

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 \$2,127,589 and \$1,714,344 are also reflected within the government grants receivable on the statement of financial position as of June 30, 2022 and 2021.

	2022	2021
Employee Retention Credit ("ERC")	\$ 413,245	\$ 1,714,344
Paycheck Protection Program ("PPP") loan	1,232,397	1,187,600
Shuttered Venue Operators Grants ("SVOG")	1,498,678	200,000
Other government grants	705,080	726,875
Total governmental grants	<u>\$ 3,849,400</u>	<u>\$ 3,828,819</u>

Recently Issued Accounting Pronouncement Adopted – In September 2020, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. The Society retrospectively adopted the provisions of this standard during the year ended June 30, 2022. There was no material impact on the Society’s financial position and results of operations upon adoption of the new standard.

Recently Issued Accounting Pronouncements Not Yet Adopted – In February 2016, 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, 2021. 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.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 2—Liquidity and availability of resources

Liquidity and availability of resources is as follows:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash, cash equivalents, and restricted cash	\$ 174,843	\$ 1,537,122
Accounts receivable	150,014	184,447
Government grant receivable	2,137,459	1,914,344
Allowable endowment spending receivable	-	497,927
Promises to give	2,379,102	697,031
Other current assets	1,500,000	-
Beneficial interests in trusts	11,569,604	13,378,775
Total financial assets at year-end	<u>17,911,022</u>	<u>18,209,646</u>
Less amounts not available to be used for general expenditures within one year:		
Restricted by donor with purpose or time restrictions	1,489,412	594,956
Endowment funds	12,770,004	13,630,924
Financial assets not available to be used within one year	<u>14,259,416</u>	<u>14,225,880</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,651,606</u>	<u>\$ 3,983,766</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 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 9.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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:

	2022	2021
Time restricted promises to give	\$ 267,110	\$ 242,303
Purpose restricted promises to give	2,421,992	205,000
Endowment promises to give	4,100	285,378
	<u>2,693,202</u>	<u>732,681</u>
Less allowance for uncollectible accounts	(151,800)	(20,250)
Less discount to present value	(162,300)	(15,400)
	<u>2,379,102</u>	<u>697,031</u>
Receivable in one to five years	1,664,596	(357,228)
	<u>\$ 714,506</u>	<u>\$ 339,803</u>
Receivable in less than one year	\$ 714,506	\$ 339,803

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 3.3% and 1.98% for the years ended June 30, 2022 and 2021, 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 \$280,000 and \$77,000 as of June 30, 2022 and 2021, respectively. Net endowment promises to give of approximately \$1,100,000 and \$275,000 as of 2022 and 2021, respectively, are restricted for the endowment and have been included in endowment net assets (see Note 9).

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 \$5,311,852 and \$6,096,043 at June 30, 2022 and 2021, 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 \$122,509 and \$195,206 as of June 30, 2022 and 2021, 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 \$6,135,243 and \$7,087,526 at June 30, 2022 and 2021, respectively.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 4—Beneficial interests in trusts (continued)

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.

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, 2022.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 5—Fair value measurement of assets and liabilities (continued)

The Society's beneficial interests in trust are considered a Level 3 financial instrument as of June 30, 2022 and 2021 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, 2022</u>			
Beneficial interests in trusts	\$ -	\$ -	\$ 11,569,604
<u>June 30, 2021</u>			
Beneficial interests in trusts	\$ -	\$ -	\$ 13,378,775

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, 2022 and 2021:

	<u>Beneficial Interests in Trusts</u>
Balance, June 30, 2020	\$ 10,401,643
Contributions	536,771
Allowable endowment spending	(497,927)
Change in beneficial interests in trusts	2,955,418
Other changes and adjustments to promises to give, net	(17,130)
Balance, June 30, 2021	<u>13,378,775</u>
Contributions	55,898
Allowable endowment spending	-
Change in beneficial interests in trusts	(1,864,297)
Other changes and adjustments to promises to give, net	(772)
Balance, June 30, 2022	<u>\$ 11,569,604</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.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 6—Endowment funds (continued)

Endowment net asset composition by type of fund as of June 30, 2022 and 2021 are listed below:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2022:			
Original donor-restricted gift amounts			
required to be maintained in perpetuity by donor	\$ -	\$ 12,291,033	\$ 12,291,033
Accumulated earnings	-	1,087,742	1,087,742
Total donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 13,378,775</u>	<u>\$ 13,378,775</u>
June 30, 2021:			
Original donor-restricted gift amounts			
required to be maintained in perpetuity by donor	\$ -	\$ 12,291,033	\$ 12,291,033
Underwater endowments	-	1,087,742	1,087,742
Total donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 13,378,775</u>	<u>\$ 13,378,775</u>

Included in the endowment net asset composition by type of fund above are endowment promises to give held in trust, net, which total \$122,509 and \$195,206 as of June 30, 2022 and 2021, respectively.

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).

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 6—Endowment funds (continued)

FFTC has adopted an investment allocation for the first long-term growth strategy which includes a target asset allocation of U.S. equities, 20%; international equities, 12%; global equities, 5%; private investment partners, 20%; liquid real assets, 10%; fixed income, 10%; defensive hedge funds, 15%; and emerging markets, 8%. 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 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.

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>2022</u>	<u>2021</u>
Fair value of underwater endowment funds	\$ 5,896,542	\$ 6,780,764
Original endowment gift amount	7,700,647	7,634,100
Deficiencies of underwater endowment funds	<u>\$ (1,804,105)</u>	<u>\$ (853,336)</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, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ -	\$ 10,713,791	\$ 10,713,791
Contributions	-	224,623	224,623
Change in promises to give and other adjustments	-	(17,130)	(17,130)
Change in beneficial interests in trusts	-	2,955,418	2,955,418
Allowable endowment spending	-	(497,927)	(497,927)
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	<u>\$ -</u>	<u>\$ 11,569,604</u>	<u>\$ 11,569,604</u>

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 7—Concentrations in financial support

Grants and contributions represented approximately 66% and 89% of the Society’s revenue without donor restriction for the years ended June 30, 2022 and 2021, respectively. In addition, grants from two organizations comprised of 65% and 67% of total grants for the years ended June 30, 2022 and 2021, respectively. Certain grants are normally awarded on an annual basis, but continuation is dependent upon future annual determinations by the grantors.

Note 8—Paycheck Protection Program

The Society received a PPP loan in the amount of \$1,187,600 in May of 2020 and a second PPP loan of \$1,232,397 in March of 2021. The PPP loans are granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans are considered conditional contributions under Accounting Standards Codification 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loans must be repaid if the Society does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. For the PPP loan received in the year ended June 30, 2020, the Society recorded \$1,187,600 as revenue during the year ended June 30, 2021. For the PPP loan received in the year ended June 30, 2021, the Society believes it has substantially met all barriers as it received full loan forgiveness in August 2022 and recorded \$1,232,397 as revenue which is included in the statements of activities for the year ended June 30, 2022.

Note 9—Net assets

Net assets with purpose and time donor restrictions at June 30, 2022 and 2021 have been restricted by the donors for the following purpose restrictions:

	<u>2022</u>	<u>2021</u>
Subject to purpose and time restrictions:		
Time restricted promises to give and contributions	\$ 1,212,110	\$ 431,653
Instrument loan fund	61,252	56,252
Other purpose restricted	216,050	107,051
Total subject to purpose and time restrictions	<u>1,489,412</u>	<u>594,956</u>
Endowment net assets:		
Donor-restricted endowment funds	11,480,103	13,170,341
Endowed promises to give held in trust	122,509	195,206
Endowed promises to give, net allowance	1,167,392	265,377
Total endowment net assets	<u>12,770,004</u>	<u>13,630,924</u>
Total net assets with donor restrictions	<u>\$ 14,259,416</u>	<u>\$ 14,225,880</u>

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 9—Net assets (continued)

Net assets totaling \$1,219,776 and \$400,431 for the years ended June 30, 2022 and 2021, respectively, were released from restrictions by incurring expenses satisfying the restricted purpose and by occurrence of other events specified by donors.

Net assets without donor restrictions at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Board designated:		
Operating reserve	\$ -	\$ -
Total board designated	-	-
Undesignated	2,107,803	1,336,055
Total net assets without donor restrictions	<u>\$ 2,107,803</u>	<u>\$ 1,336,055</u>

Note 10—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, 2022 and 2021.

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 \$259,433 and \$260,460 for the years ended June 30, 2022 and 2021, 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, 2022 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.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 10—Benefit plans (continued)

Pension Fund	EIN/ Pension Plan Number	PPA Zone Status (2)	FIP/RP Status (3)	2022 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	\$ -	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, 2020.

(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.

Note 11—Commitments and contingencies

In June 30, 2020, the Society entered into an office lease which expires in December 2025. The lease provides for scheduled annual increases in future minimum annual rental payments, with monthly payments ranging from \$13,586 to \$15,289.

Future minimum rental payments under this amended operating lease as of June 30, 2022 are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 178,321
2024	183,446
2025	184,992
2026	76,449
	\$ 623,208

Rent expense amounted to \$178,489 and \$172,635 during the years ended June 30, 2022 and 2021, 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.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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% (3.10% and 3.5% as of June 30, 2022 and 2021, respectively). The line of credit had a balance of \$1,350,000 as of June 30, 2022. The line was secured by \$1,500,000 of funds held in a certificate of deposit at June 30, 2022.

Total interest expense was approximately \$7,412.00 and \$10,806 for the years ended June 30, 2022 and 2021, respectively, and is included in other administrative expenses in the accompanying statements of activities.

Note 14—Functional expenses

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

	Program Expenses	Supporting Services		Total
		Management and General	Fundraising and Development	
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 & Production	1,315,091	-	-	1,315,091
Education	33,822	-	-	33,822
Promotion	443,360	17,881	12,321	473,562
Depreciation and Amortization	-	29,713	-	29,713
Professional fees	-	470,311	207,015	677,326
Office expenses	42,771	345,020	64,436	452,227
Other	4,012	58,773	585,702	648,487
	<u>\$ 9,022,141</u>	<u>\$ 1,478,792</u>	<u>\$ 1,381,284</u>	<u>\$ 11,882,217</u>

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 14—Functional expenses (continued)

Expenses by function and nature consist of the following for the year ended June 30, 2021:

	Program Expenses	Supporting Services		Total
		Management and General	Fundraising and Development	
Salaries and wages	\$ 4,126,290	\$ 324,738	\$ 397,513	\$ 4,848,541
Employee benefits and taxes	1,423,091	226,748	82,345	1,732,184
Guest artists	83,990	-	-	83,990
Properties and production	670,864	-	479	671,343
Education	51,436	-	-	51,436
Promotion	33,187	34,805	546	68,538
Depreciation	-	45,740	-	45,740
Professional fees	15,256	315,218	105,381	435,855
Office expenses	41,161	305,625	37,633	384,419
Other	2,999	35,014	27,470	65,483
	<u>\$ 6,448,274</u>	<u>\$ 1,287,888</u>	<u>\$ 651,367</u>	<u>\$ 8,387,529</u>

Note 15—Subsequent events

The Society has evaluated subsequent events through December 12, 2022, 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.

SUPPLEMENTARY INFORMATION

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

JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
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><u>\$ 4,617,400</u></u>	<u><u>\$ 14,038,867</u></u>	<u><u>\$ 18,656,267</u></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><u>\$ 4,617,400</u></u>	<u><u>\$ 14,038,867</u></u>	<u><u>\$ 18,656,267</u></u>

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

JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,412,048	\$ 90,853	\$ 1,502,901
Accounts receivable	184,447	-	184,447
Government grant receivable	1,914,344	-	1,914,344
Allowable endowment spending receivable	497,927	-	497,927
Promises to give, net	-	339,803	339,803
Prepaid expenses and other current assets	55,536	-	55,536
Total Current Assets	4,064,302	430,656	4,494,958
Restricted cash	-	34,221	34,221
Noncurrent promises to give, net	-	357,228	357,228
Property and equipment, net	648,710	25,000	673,710
Restricted Assets - Endowment:			
Beneficial Interests in Trusts:			
Campaign for the Cultural Facilities	-	6,096,043	6,096,043
Campaign for the Cultural Facilities promises to give	-	195,206	195,206
Other beneficial interests in trusts	-	7,087,526	7,087,526
Total Restricted Assets - Endowment	-	13,378,775	13,378,775
Total Assets	\$ 4,713,012	\$ 14,225,880	\$ 18,938,892
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 873,383	\$ -	\$ 873,383
Unearned ticket sales and dues	271,177	-	271,177
Paycheck Protection Program deferred grant revenue	1,232,397	-	1,232,397
Total Current Liabilities	2,376,957	-	2,376,957
Advance from Thrive	1,000,000	-	1,000,000
Total Liabilities	3,376,957	-	3,376,957
Net Assets:			
Without donor restrictions	1,336,055	-	1,336,055
With donor restrictions	-	14,225,880	14,225,880
Total Net Assets	1,336,055	14,225,880	15,561,935
Total Liabilities and Net Assets	\$ 4,713,012	\$ 14,225,880	\$ 18,938,892