unrealized gains, net	(5,256)	(7,489)
Change in beneficial interests in trusts	(770,551)	(701,746)
Change in discounts on pledges receivable	500	8,500
Provision for uncollectible pledges	(16,200)	(5,000)
Loss on disposal of property and equipment	3,110	-
Donated property and equipment	-	(25,000)
Changes in assets and liabilities:		
Accounts receivable	(23,992)	45,469
Allowable endowment spending not withdrawn	(73,807)	-
Pledges receivable	138,515	494,922
Prepaid expenses and other current assets	81,243	35,391
Accounts payable and accrued liabilities	(78,944)	(255,380)
Cash receipts applicable to the coming season	(87,157)	218,682
Other deferred revenue - current portion	(50,768)	(32,356)
Net cash from operating activities	<u>846,574</u>	<u>207,594</u>
Cash flows from investing activities:		
Sales of restricted cash and investments, net	800,027	9,458
Sales (purchases) of endowed investments	247,476	(310,413)
Purchases of furniture and equipment, net of sales	(58,878)	(45,205)
Net cash from investing activities	<u>988,625</u>	<u>(346,160)</u>
Cash flows from financing activities:		
Proceeds from lines of credit and notes payable	870,000	851,576
Repayment on lines of credit and notes payable	(2,720,000)	(520,000)
Net cash from financing activities	<u>(1,850,000)</u>	<u>331,576</u>
Increase (decrease) in cash and cash equivalents	(14,801)	193,010
Cash and cash equivalents, beginning of year	422,383	229,373
Cash and cash equivalents, end of year	<u>\$ 407,582</u>	<u>\$ 422,383</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 60,375</u>	<u>\$ 77,766</u>

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Summary of significant accounting policies

Organization and Nature of Activities - The Charlotte Symphony Orchestra Society, Incorporated (the “Society”) was founded in 1932 for the purpose of performing a broad range of orchestral music, including appropriate genres of American traditional and popular music, to engage, educate, and enrich audiences of all ages.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The Financial Accounting Standards Board (“FASB”) has established the Accounting Standards Codification (“ASC”) as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets are both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of the Society and those resources invested in furniture and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Society. As of June 30, 2018, \$529,892 was designated by the board for an operating reserve.

Temporarily restricted net assets are contributions and endowment investment earnings subject to donor-imposed stipulations or law that may or will be met, either by specific actions of the Society and/or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same report period in which the contribution is received, the contribution is reported as unrestricted.

Permanently restricted net assets are those subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to appropriate for expenditure a percentage of the fair value of the assets. During the year ended June 30, 2018, a donor, whose contributions were originally contributed to the endowment and included in permanently restricted net assets, notified the Society that the restrictions placed on such contributions were being removed and the funds are now available for unrestricted purposes. Accordingly, \$1,000,000 was released from permanently restricted net assets into unrestricted net assets and is included with net assets released from restrictions in the accompanying statement of activities.

Contributions - Contributions, including unconditional promises to give (“pledges receivable”), are recognized as revenues in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Grants and other contributions of cash and other assets are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted revenue.

Endowment contributions are recorded as increases in permanently restricted net assets. Earnings on endowment investments are recorded as temporarily restricted net assets until the earnings are appropriated for expenditure or until certain purpose-related restrictions are met. As the earnings are appropriated for expenditure or after purpose-related restrictions are met, the earnings are released into unrestricted net assets.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Summary of significant accounting policies (continued)

The Society records contributed services if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2018 and 2017, no such contributed assets or services were received. In addition, a number of unpaid volunteers, who serve in the capacity of Board members, have made significant contributions of their time in the furtherance of the Society's purpose. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

From time to time, the Society may be named as a beneficiary in certain wills, trusts, and/or estates. Generally, these agreements are considered conditional promises to give. As such, no receivables or revenues are recognized until the underlying condition has been satisfied.

Income Taxes - The Society has received a favorable determination letter from the Internal Revenue Service with respect to its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal and state income taxes. Management believes that the Society continues to satisfy the requirements of a tax-exempt organization and is not subject to tax. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The Society accounts for tax uncertainties based on a more likely than not recognition threshold whereby tax benefits are only recognized when the Society believes that they have a greater than 50% likelihood of being sustained upon examination by taxing authorities. The Society has evaluated all its tax positions and determined that it had no material uncertain income tax positions as of June 30, 2018 and 2017.

Cash and Cash Equivalents - The Society considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the accompanying statements of cash flows exclude temporarily and permanently restricted cash and cash equivalents.

Restricted Cash and Investments - Restricted cash and investments are funds held from contributions received and/or payments on pledges receivable that are temporarily or permanently restricted as well as funds related to the Instrument Loan Program. Funds related to the Instrument Loan Program are required to be kept in a separate bank account.

Accounts Receivable - Accounts receivable are stated at cost less an allowance for doubtful accounts, if necessary. Management's determination of the allowance for doubtful accounts is based on an evaluation of the receivable, past experience, and current economic conditions. Management has determined an allowance for doubtful accounts is not considered necessary as of June 30, 2018 and 2017.

Instrument Loans Receivable - Loans receivable are carried at unpaid principal balances, less an allowance for loan losses, if necessary. Management's determination of the allowance for loan losses is based on past loan loss experience, specific impaired loans, and current economic conditions. Management has determined an allowance for loan losses is not considered necessary as of June 30, 2018 and 2017. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. At June 30, 2018 and 2017, the Society reported instrument loans receivable of approximately \$12,000 and \$18,000, respectively, which are included in accounts receivable in the statements of financial position.

Pledges Receivable, Net - Contributions that are expected to be collected in future years are recorded at fair value which is estimated using the present value of their expected cash flows, discounted using current market rate assumptions and are recorded net of an allowance for uncollectible pledges, which is based on management's evaluation of potential uncollectible pledges.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Summary of significant accounting policies (continued)

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the accompanying statements of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in the fair value of securities are reflected as investment return in the accompanying statements of activities.

Beneficial Interests in Trusts - The Society recognizes assets held by a recipient organization for the sole benefit of the Society as beneficial interests in trusts.

Furniture and Equipment, Net - Furniture and equipment are stated at cost for purchased items and at estimated fair value at the date received for donated items. Depreciation is computed on the straight-line basis for furniture and equipment using an estimated useful life, which ranges from 3 to 10 years. The music library and musical instruments owned by the Society are not depreciated, as such assets are not considered to decline in value or usefulness.

Other Deferred Revenue - Other deferred revenue consists primarily of a \$1 million receipt during fiscal year 2015 that relates to the 2021 fiscal year grant from the Thrive campaign (see Note 2).

Ticket and Sponsorship Revenue - Ticket and sponsorship receipts for concerts prior to the performance is deferred and recognized in the accompanying statements of activities as revenues in the period in which the concert is given. Any amounts deferred at year-end are included in cash receipts applicable to the coming season in the accompanying statements of financial position.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements - In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09. The amendments in this update create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, *Revenue Recognition – Construction-Type and Production-Type Contracts*, and create new Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of the ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of this standard on the Society's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for financing and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of this standard on the Society's financial statements, but does not believe it will have a material impact on the statements of activities of the Society.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Summary of significant accounting policies (continued)

In August of 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information presented in financial statements and notes about its liquidity, financial performance, and cash flows. The standard will be effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. Management is evaluating the impact of this standard on the Society’s financial statements.

Reclassification- A reclassification has been made in the statement of financial position as of June 30, 2017 from amounts previously reported to reflect the amount of allowable endowment spending not withdrawn of \$299,398 as a current asset and as a reduction of the beneficial interest in trust.

Note 2—Liquidity and capital resources

Due to unrestricted losses in several prior years, the Society experienced decreases in its unrestricted net assets; however, for the fiscal years ended June 30, 2018 and 2017, the Society had increases in unrestricted net assets of \$2,362,242 and \$564,342, respectively, including \$529,892 of unrestricted board designated net assets for June 30, 2018. The Society is projecting a surplus budget for the year ended June 30, 2019, which would further reduce the overall deficit in unrestricted net assets. Also, as discussed in Note 1, during the year ended June 30, 2018, a donor released \$1,000,000 from permanently restricted net assets, thus making such funds available for unrestricted purposes. The Society’s liquidity needs are supplemented by a line of credit (see Note 9), flexibility of the timing of grants received from Arts and Science Council (“ASC”), use of advance ticket sales and, since June 30, 2013, over \$7 million in cumulative contributions from the Thrive Arts Stabilization Fund whose mission is to help arts groups develop independent fundraising tools and infrastructure. In addition, the Society substantially offset the cash flow impact of prior operating deficits through additional withdrawals of approximately \$2,700,000 from its endowment funds (see Note 7).

The Society has developed a business plan to continue to increase unrestricted net assets. In September 2017, the musicians and management agreed to a five-year extension of the union contract which provided the Society with costs savings (see Note 12). Management is continuing to expand revenue generating activities as well as explore ways to reduce other expenses where possible. The Society has engaged consultants to help optimize revenue from its performances and improve patron engagement in order to improve both earned and contributed income. The Society has budgeted for an increase in future contributions from individuals and foundations. The Society is also looking into future plans to initiate a capital campaign to enhance their cash reserves and endowment.

Note 3—Pledges receivable, net

Pledges receivable represent donors’ promises to pay contributions to the Society. Pledges receivable without a purpose designation from the donor are recorded in the accompanying statements of financial position as pledges receivable and are summarized as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 99,713	\$ 51,368
Less allowance for uncollectible accounts	(2,000)	(4,500)
Pledges receivable, net	<u>\$ 97,713</u>	<u>\$ 46,868</u>

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 3—Pledges receivable, net (continued)

The Society also receives pledges for support of future performances and other temporarily restricted purposes. Receivables related to these pledges, which are recorded in the accompanying statements of financial position as restricted pledges receivable are summarized as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 378,000	\$ 125,500
Receivable in one to five years	150,000	278,000
Total restricted pledges receivable	<u>528,000</u>	<u>403,500</u>
Less allowance for uncollectible accounts	(27,800)	(41,500)
Less discount to present value	<u>(3,000)</u>	<u>(6,000)</u>
Restricted pledges receivable, net	<u>\$ 497,200</u>	<u>\$ 356,000</u>

Endowment pledges receivable are summarized as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 200,000	\$ 200,000
Receivable in one to five years	200,000	400,000
Total endowment pledges receivable	<u>400,000</u>	<u>600,000</u>
Less discount to present value	<u>(3,500)</u>	<u>(8,500)</u>
Endowment pledges receivable, net	<u>\$ 396,500</u>	<u>\$ 591,500</u>

The fair value of pledges receivable are recorded at their present value of expected future cash flows using an average credit adjusted risk free discount rate of 1.76% and 1.55% for the years ended June 30, 2018 and 2017, respectively. The fair value option was chosen to measure the fair value of pledges receivable in order to mitigate volatility in reported changes in net assets. Management periodically reviews pledges receivable and assesses their collectability and records an allowance for potentially uncollectible amounts. Included in pledges receivable above are balances due from members of the Board of Directors and Board of Trustees of approximately \$5,500 and \$3,000 as of June 30, 2018 and 2017, respectively.

Note 4—Endowed investments

At June 30, 2018 and 2017, the Society had endowed investments of \$72,261 and \$67,005, respectively.

Investment return for these endowed investments is comprised of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Realized and unrealized gains (losses) on endowed investments	\$ 5,392	\$ 7,489
Administrative and investment fees	(136)	(141)
Total investment return	<u>\$ 5,256</u>	<u>\$ 7,348</u>

In addition to the above investments, the Society has recorded beneficial interests in trusts (see Note 5) which, due to the way the trusts are managed, are included as part of the Society's endowment. The investments and the beneficial interest in trusts are held and managed by FFTC.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 5—Beneficial interests in trusts

As discussed below, beneficial interests in trusts represent funds contributed by donors to the Greater Charlotte Cultural Trust (“GCCT”) for the benefit of the Society and which are managed as part of the Society’s endowment (see Note 7).

In January 2004, ASC’s Board of Directors adopted The Cultural Facilities Master Plan (the “Plan”) which recommended the construction or improvement of several cultural facilities in the Charlotte community, with capital funding to come from the local government. ASC, in conjunction with GCCT, also completed the Cultural Organizations Endowment Agreement related to the Campaign for Cultural Facilities. The Agreement outlined the campaign to fund facility endowments to support the operation of the new or remodeled facilities as well as other endowment and capital needs in the cultural community. The Society is a party to this agreement and is budgeted to be allocated \$7 million of the approximately \$83 million raised. If actual campaign collections are less than the total raised, the Society will receive a prorated share of its budgeted allocation. In accordance with the agreement, the funds are used to create an endowment, with the earnings to be distributed annually to fund operating costs of the new facilities. The Society has recorded a beneficial interest in trust - Campaign for the Cultural Facilities of \$4,963,619 and \$4,569,974 at June 30, 2018 and 2017, respectively, representing the Society’s interest in the investment portion of funds held. In addition, as part of the Campaign for Cultural Facilities, the Society has endowed pledges receivable of \$549,670 and \$669,530 as of June 30, 2018 and 2017, respectively, which are presented as Campaign for the Cultural Facilities pledges receivable in the statements of financial position.

The Society has also recorded other beneficial interests in trusts held at GCCT of \$3,830,760 and \$3,701,330 at June 30, 2018 and 2017, respectively.

The Society’s endowed investments and beneficial interests in trusts are exposed to various risks such as interest rates, market, liquidity, and credit risks. Due to the current and potential future volatility in the financial markets, it is possible that changes in the investment values and liquidity could occur in the near term and could materially affect the reported investment values in the accompanying statements of financial position.

The endowment investments and beneficial interests in trusts at FFTC are maintained with various broker-dealers, invested in pooled funds of primarily common stock equities, bonds and fixed income investments, which are subject to fluctuations in market values and expose the Society to a certain degree of interest and credit risk.

Investments include fund managers that invest in private investment funds as part of the asset allocation, as an alternative investment strategy with the purpose of increasing the diversity of the holdings and being consistent with the overall investment objectives. The private investment funds are not traded on an exchange, and accordingly, investments in such funds may not be as liquid as investments in marketable equity or debt securities.

The private investment funds may invest in other private investment funds, equity or debt securities, which may or may not have readily available fair values, and foreign exchange or commodity forward contracts. Management of FFTC relies on various factors to estimate the fair value of these investments and believes its processes and procedures for valuing investments are effective and that its estimate of value is reasonable. However, the factors used by management are subject to change in the near term, and accordingly, investment values and performance can be affected. The effect of these changes could be material to the accompanying financial statements.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 6—Fair value measurement of assets and liabilities

In accordance with guidance on fair value measurements for financial instruments measured at fair value, fair value is defined as the price that the Society would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The fair value guidance establishes a three-tier hierarchy to distinguish between 1) inputs that reflect the assumptions that market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs), and 2) inputs that reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the fair value of the Society's financial instruments. The inputs are summarized in the three broad levels listed below:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for identical securities.
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2018</u>			
Endowed investments	\$ -	\$ -	\$ 72,261
Beneficial interests in trusts	\$ -	\$ -	\$ 9,344,049
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2017</u>			
Endowed investments	\$ -	\$ -	\$ 67,005
Beneficial interests in trusts	\$ -	\$ -	\$ 8,940,834

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. The beneficial interest in trust is valued using the fair value of the assets in the trust as a practical expedient unless facts and circumstances indicate the fair value of the assets in the trust differs from the fair value of the beneficial interests. There have been no changes in the methodologies used at June 30, 2018.

The Society's beneficial interests in trust are considered a Level 3 financial instrument as of June 30, 2018 and 2017 because they represent a receivable to be paid from various pooled investments managed by FFTC. The Society has no ownership interest in those underlying investments. However, the fair value of those investments is used by management of FFTC to determine the fair value of the payable to the Society.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 6—Fair value measurement of assets and liabilities (continued)

For the assets measured at fair value on a recurring basis using Level 3 valuations during the period, the following table provides a reconciliation of beginning and ending balances for the years ended June 30, 2018 and 2017:

	<u>Endowment Investments</u>	<u>Beneficial Interests in Trusts</u>
Balance, June 30, 2016	\$ 59,657	\$ 8,361,060
Investment return:		
Realized and unrealized gain	7,489	-
Administrative and investment fees	(141)	-
	<u>7,348</u>	<u>-</u>
Withdrawals	-	(5,254)
Allowable endowment spending not withdrawn	-	(299,398)
Change in beneficial interests in trusts	-	701,746
Other changes in and adjustments to pledges receivable, net	-	(17,320)
Cash additions to trusts	-	200,000
Balance, June 30, 2017	67,005	8,940,834
Investment return:		
Realized and unrealized gain	5,392	-
Administrative and investment fees	(136)	-
	<u>5,256</u>	<u>-</u>
Allowable endowment spending not withdrawn	-	(373,205)
Change in beneficial interests in trusts	-	770,551
Other changes in and adjustments to pledges receivable, net	-	5,869
Balance, June 30, 2018	<u>\$ 72,261</u>	<u>\$ 9,344,049</u>

Note 7—Endowment funds

The Society's endowment consists of eight individual funds established for a variety of purposes that are primarily held by GCCT and invested at FFTC. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net asset composition by type of fund as of June 30, 2018 and 2017 are listed below:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2018:				
Donor-restricted endowment funds	<u>\$ (1,625,007)</u>	<u>\$ -</u>	<u>\$ 11,448,489</u>	<u>\$ 9,823,482</u>
June 30, 2017:				
Donor-restricted endowment funds	<u>\$ (2,032,607)</u>	<u>\$ -</u>	<u>\$ 12,442,645</u>	<u>\$ 10,410,038</u>

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 7—Endowment funds (continued)

Included in the endowment net asset composition by type of fund above are endowment pledges receivable, net, which total \$396,500 and \$591,500 as of June 30, 2018 and 2017, respectively.

The Board of Directors of the Society has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring, absent explicit donor stipulations to the contrary, that the following amounts included in the endowment be classified as permanently restricted: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund be classified as permanently restricted. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA or spent in accordance with the purpose restrictions established by the donor.

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowments funds:

1. The duration and preservation of the fund
2. The purposes of the Society and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Society
7. The investment policies of the Society

FFTC administers the majority of these endowed funds. The Board of Directors governing the trusts and the Society have adopted investment and spending policies for endowment assets that attempt to provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, the endowment assets are invested in a manner that is intended to produce results that provide an average annual real rate of return, net of fees, equal to or greater than spending, administrative fees, and inflation (Consumer Price Index). Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, FFTC and the Society rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Accordingly, FFTC has adopted an investment allocation for long-term growth which includes a target asset allocation of 60% for global equities, 15% for global fixed income, 10% for real assets, and 15% for diversified strategies.

FFTC has a policy of appropriating for distribution each year 5.0% of the endowment funds' average fair value using the prior 3 years' value at the calendar year-end proceeding the fiscal year in which the distribution is planned. FFTC evaluates the spending policy on an annual basis for prudence. In establishing the spending policy, the expected return on the endowment was taken into consideration. Accordingly, the spending policy is expected to allow the endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 7—Endowment funds (continued)

Changes in endowment net assets, which include cash restricted for endowment, investments, and Campaign for Cultural Facilities pledge receivable, for the years ended June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2016	\$ (2,469,630)	\$ -	\$ 12,501,863	\$ 10,032,233
Investment return:				
Realized and unrealized gains	7,489	-	-	7,489
Administrative and investment fees	(141)	-	-	(141)
Total investment return	<u>7,348</u>	<u>-</u>	<u>-</u>	<u>7,348</u>
Changes in and adjustments to pledges receivable, net	27,327	-	(59,218)	(31,891)
Change in beneficial interests in trusts	701,746	-	-	701,746
Release of allowable balance for spending	<u>(299,398)</u>	<u>-</u>	<u>-</u>	<u>(299,398)</u>
Endowment net assets, June 30, 2017	(2,032,607)	-	12,442,645	10,410,038
Investment return:				
Realized and unrealized gains	5,392	-	-	5,392
Administrative and investment fees	(136)	-	-	(136)
Total investment return	<u>5,256</u>	<u>-</u>	<u>-</u>	<u>5,256</u>
Change in pledges receivable and other adjustments	4,998	-	5,844	10,842
Change in beneficial interests in trusts	770,551	-	-	770,551
Release of allowable balance for spending	(373,205)	-	-	(373,205)
Release of restriction by donor	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Endowment net assets, June 30, 2018	<u>\$ (1,625,007)</u>	<u>\$ -</u>	<u>\$ 11,448,489</u>	<u>\$ 9,823,482</u>

At June 30, 2018 and 2017, the fair value of endowment assets was below endowment corpus. The amount by which fair value was below corpus was \$1,625,007 and \$2,032,607 at June 30, 2018 and 2017, respectively. This resulted primarily from cumulative withdrawals of \$2,747,390 that were approved by the board but are in excess of the annual spending policy. These amounts are considered reductions in unrestricted net assets since they have been used for operations. Subsequent gains and loan repayments that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 8—Financial support

Grants and contributions represented approximately 58% and 61% of the Society's unrestricted revenue for the years ended June 30, 2018 and 2017, respectively. In addition, grants from two organizations comprised of 98% and 100% of total grants and contributions for the years ended June 30, 2018 and 2017, respectively. Certain grants are normally awarded on an annual basis, but continuation is dependent upon future annual determinations by the grantors.

Note 9—Line of credit

The Society has a line of credit with a financial institution with available borrowing of \$1,000,000 that provides for an interest rate of prime plus 1.50% (6.50% as of June 30, 2018). The line of credit had a balance of \$1,850,000 as of June 30, 2017 and was paid down to zero as of June 30, 2018. The line was secured by \$750,000 of endowment funds held in a certificate of deposit at June 30, 2017.

Total interest expense was approximately \$60,000 and \$78,000 for the years ended June 30, 2018 and 2017, respectively, and is included in other administrative expenses in the accompanying statements of activities.

Note 10—Temporarily and permanently restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Time restricted pledges receivable and contributions	\$ 709,700	\$ 401,000
Purpose restricted	50,000	40,000
	<u>\$ 759,700</u>	<u>\$ 441,000</u>

Permanently restricted net assets relate to the following funds at June 30:

	<u>2018</u>	<u>2017</u>
Instrument loan fund	\$ 31,252	\$ 34,972
Endowment funds	11,448,489	12,442,645
	<u>\$ 11,479,741</u>	<u>\$ 12,477,617</u>

Net assets totaling \$1,171,800 and \$175,714 for the years ended June 30, 2018 and 2017, respectively, were released from restrictions by incurring expenses satisfying the restricted purpose and by occurrence of other events specified by donors.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 11—Benefit plans

The Society has established a qualified defined contribution plan for administrative employees. Under this plan, the Society had contributed 5-6% of total participating payroll. Contributions to the plan were suspended on April 1, 2009; therefore, no contributions were made to the plan during the years ended June 30, 2018 and 2017.

The Society also participates in a multi-employer defined benefit plan administered by a national trust, known as the American Federation of Musicians and Employers' Pension Fund, which covers all union musician employees of the Society. The plan is also designed to conform to the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Contributions to the plan are based upon a percentage of the participant's salary, as determined by the terms of the Collective Bargaining Agreement between the Society and American Federation of Musicians, Local No. 342. Participants do not contribute to the plan. Total contributions made to the plan were \$241,487 and \$243,414 for the years ended June 30, 2018 and 2017, respectively.

The risks of participating in a multi-employer plan differ from single-employer plans. The potential risks include but are not limited to, the use of the Society's contributions to provide benefits to employees of other participating employers, the Society becoming obligated for other participating employers' unfunded obligations, and, upon the Society's withdrawal from the plan, the Society being required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The plan in which the Society participated during the year ended June 30, 2018 is summarized in the table below. The zone status included in the table 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% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

Pension Fund	EIN/ Pension Plan Number	PPA Zone Status (2)	FIP/RP Status (3)	2018 Contributions	Contributions Greater than 5% of Total Plan Contributions (1)	Expiration Date of CBA
American Federation of Musicians and Employers' Pension Plan	51-6120204	Red	Yes	\$ 241,487	No	August 2022

(1) This information was obtained from the respective plans' Form 5500 for the most current available filing. These dates may not correspond with the Society's calendar year contributions. The above noted percentage of total plan contributions column is based upon disclosures contained in the plans' Form 5500 filing ("Forms"). Those Forms, among other things, disclose the names of the individual participating employers whose annual contributions account for more than 5% of the aggregate annual amount contributed by all participating employers for a plan year.

(2) This zone status represents the most recent available information which is for the plan year ended March 31, 2018.

(3) On April 15, 2010, the Board of Trustees of the Plan adopted a Rehabilitation Plan ("RP"). Effective for contributions earned on or after April 1, 2011 and thereafter, the RP required additional employer contributions to the Plan. The duration of the RP is currently indefinite. The Society amended their Collective Bargaining Agreement, effective February 27, 2014, in accordance with the RP.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 12—Commitments

In 2015, the Society entered an office lease which expires in October 2020. The lease provides for scheduled annual increases in future minimum annual rental payments, with monthly payments ranging from \$11,712 to \$13,189.

Future minimum rental payments under this operating lease as of June 30, 2018 are as follows:

Years Ending June 30,

2019	\$ 152,160
2020	156,731
2021	<u>65,944</u>
	<u>\$ 374,835</u>

Rent expense amounted to \$147,425 and \$141,907 during the years ended June 30, 2018 and 2017, respectively.

The Society has an agreement for a contract for musician services with the American Federation of Musicians, Local No. 342 that expires August 31, 2022.

Note 13—Concentrations

The Society places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. The Society from time to time may have amounts on deposit in excess of the insured limits.

The Society has recognized unconditional promises to give from donors in future years. Ultimately, realization of these amounts is influenced by economic conditions of the areas in which these donors reside, as well as other events/conditions which may affect the donors' intention or ability to give.

Note 14—Subsequent events

The Society has evaluated subsequent events through April 10, 2019, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENTS OF FINANCIAL POSITION BY FUND

JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Elimination</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 150,865	\$ 237,500	\$ 19,217	\$ -	\$ 407,582
Accounts receivable	62,380	-	12,035	-	74,415
Allowable endowment spending not withdrawn	373,205	-	-	-	373,205
Pledges receivable, net	97,713	-	-	-	97,713
Prepaid expenses and other current assets	122,137	25,000	-	-	147,137
Total Current Assets	<u>806,300</u>	<u>262,500</u>	<u>31,252</u>	<u>-</u>	<u>1,100,052</u>
Noncurrent pledges receivable, net	-	497,200	-	-	497,200
Property and Equipment, Net	732,357	-	-	-	732,357
Restricted Assets - Endowment:					
Cash and cash equivalents	10,672	-	-	-	10,672
Receivable from operations	-	-	2,747,390	(2,747,390)	-
Endowment receivable	-	-	396,500	-	396,500
Endowed investments	45,192	-	27,069	-	72,261
Beneficial interests in trusts:					
Campaign for the Cultural Facilities	1,066,519	-	3,897,100	-	4,963,619
Campaign for the Cultural Facilities pledges receivable	-	-	549,670	-	549,670
Other beneficial interests in trusts	-	-	3,830,760	-	3,830,760
Total Restricted Assets - Endowment	<u>1,122,383</u>	<u>-</u>	<u>11,448,489</u>	<u>(2,747,390)</u>	<u>9,823,482</u>
Total Assets	<u>\$ 2,661,040</u>	<u>\$ 759,700</u>	<u>\$ 11,479,741</u>	<u>\$ (2,747,390)</u>	<u>\$ 12,153,091</u>
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 694,253	\$ -	\$ -	\$ -	\$ 694,253
Cash receipts applicable to the coming season	902,089	-	-	-	902,089
Total Current Liabilities	<u>1,596,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,596,342</u>
Other deferred revenue	1,000,000	-	-	-	1,000,000
Endowment withdrawals in excess of annual spending	2,747,390	-	-	(2,747,390)	-
Total Liabilities	<u>5,343,732</u>	<u>-</u>	<u>-</u>	<u>(2,747,390)</u>	<u>2,596,342</u>
Net Assets (Deficit):					
Unrestricted	(3,212,584)	-	-	-	(3,212,584)
Board restricted	529,892	-	-	-	529,892
Temporarily restricted	-	759,700	-	-	759,700
Permanently restricted	-	-	11,479,741	-	11,479,741
Total Net Assets	<u>(2,682,692)</u>	<u>759,700</u>	<u>11,479,741</u>	<u>-</u>	<u>9,556,749</u>
Total Liabilities and Net Assets	<u>\$ 2,661,040</u>	<u>\$ 759,700</u>	<u>\$ 11,479,741</u>	<u>\$ (2,747,390)</u>	<u>\$ 12,153,091</u>

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENTS OF FINANCIAL POSITION BY FUND (CONTINUED)

JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Elimination</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 365,698	\$ 40,000	\$ 16,685	\$ -	\$ 422,383
Accounts receivable	32,138	-	18,285	-	50,423
Allowable endowment spending not withdrawn	299,398	-	-	-	299,398
Pledges receivable, net	46,868	-	-	-	46,868
Prepaid expenses and other current assets	203,380	25,000	-	-	228,380
Total Current Assets	<u>947,482</u>	<u>65,000</u>	<u>34,970</u>	<u>-</u>	<u>1,047,452</u>
Noncurrent pledges receivable, net	<u>-</u>	<u>356,000</u>	<u>-</u>	<u>-</u>	<u>356,000</u>
Property and Equipment, Net	<u>703,404</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>723,404</u>
Restricted Assets - Endowment					
Cash and cash equivalents	-	-	60,699	-	60,699
Receivable from operations	-	-	2,747,390	(2,747,390)	-
Certificate of deposit	-	-	750,000	-	750,000
Endowment receivable	-	-	591,500	-	591,500
Endowed investments	31,259	-	35,746	-	67,005
Beneficial interests in trusts:					
Campaign for the Cultural Facilities	285,962	-	4,284,012	-	4,569,974
Campaign for the Cultural Facilities pledges receivable	-	-	669,530	-	669,530
Other beneficial interests in trusts	397,560	-	3,303,770	-	3,701,330
Total Restricted Assets - Endowment	<u>714,781</u>	<u>-</u>	<u>12,442,647</u>	<u>(2,747,390)</u>	<u>10,410,038</u>
Total Assets	<u>\$ 2,365,667</u>	<u>\$ 441,000</u>	<u>\$ 12,477,617</u>	<u>\$ (2,747,390)</u>	<u>\$ 12,536,894</u>
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 773,197	\$ -	\$ -	\$ -	\$ 773,197
Cash receipts applicable to the coming season	989,246	-	-	-	989,246
Other deferred revenue	50,768	-	-	-	50,768
Lines of credit and term loan - current portion	1,850,000	-	-	-	1,850,000
Total Current Liabilities	<u>3,663,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,663,211</u>
Other deferred revenue	1,000,000	-	-	-	1,000,000
Endowment withdrawals in excess of annual spending	2,747,390	-	-	(2,747,390)	-
Total Liabilities	<u>7,410,601</u>	<u>-</u>	<u>-</u>	<u>(2,747,390)</u>	<u>4,663,211</u>
Net Assets (Deficit):					
Unrestricted	(5,044,934)	-	-	-	(5,044,934)
Temporarily restricted	-	441,000	-	-	441,000
Permanently restricted	-	-	12,477,617	-	12,477,617
Total Net Assets	<u>(5,044,934)</u>	<u>441,000</u>	<u>12,477,617</u>	<u>-</u>	<u>7,873,683</u>
Total Liabilities and Net Assets	<u>\$ 2,365,667</u>	<u>\$ 441,000</u>	<u>\$ 12,477,617</u>	<u>\$ (2,747,390)</u>	<u>\$ 12,536,894</u>