

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 1—Organization and summary of significant accounting policies (continued)

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 and is exempt from federal and state income taxes. Management believes 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 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 it had no material uncertain income tax positions as of June 30, 2023 or 2022.

Cash and Cash Equivalents – The Society considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash – Restricted cash are funds related to the Instrument Loan Program. Funds related to the Instrument Loan Program are required to be kept in a separate bank account.

Cash Restricted for Endowments – Restricted cash for endowments are funds held from contributions received and/or payments on promises to give that are to be transferred into the endowment fund.

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, 2023 or 2022.

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, 2023 or 2022. 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, 2023 and 2022, the Society reported instrument loans receivable of approximately \$18,178 and \$24,000, respectively, which are included in accounts receivable in the statements of financial position.

Promises to Give, 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 promises to give, which is based on management's evaluation of potential uncollectible promises to give.

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.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 1—Organization and summary of significant accounting policies (continued)

Ticket and Sponsorship Revenue – Ticket and sponsorship receipts for concerts prior to the performance are 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 unearned ticket sales in the accompanying statements of financial position.

Use of Estimates – The preparation of financial statements in conformity with U.S. 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.

Functional Expenses – The costs of providing the various programs and other activities of the Society have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function (see Note 14). Direct identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to the various programs and supporting services based on time and effort.

Government Grants – The Society received the following government grants in connection with relief efforts related to the novel strain of coronavirus (COVID-19) pandemic. Each of these are included in governmental grants on the statement of activities. The employee retention credit of \$-0- and \$2,137,459 are also reflected within the government grants receivable on the statement of financial position as of June 30, 2023 and 2022.

	2023	2022
Employee Retention Credit ("ERC")	\$ 26,271	\$ 413,245
Paycheck Protection Program ("PPP") loan	-	1,232,397
Shuttered Venue Operators Grants ("SVOG")	-	1,498,678
Other government grants	283,000	705,080
Total governmental grants	<u>\$ 309,271</u>	<u>\$ 3,849,400</u>

Change in Accounting Principle – Leases – In February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. FASB also subsequently issued additional ASUs which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Society adopted these ASUs effective July 1, 2022 using the modified retrospective approach. As a result of adopting these ASUs, the Society recorded right-of-use assets and operating lease liabilities of approximately \$442,000. The adoption of Accounting Standards Codification ("ASC") 842 did not have a material impact on the Society's statement of activities and changes in net assets or cash flows.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 2—Liquidity and availability of resources

Liquidity and availability of resources is as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash, cash equivalents, and restricted cash	\$ 183,932	\$ 174,843
Accounts receivable	43,147	150,014
Government grant receivable	-	2,137,459
Promises to give, net	14,422,041	2,379,102
Certificate of deposit	1,546,107	1,500,000
Beneficial interests in trusts	12,060,238	11,569,604
Total financial assets at year-end	<u>28,255,465</u>	<u>17,911,022</u>
Less amounts not available to be used for general expenditures within one year:		
Restricted by donor with time restrictions - noncurrent	2,769,905	456,800
Restricted by donor with purpose restrictions	341,695	509,800
Endowment funds	20,179,275	12,770,004
Financial assets not available to be used within one year	<u>23,290,875</u>	<u>13,736,604</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,964,590</u>	<u>\$ 4,174,418</u>

The Society regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of and return on available funds. The Society has various sources of liquidity at its disposal. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Society considers all expenditures related to its ongoing activities of musical and project expenses as well as the conduct of services undertaken to support those activities to be general expenditures.

The Society is nearing completion of a comprehensive campaign that includes both short-term strategic funding and long-term endowment support. The campaign, which is over halfway completed, has a fundraising goal of \$50 million. Reaching this goal is projected to increase the Society's endowment to a level that will provide an additional \$1.5 - \$2 million in endowment draws each year under the Society's endowment spending policy. In the short-term, the Society has accumulated unrestricted promises to give to help fund approximately \$2 million of annual operating expenses per year until the endowment has been fully funded. The Society has received a \$5 million matching gift that is a conditional contribution to be paid once the campaign has reached \$35 million in commitments as further described in Note 3.

The Society has donor-restricted resources which are limited in their use for specific purposes or due to timing. Accordingly, these assets are shown as a reduction to financial assets available to meet general expenditures within one year. These assets limited to use, are more fully described in Note 8.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 3—Promises to give, net

Promises to give represent donors' promises to pay contributions to the Society. The Society receives promises to give for undesignated support, support of future performances, endowments, and other restricted purposes. Receivables related to these promises to give, which are recorded in the accompanying statements of financial position as promises to give, are summarized as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Time restricted promises to give	\$ 6,395,334	\$ 267,110
Purpose restricted promises to give	613,670	2,421,992
Endowment promises to give	<u>8,936,837</u>	<u>4,100</u>
Total promises to give	15,945,841	2,693,202
Less allowance for uncollectible accounts	(444,600)	(151,800)
Less discount to present value	<u>(1,079,200)</u>	<u>(162,300)</u>
Total promises to give, net	<u>\$ 14,422,041</u>	<u>\$ 2,379,102</u>

Future payments on promises to give are as follows for the years ending June 30:

2024	\$ 6,090,957
2025	3,933,384
2026	1,749,500
2027	1,152,000
2028	520,000
2029 or more	<u>2,500,000</u>
	<u>\$ 15,945,841</u>

The current portion of promises to give as presented on the statement of financial position excludes the current portion of endowment pledges as these gifts will be invested in long term restricted funds upon collection. The fair value of promises to give are recorded at their present value of expected future cash flows using average credit adjusted risk free discount rates of 3.98% and 3.30% for the years ended June 30, 2023 and 2022, respectively. Management periodically reviews promises to give and assesses their collectability and records an allowance for potentially uncollectible amounts. Included in promises to give above are balances due from members of the Board of Directors of approximately \$290,000 and \$280,000 as of June 30, 2023 and 2022, respectively. Net endowment promises to give of approximately \$7,900,000 and \$1,200,000 as of 2023 and 2022, respectively, are restricted for the endowment and have been included in endowment net assets (see Note 8).

During the year ended June 30, 2023, the Society received a conditional contribution of \$5 million. The Society does not have the right to receive this contribution until the Society has secured \$35 million of its comprehensive campaign fundraising target of \$50 million. Conditional contributions are recognized when the conditions are substantially met. Management exercises judgment in determining the appropriate timing of recognition based on the specific criteria outlined in the agreements with the donor.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 4—Beneficial interests in trusts

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 6).

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 (the “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 pro-rated 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 \$5,501,675 and \$5,311,852 at June 30, 2023 and 2022, 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 promises to give of \$7,768 and \$122,509 as of June 30, 2023 and 2022, respectively, which are presented as Campaign for the Cultural Facilities promises to give in the statements of financial position.

The Society has also recorded other beneficial interests in trusts held at Foundation for the Carolinas (“FFTC”) of \$6,550,795 and \$6,135,243 at June 30, 2023 and 2022, respectively. The Society’s 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 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, 2023 AND 2022

Note 5—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 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.

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, 2023.

The Society's beneficial interests in trust are considered a Level 3 financial instrument as of June 30, 2023 and 2022 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2023</u>			
Beneficial interests in trusts	\$ -	\$ -	\$ 12,060,238
<u>June 30, 2022</u>			
Beneficial interests in trusts	\$ -	\$ -	\$ 11,569,604

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 5—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, 2023 and 2022:

	Beneficial Interests in Trusts
Balance, June 30, 2021	\$ 13,378,775
Contributions	55,898
Change in beneficial interests in trusts	(1,864,297)
Other changes and adjustments to promises to give, net	<u>(772)</u>
Balance, June 30, 2022	11,569,604
Contributions	243,264
Allowable endowment spending	(551,222)
Change in beneficial interests in trusts	791,541
Other changes and adjustments to promises to give, net	<u>7,051</u>
Balance, June 30, 2023	<u>\$ 12,060,238</u>

Note 6—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 U.S. 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, 2023 and 2022 are listed below:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>June 30, 2023:</u>			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	\$ -	\$ 12,582,065	\$ 12,582,065
Accumulated endowment earnings	-	1,098,187	1,098,187
Underwater investments	-	(1,620,014)	(1,620,014)
Total donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 12,060,238</u>	<u>\$ 12,060,238</u>
<u>June 30, 2022:</u>			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	\$ -	\$ 12,453,542	\$ 12,453,542
Accumulated endowment earnings	-	920,167	920,167
Underwater investments	-	(1,804,105)	(1,804,105)
Total donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 11,569,604</u>	<u>\$ 11,569,604</u>

Included in the endowment net asset composition by type of fund above are endowment promises to give held in trust, net, which total \$7,768 and \$122,509 as of June 30, 2023 and 2022, respectively.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 6—Endowment funds (continued)

The Board of Directors of the Society has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as donor-restricted net assets (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 the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not maintained in perpetuity are subject to appropriation for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

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, the Society uses two different long-term FFTC investment strategies that 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).

FFTC has adopted an investment allocation for the first long-term growth strategy which includes a target asset allocation of U.S. equities, 23%; international equities, 11%; global equities, 5%; private investment partners, 20%; liquid real assets, 10%; fixed income, 10%; defensive hedge funds, 15%; and emerging markets, 6%. FFTC has adopted an investment allocation for the second long-term growth strategy which includes a target asset allocation of global equity, 60%; real assets, 10%; fixed income, 10%; and diversifying hedge funds, 20%.

FFTC has a policy of appropriating for distribution each year 4.5% of the endowment funds’ average fair value using the prior three 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, 2023 AND 2022

Note 6—Endowment funds (continued)

Funds with Deficiencies – From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

The amounts by which fair value was below corpus at June 30 are:

	<u>2023</u>	<u>2022</u>
Fair value of underwater endowment funds	\$ 6,233,897	\$ 5,896,542
Original endowment gift amount	7,853,911	7,700,647
Deficiencies of underwater endowment funds	<u>\$ (1,620,014)</u>	<u>\$ (1,804,105)</u>

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, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ -	\$ 13,378,775	\$ 13,378,775
Contributions	-	55,898	55,898
Change in promises to give and other adjustments	-	(772)	(772)
Change in beneficial interests in trusts	-	(1,864,297)	(1,864,297)
Endowment net assets, June 30, 2022	-	11,569,604	11,569,604
Contributions	-	243,264	243,264
Change in promises to give and other adjustments	-	7,051	7,051
Change in beneficial interests in trusts	-	791,541	791,541
Allowable endowment spending	-	(551,222)	(551,222)
Endowment net assets, June 30, 2023	<u>\$ -</u>	<u>\$ 12,060,238</u>	<u>\$ 12,060,238</u>

Note 7—Concentrations in financial support

Grants and contributions represented approximately 44% and 66% of the Society's revenue without donor restriction for the years ended June 30, 2023 and 2022, respectively. In addition, grants from two organizations comprised of 11% and 65% of total grants for the years ended June 30, 2023 and 2022, respectively. Certain grants are normally awarded on an annual basis, but continuation is dependent upon future annual determinations by the grantors.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 8—Net assets

Net assets with purpose and time donor restrictions at June 30, 2023 and 2022 have been restricted by the donors for the following purpose restrictions:

	<u>2023</u>	<u>2022</u>
Subject to purpose and time restrictions:		
Time restricted promises to give and contributions	\$ 6,503,004	\$ 1,212,110
Instrument loan fund	52,415	61,252
Other purpose restricted	533,945	-
Total subject to purpose and time restrictions	<u>7,089,364</u>	<u>1,273,362</u>
Endowment net assets:		
Donor-restricted endowment funds	12,252,470	11,480,103
Endowed promises to give held in trust	7,768	122,509
Endowed promises to give, net allowance	7,919,037	1,162,893
Total endowment net assets	<u>20,179,275</u>	<u>12,765,505</u>
Total net assets with donor restrictions	<u>\$ 27,268,639</u>	<u>\$ 14,038,867</u>

Net assets totaling \$3,509,703 and \$1,219,776 for the years ended June 30, 2023 and 2022, respectively, were released from restrictions by incurring expenses satisfying the restricted purpose and by occurrence of other events specified by donors.

The following net assets were released from restrictions during the year ended June 30, 2023:

	<u>Purpose</u>	<u>Time</u>	<u>Total</u>
Individuals and foundations	\$ 117,350	\$ 735,198	\$ 852,548
Corporations	170,000	340,000	510,000
Arts and Science Council	9,865	-	9,865
Arts Infusion	20,000	262,264	282,264
Government sources	-	83,000	83,000
Organizations	5,000	25,000	30,000
Other	-	1,742,026	1,742,026
Total released from restrictions	<u>\$ 322,215</u>	<u>\$ 3,187,488</u>	<u>\$ 3,509,703</u>

There were no board designated net assets without donor restrictions at June 30, 2023 and 2022.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 9—Benefit plans

The Society has established a qualified defined contribution plan for administrative employees. Under this plan, the Society had contributed 5% to 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, 2023 or 2022.

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. 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 \$293,451 and \$259,433 for the years ended June 30, 2023 and 2022, 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, 2023 is summarized in the following table. 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)	2023 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	\$ 293,451	No	August 2024

(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 December 31, 2022.

(3) The Board of Trustees of the Fund has applied for special financial assistance under the American Rescue Plan of 2021. 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, 2023 AND 2022

Note 10—Leases

The Society has operating leases for office space and equipment. ASC 842 requires the recognition of leasing arrangements on the statement of financial position as right-of-use (“ROU”) assets and liabilities pertaining to the rights and obligations created by the leased assets. The Society determines whether an arrangement is a lease at inception and classify it as finance or operating. All of the Society’s leases are classified as operating leases and do not contain any residual value guarantee. ROU lease assets and corresponding ROU lease liabilities are recognized at commencement date based on the present value of lease payments over the expected lease term. Since the interest rate implicit in the lease arrangement is not readily determinable, the Society utilized a risk free rate as of the lease commencement date to determine the present value of future lease payments. The Society’s lease terms may include options to extend or terminate the lease.

Practical Expedients Elected:

- The Society elected the three transition practical expedients that permit an entity to (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.
- The Society has elected the practical expedient not to recognize leases with terms of 12 months or less on the consolidated statement of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, short-term lease expense for the period does not reflect the ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the year ended June 30, 2023.

Future minimum lease payments, by year and in the aggregate, under noncancelable operating lease with initial or remaining terms of one year or more at June 30, 2023 are as follows:

Years Ending June 30,

2023	\$	183,013
2024		183,920
2025		<u>91,739</u>
Total undiscounted cash flows		458,672
Less present value discount		<u>(16,632)</u>
Total operating lease liabilities	\$	<u>442,040</u>

Required supplemental information relating to the Society's leases for the year ended June 30, 2023 is as follows:

Operating leases, included in operating expenses	\$	184,200
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	177,903
ROU assets obtained in exchange for new operating lease liabilities	\$	604,670
Weighted average remaining lease term in years for operating leases		2.47
Weighted average discount rate for operating leases		2.88%

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 11—Commitments and contingencies

The Society has an agreement for a contract for musician services with the American Federation of Musicians, Local No. 342 that expires August 31, 2024.

Note 12—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 13—Line of credit

The Society has a line of credit with a financial institution with available borrowing of \$1,500,000 that provides for an interest rate of the greater of the Bloomberg Short-Term Bank Yield Index ("BSBY") daily floating rate plus 1.50% (6.77% and 3.10% as of June 30, 2023 and 2022, respectively) until September 2023. The line was secured by \$1,500,000 of funds held in a certificate of deposit at June 30, 2023 and 2022. During the year ended June 30, 2023, the Society added a secondary facility to increase the total available line of credit from \$1,500,000 to \$2,500,000. The purpose of the line of credit is for working capital needs throughout the year. The agreement provides for an interest rate of one-month BSBY plus 2.75% on the secondary facility.

The two lines of credit had a balance of \$740,000 and \$1,350,000 as of June 30, 2023 and 2022, respectively. Total interest expense was approximately \$65,959 and \$7,412 for the years ended June 30, 2023 and 2022, respectively, and is included in other administrative expenses in the accompanying statements of activities. As further disclosed in Note 15, subsequent to year end, the Society entered into an agreement to extend its line of credit until September 2024.

Note 14—Functional expenses

Expenses by function and nature consist of the following for the year ended June 30, 2023:

	Program Expenses	Supporting Services		Total
		Management and General	Fundraising and Development	
Salaries and wages	\$ 5,104,365	\$ 472,294	\$ 494,329	\$ 6,070,988
Employee benefits and taxes	1,701,905	90,055	96,325	1,888,285
Guest artists	831,648	-	-	831,648
Performances and production	1,106,409	-	-	1,106,409
Travel, transportation and lodging	226,840	5,946	5,337	238,123
Education	50,042	-	-	50,042
Promotion	415,884	-	4,853	420,737
Depreciation and amortization	-	14,675	-	14,675
Professional fees	212,068	581,330	161,409	954,807
Office expenses	124,548	404,579	75,558	604,685
Other	-	34,267	359,228	393,495
	<u>\$ 9,773,709</u>	<u>\$ 1,603,146</u>	<u>\$ 1,197,039</u>	<u>\$ 12,573,894</u>

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Note 14—Functional expenses (continued)

Expenses by function and nature consist of the following for the year ended June 30, 2022:

	<u>Program Expenses</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising and Development</u>	
Salaries and wages	\$ 4,948,042	\$ 448,331	\$ 420,056	\$ 5,816,429
Employee benefits and taxes	1,706,339	108,763	91,754	1,906,856
Guest artists	528,704	-	-	528,704
Performances and production	1,210,643	-	-	1,210,643
Travel, transportation and lodging	112,653	5,492	415	118,560
Education	33,822	-	-	33,822
Promotion	443,360	17,881	12,321	473,562
Depreciation and amortization	-	29,713	-	29,713
Professional fees	87,073	383,238	207,015	677,326
Office expenses	123,011	264,779	64,436	452,226
Other	4,012	45,077	585,287	634,376
	<u>\$ 9,197,659</u>	<u>\$ 1,303,274</u>	<u>\$ 1,381,284</u>	<u>\$ 11,882,217</u>

Note 15—Subsequent events

The Society has evaluated subsequent events through December 13, 2023, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued and has determined that there are no additional adjustments and/or disclosures required, except as noted below.

On September 21, 2023, the Society entered into an agreement to extend both its credit facilities on the line of credit until September 2024.

SUPPLEMENTARY INFORMATION

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

JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ (331,250)	480,945	\$ 149,695
Accounts receivable	24,969	18,178	43,147
Promises to give, net	-	3,666,999	3,666,999
Prepaid expenses and other current assets	244,300	-	244,300
Certificate of deposit	1,546,107	-	1,546,107
Total Current Assets	<u>1,484,126</u>	<u>4,166,122</u>	<u>5,650,248</u>
Restricted cash	-	34,237	34,237
Noncurrent promises to give, net	-	10,755,042	10,755,042
Operating right-of-use asset, net	435,744	-	435,744
Property and equipment, net	660,576	-	660,576
Total Noncurrent Assets	<u>1,096,320</u>	<u>-</u>	<u>1,096,320</u>
Restricted Assets - Endowment:			
Beneficial Interests in Trusts:			
Campaign for the Cultural Facilities	-	5,501,675	5,501,675
Campaign for the Cultural Facilities promises to give	-	7,768	7,768
Other beneficial interests in trusts	-	6,550,795	6,550,795
Total Restricted Assets - Endowment	<u>-</u>	<u>12,060,238</u>	<u>12,060,238</u>
Total Assets	<u><u>\$ 2,580,446</u></u>	<u><u>\$ 27,015,639</u></u>	<u><u>\$ 29,596,085</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 588,109	\$ -	\$ 588,109
Unearned ticket sales and dues	105,579	-	105,579
Operating lease liabilities, current portion	172,550	-	172,550
Total Current Liabilities	866,238	-	866,238
Noncurrent Liabilities:			
Operating lease liabilities, noncurrent portion	269,490	-	269,490
Lines of credit and term loan - current portion	740,000	-	740,000
Total Liabilities	<u>1,875,728</u>	<u>-</u>	<u>1,875,728</u>
Net Assets:			
Without donor restrictions	451,718	-	451,718
With donor restrictions	-	27,268,639	27,268,639
Total Net Assets	<u>451,718</u>	<u>27,268,639</u>	<u>27,720,357</u>
Total Liabilities and Net Assets	<u><u>\$ 2,327,446</u></u>	<u><u>\$ 27,268,639</u></u>	<u><u>\$ 29,596,085</u></u>

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

JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 112,598	\$ 33,008	\$ 145,606
Accounts receivable	117,999	32,015	150,014
Government grant receivable	2,137,459	-	2,137,459
Promises to give, net	-	710,407	710,407
Prepaid expenses and other current assets	126,910	-	126,910
Certificate of deposit	1,500,000	-	1,500,000
Total Current Assets	<u>3,994,966</u>	<u>775,430</u>	<u>4,770,396</u>
Restricted cash	-	29,237	29,237
Noncurrent promises to give, net	-	1,664,596	1,664,596
Property and equipment, net	<u>622,434</u>	-	<u>622,434</u>
Restricted Assets - Endowment:			
Beneficial Interests in Trusts:			
Campaign for the Cultural Facilities	-	5,311,852	5,311,852
Campaign for the Cultural Facilities promises to give	-	122,509	122,509
Other beneficial interests in trusts	-	6,135,243	6,135,243
Total Restricted Assets - Endowment	<u>-</u>	<u>11,569,604</u>	<u>11,569,604</u>
Total Assets	<u>\$ 4,617,400</u>	<u>\$ 14,038,867</u>	<u>\$ 18,656,267</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 801,869	\$ -	\$ 801,869
Unearned ticket sales and dues	<u>357,728</u>	-	<u>357,728</u>
Total Current Liabilities	1,159,597	-	1,159,597
Lines of credit and term loan - current portion	<u>1,350,000</u>	-	<u>1,350,000</u>
Total Liabilities	<u>2,509,597</u>	-	<u>2,509,597</u>
Net Assets:			
Without donor restrictions	2,107,803	-	2,107,803
With donor restrictions	-	14,038,867	14,038,867
Total Net Assets	<u>2,107,803</u>	<u>14,038,867</u>	<u>16,146,670</u>
Total Liabilities and Net Assets	<u>\$ 4,617,400</u>	<u>\$ 14,038,867</u>	<u>\$ 18,656,267</u>