



**CHARLOTTE SYMPHONY ORCHESTRA  
SOCIETY, INCORPORATED**

FINANCIAL STATEMENTS AND  
ACCOMPANYING INFORMATION

*As of and for the Years Ended June 30, 2015 and 2014*

*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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Charlotte Symphony Orchestra Society, Incorporated (“CSO”), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity 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 losses for several years prior to fiscal year 2015, CSO has a deficit in net working capital of \$1,894,490 and deficit in unrestricted net assets of \$5,374,286 as of June 30, 2015. As discussed more fully in Note 2, CSO has taken action to reduce operating losses 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 CSO'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 Bekaert LLP*

Charlotte, North Carolina  
December 11, 2015

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**STATEMENTS OF FINANCIAL POSITION**

*JUNE 30, 2015 AND 2014*

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 120,016	\$ 34,310
Accounts receivable	337,464	189,370
Pledges receivable, net	300,582	29,751
Prepaid expenses and other current assets	178,506	152,271
<b>Total Current Assets</b>	<u>936,568</u>	<u>405,702</u>
Property and Equipment:		
Music library	308,575	305,515
Musical instruments	205,963	174,463
Furniture and equipment, less accumulated depreciation of \$569,724 in 2015 and \$555,165 in 2014	52,858	66,437
<b>Property and Equipment, Net</b>	<u>567,396</u>	<u>546,415</u>
Restricted Assets:		
Restricted cash and investments	252,306	180,614
Restricted pledges receivable, net	924,365	2,011,206
Certificate of deposit	750,000	750,000
Endowment pledge receivable, net	985,000	-
Endowed investments	65,649	68,657
Beneficial interests in trusts:		
Campaign for the Cultural Facilities	4,301,580	4,284,509
Campaign for the Cultural Facilities pledges receivable	907,691	1,055,891
Other beneficial interests in trusts	832,481	867,502
<b>Total Restricted Assets</b>	<u>9,019,072</u>	<u>9,218,379</u>
<b>Total Assets</b>	<u>\$ 10,523,036</u>	<u>\$ 10,170,496</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 817,259	\$ 837,197
Cash receipts applicable to the coming season	876,620	895,274
Other deferred revenue	1,037,179	174,365
Note payable	-	200,000
Lines of credit and term loan - current portion	100,000	100,000
<b>Total Current Liabilities</b>	<u>2,831,058</u>	<u>2,206,836</u>
Lines of credit and term loan - noncurrent portion	1,499,229	1,599,229
<b>Total Liabilities</b>	<u>4,330,287</u>	<u>3,806,065</u>
Net Assets (Deficit):		
Unrestricted	(5,394,286)	(5,302,273)
Temporarily restricted	1,089,366	2,170,018
Permanently restricted	10,497,669	9,496,686
<b>Total Net Assets</b>	<u>6,192,749</u>	<u>6,364,431</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 10,523,036</u>	<u>\$ 10,170,496</u>

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

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**STATEMENTS OF ACTIVITIES**

YEARS ENDED JUNE 30, 2015 AND 2014

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:								
Concert revenue:								
Season tickets	\$ 1,204,541	\$ -	\$ -	\$ 1,204,541	\$ 1,255,236	\$ -	\$ -	\$ 1,255,236
Single tickets	1,408,103	-	-	1,408,103	1,342,995	-	-	1,342,995
Other fee concerts	437,128	-	-	437,128	344,435	-	-	344,435
Youth Orchestras	88,772	-	-	88,772	75,248	-	-	75,248
Oratorio Singers	7,669	-	-	7,669	6,585	-	-	6,585
Sponsorships	343,976	-	-	343,976	228,000	-	-	228,000
Contributions:								
Individuals and corporations	4,234,393	269,400	1,015,983	5,519,776	3,604,335	88,700	120	3,693,155
Arts and Science Council	46,304	-	-	46,304	833,106	677,981	-	1,511,087
Government sources	82,500	-	-	82,500	82,500	-	-	82,500
Symphony Guild	22,085	-	-	22,085	1,000	-	-	1,000
Allowable balance for spending	261,469	-	-	261,469	251,027	-	-	251,027
Other revenue	93,925	-	-	93,925	138,572	696	-	139,268
	<u>8,230,865</u>	<u>269,400</u>	<u>1,015,983</u>	<u>9,516,248</u>	<u>8,163,039</u>	<u>767,377</u>	<u>120</u>	<u>8,930,536</u>
Adjustment to value of pledges receivable	-	18,250	(15,000)	3,250	-	-	-	-
Net assets released from restriction:								
Arts and Science Council	677,981	(677,981)	-	-	-	-	-	-
Other	690,321	(690,321)	-	-	1,153,820	(1,153,820)	-	-
	<u>9,599,167</u>	<u>(1,080,652)</u>	<u>1,000,983</u>	<u>9,519,498</u>	<u>9,316,859</u>	<u>(386,443)</u>	<u>120</u>	<u>8,930,536</u>
Expenses:								
Administrative:								
Salaries and wages	1,158,730	-	-	1,158,730	1,093,508	-	-	1,093,508
Employee benefits and taxes	234,302	-	-	234,302	228,609	-	-	228,609
Other	470,013	-	-	470,013	406,222	-	-	406,222
	<u>\$ 1,863,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,863,045</u>	<u>\$ 1,728,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,728,339</u>

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

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**STATEMENTS OF ACTIVITIES (CONTINUED)**

YEARS ENDED JUNE 30, 2015 AND 2014

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses (Continued):								
Musical and project:								
Salaries, wages and travel	\$ 3,478,836	\$ -	\$ -	\$ 3,478,836	\$ 3,455,689	\$ -	\$ -	\$ 3,455,689
Employee benefits and taxes	1,328,060	-	-	1,328,060	1,311,969	-	-	1,311,969
Guest artists	726,410	-	-	726,410	771,099	-	-	771,099
Properties and production	700,688	-	-	700,688	593,683	-	-	593,683
Education	231,559	-	-	231,559	289,886	-	-	289,886
Other project expenses	63,878	-	-	63,878	102,082	-	-	102,082
	<u>6,529,431</u>	<u>-</u>	<u>-</u>	<u>6,529,431</u>	<u>6,524,408</u>	<u>-</u>	<u>-</u>	<u>6,524,408</u>
Fundraising and development:								
Promotion and subscription campaigns	936,257	-	-	936,257	887,135	-	-	887,135
Education	11,530	-	-	11,530	5,837	-	-	5,837
Annual Fund drive	165,787	-	-	165,787	125,171	-	-	125,171
	<u>1,113,574</u>	<u>-</u>	<u>-</u>	<u>1,113,574</u>	<u>1,018,143</u>	<u>-</u>	<u>-</u>	<u>1,018,143</u>
Total Expenses	<u>9,506,050</u>	<u>-</u>	<u>-</u>	<u>9,506,050</u>	<u>9,270,890</u>	<u>-</u>	<u>-</u>	<u>9,270,890</u>
Change in net assets from operations	93,117	(1,080,652)	1,000,983	13,448	45,969	(386,443)	120	(340,354)
Other Changes:								
Investment return	593	-	-	593	9,878	-	-	9,878
Change in beneficial interests in trusts	75,746	-	-	75,746	642,178	-	-	642,178
Release of allowable balance for spending	(261,469)	-	-	(261,469)	(251,027)	-	-	(251,027)
Change in net assets	(92,013)	(1,080,652)	1,000,983	(171,682)	446,998	(386,443)	120	60,675
Net Assets (Deficit):								
Beginning of year	(5,302,273)	2,170,018	9,496,686	6,364,431	(5,749,271)	2,556,461	9,496,566	6,303,756
End of year	<u>\$ (5,394,286)</u>	<u>\$ 1,089,366</u>	<u>\$ 10,497,669</u>	<u>\$ 6,192,749</u>	<u>\$ (5,302,273)</u>	<u>\$ 2,170,018</u>	<u>\$ 9,496,686</u>	<u>\$ 6,364,431</u>

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

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (171,682)	\$ 60,675
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	14,559	12,111
Realized and unrealized gains (loss) on endowed investments	559	(9,557)
Change in beneficial interests in trusts	17,950	(605,798)
Change in discounts on pledges receivable	15,000	5,000
Provision for uncollectible pledges	(13,250)	(5,000)
Donated property and equipment	-	(36,919)
Contributions for endowment	(15,983)	(120)
Changes in assets and liabilities:		
Accounts receivable	(148,094)	9,207
Pledges receivable	(22,540)	547,425
Prepaid expenses and other current assets	(26,235)	(18,611)
Checks written in excess of bank balance	-	(101,770)
Accounts payable and accrued liabilities	(19,938)	57,698
Cash receipts applicable to the coming season	(18,654)	(242,977)
Other deferred revenue	862,814	169,865
Net cash provided by (used in) operating activities	<u>474,506</u>	<u>(158,771)</u>
<b>Cash flows from investing activities:</b>		
Purchases of restricted cash and investments, net of proceeds from sales	(71,692)	71,005
Sale of endowed investments	2,449	3,262
Purchases of property and equipment, net of sales	(35,540)	(17,498)
Net cash (used in) provided by investing activities	<u>(104,783)</u>	<u>56,769</u>
<b>Cash flows from financing activities:</b>		
Proceeds from lines of credit and note payable	1,250,000	1,834,575
Repayment on lines of credit and note payable	(1,550,000)	(1,700,000)
Receipt of permanently restricted contributions	15,983	120
Net cash (used in) provided by financing activities	<u>(284,017)</u>	<u>134,695</u>
Increase in cash and cash equivalents	85,706	32,693
Cash and cash equivalents, beginning of year	<u>34,310</u>	<u>1,617</u>
Cash and cash equivalents, end of year	<u>\$ 120,016</u>	<u>\$ 34,310</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 70,050</u>	<u>\$ 80,000</u>

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



# CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### Note 1—Summary of significant accounting policies

*Organization and Nature of Activities* - The Charlotte Symphony Orchestra Society, Incorporated ("CSO") was founded in 1932 for the purpose of encouraging interest in symphonic music throughout the community and to support the Charlotte Symphony Orchestra.

*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 CSO 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 CSO. Such amounts would be reflected as unrestricted, designated net assets.

*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 CSO 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 CSO. Generally, the donors of these assets permit CSO to appropriate for expenditure a percentage of the fair value of the assets.

*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.

CSO 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. A number of unpaid volunteers, who serve in the capacity of Board members, have made significant contributions of their time in the furtherance of CSO's purpose. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

# CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### **Note 1—Summary of significant accounting policies (continued)**

During the years ended June 30, 2015 and 2014, CSO received \$74,500 and \$148,919, respectively, of contributed assets and services that met the requirements above and are reported under unrestricted contributions on the accompanying statements of activities.

From time to time, CSO 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* - CSO 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 CSO 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.

Management has evaluated the effect of FASB guidance on accounting for uncertainty in income taxes. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. CSO's policy is to record a liability for any tax position taken that is beneficial to CSO, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2015 and 2014, and accordingly, no liability has been accrued.

*Cash and Cash Equivalents* - CSO 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. Restricted cash includes \$68,368 and \$68,247 that is held in CSO's endowment at June 30, 2015 and 2014, respectively.

*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, 2015 and 2014.

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

*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 (loss) in the accompanying statements of activities.

*Beneficial Interests in Trusts* - CSO recognizes contribution revenue from assets held by a recipient organization for the sole benefit of CSO.

# CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### **Note 1—Summary of significant accounting policies (continued)**

*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 5 to 10 years. The music library and musical instruments owned by CSO are not depreciated, as such assets are not considered to decline in value or usefulness.

*Ticket and Sponsorship Revenue* - Ticket and sponsorship revenue received 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.

*Other Deferred Revenue* - Other deferred revenue consists primarily of a \$1 million receipt during fiscal year 2015 that relates to a future year grant.

*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.

### **Note 2—Liquidity and capital resources**

Due to losses in prior years from operations, CSO experienced decreases in its unrestricted net assets for the ten fiscal years prior to fiscal year 2014. The operating losses were a result of expenses rising faster than revenues, which were hurt by the recent economic downturn. For the fiscal year ended June 30, 2015, CSO had a decrease in unrestricted net assets of \$92,013 and a decrease in total net assets of \$171,682. CSO is projecting a balanced budget for the year ended June 30, 2016, which would prevent further deterioration of the net unrestricted assets from the deficit as of June 30, 2015. CSO's liquidity needs have been supplemented by two lines of credit (see Note 9), flexibility of the timing of grants received from Arts and Science Council ("ASC"), use of advance ticket sales and over \$2 million in contributions from the Thrive Arts Stabilization Fund whose mission is to help arts groups develop independent fundraising tools and infrastructure. In addition, CSO substantially offset the cash flow impact of operating deficits since the year ended June 30, 2007 by borrowing from its endowment funds. As of June 30, 2015, a total of \$2,747,390 has been borrowed from endowment fund (see Note 7).

CSO has developed a business plan to continue to increase unrestricted net assets. In September, 2014, the musicians and management agreed to a three-year extension of the union contract which provides CSO with costs savings the first two years (see Note 13). Management is continuing to expand revenue generating activities as well as explore ways to reduce other expenses where possible. CSO has engaged TRG Arts to help optimize revenue from its performances and improve patron engagement in order to improve both earned and contributed income. CSO has budgeted an increase in future contributions from corporate sponsorships and foundations. CSO also has future plans to initiate an endowment campaign to enhance its endowment income available for withdrawal. In addition, during the year ended June 30, 2015, CSO received a \$1 million endowment pledge to be paid over the next five years.

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2015 AND 2014*

**Note 3—Pledges receivable, net**

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

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 310,082	\$ 34,251
Less: allowance for uncollectible accounts	(9,500)	(4,500)
Pledges receivable, net	<u>\$ 300,582</u>	<u>\$ 29,751</u>

CSO 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>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 458,165	\$ 1,215,706
Receivable in one to five years	518,200	692,750
Receivable after five years	27,000	200,000
Total restricted pledges receivable	1,003,365	2,108,456
Less: allowance for uncollectible accounts	(60,500)	(78,750)
Less: discount to present value	(18,500)	(18,500)
Restricted pledges receivable, net	<u>\$ 924,365</u>	<u>\$ 2,011,206</u>

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

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 200,000	\$ -
Receivable in one to five years	800,000	-
Total endowment pledges receivable	1,000,000	-
Less: discount to present value	(15,000)	-
Endowment pledges receivable, net	<u>\$ 985,000</u>	<u>\$ -</u>

Pledges receivable are recorded at their present value of future cash flows using an average credit adjusted risk free discount rate of 1.01% for year ended June 30, 2015. 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 of approximately \$157,000 and \$97,000 as of June 30, 2015 and 2014, respectively.

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2015 AND 2014*

**Note 4—Endowed Investments**

Endowed investments are as follows at June 30:

	<u>2015</u>	<u>2014</u>
Investments held at Foundation for the Carolinas	\$ 65,649	\$ 68,657
Certificate of deposit	750,000	750,000
Endowed investments	<u>\$ 815,649</u>	<u>\$ 818,657</u>

CSO's investments 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.

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

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 1,381	\$ 671
Realized and unrealized gains on endowed investments	(559)	9,557
Administrative and investment fees	(229)	(350)
Total investment return	<u>\$ 593</u>	<u>\$ 9,878</u>

With the exception of the certificate of deposit, the above investments are held at Foundation for the Carolinas ("FFTC"). In addition to the above investments, CSO's investment funds consist of beneficial interests, which are held primarily by the Greater Charlotte Cultural Trust ("GCCT"), a supporting foundation of FFTC. These funds are also managed by FFTC.

These 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 CSO 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 FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### **Note 5—Beneficial interest in the Campaign for Cultural Facilities**

In January 2004, ASC's Board of Directors adopted The Cultural Facilities Master Plan (the "Plan"), the result of a study completed on facility needs for the cultural organizations in the Charlotte community. The Plan recommended the construction or improvement of several cultural facilities, with capital funding to come from the local government. ASC, in conjunction with GCCT, 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.

CSO 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, CSO will receive a prorated share of its budgeted allocation. In accordance with the agreement, the funds will be used to create an endowment, with the earnings to be distributed annually to fund operating costs of the new facilities.

As of June 30, 2015, approximately \$71 million has been collected by the campaign and is being held in the GCCT. Although CSO has no control over the disbursement of these funds, CSO is a named beneficiary of a portion of these funds. Accordingly, a beneficial interest of \$4,301,580 and \$4,284,509 as of June 30, 2015 and 2014, respectively, has been included in CSO's assets representing CSO's interest in funds raised to date. Because the amounts held at GCCT are being accounted for as an endowment for the benefit of CSO, CSO has accounted for these assets in a manner similar to the endowment funds (See Note 7).

As part of the Campaign for Cultural Facilities, CSO has endowed pledges receivable of \$907,691 and \$1,055,891 as of June 30, 2015 and 2014, respectively that are presented as Campaign for the Cultural Facilities pledges receivable on the statements of financial position.

### **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 CSO 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 CSO'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. Inputs include quoted prices for similar assets and liabilities in active markets, inputs that are derived from investment manager reporting or corroborated by an independent advisor, and inputs obtained from comparison with benchmarks for similar assets for substantially the full term on the financial investments.

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2015 AND 2014*

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

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. The investment manager uses either the market approach, which generally consists of using comparable market transactions or the income approach which generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. The inputs used by the investment manager in estimating the value of Level 3 investments include the net asset value (“NAV”) and capital account values provided by the managers for investment fund positions, original transaction price, recent transactions in the same or similar instruments for private equity positions, original transaction price for the common stock position and a single broker quote for the corporate bond position. The types of financial instruments which would generally be included in Level 3 are units held in hedge funds, general and limited partnership interests in corporate and private equity and real estate funds, and interest in pooled investments held by a third party.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2015</u>			
Endowed Investments:			
Foundation for the Carolinas Endowment	\$ -	\$ -	\$ 65,649
Beneficial interest in trust	\$ -	\$ -	\$ 6,041,752
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2014</u>			
Endowed Investments:			
Foundation for the Carolinas Endowment	\$ -	\$ -	\$ 68,657
Beneficial interest in trust	\$ -	\$ -	\$ 6,207,902

CSO’s interest in pooled investments held at FFTC, which include private investment funds, is considered by CSO to be a Level 3 asset because it represents a receivable to be paid from various pooled investments managed by FFTC. CSO has no ownership interest in those underlying investments. However, the estimated fair value of those investments is used by management of FFTC to determine the fair value of the payable to CSO based on a percentage of the fair value these investment funds. Management of FFTC uses the inputs noted above to estimate the fair value of its investment funds.

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2015 AND 2014*

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

The following is an approximate allocation of the underlying investments that comprise the interest in pooled investments held at FFTC as of June 30, 2015 and 2014:

	<b>June 30, 2015</b>		<b>June 30, 2014</b>	
	<b>Endowment Investments</b>	<b>Beneficial Interests in Trusts</b>	<b>Endowment Investments</b>	<b>Beneficial Interests in Trusts</b>
Level 1	50%	57%	56%	63%
Level 2	14%	20%	17%	20%
Level 3	36%	23%	27%	18%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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, 2015 and 2014:

	<b>Endowment Investments</b>	<b>Beneficial Interests in Trusts</b>
Balance, June 30, 2013	\$ 62,362	\$ 5,812,752
Investment return:		
Investment income, net of expenses	272	-
Realized and unrealized gains	9,557	-
	<u>9,829</u>	<u>-</u>
Withdrawals	(3,534)	(247,028)
Change in beneficial interests in trusts	-	642,178
Balance, June 30, 2014	<u>68,657</u>	<u>\$ 6,207,902</u>
Cash collected for investment	-	15,983
Investment return:		
Investment income, net of expenses	1,082	-
Realized and unrealized losses	(559)	-
	<u>523</u>	<u>-</u>
Withdrawals	(3,531)	(257,879)
Change in beneficial interests in trusts	-	75,746
Balance, June 30, 2015	<u>\$ 65,649</u>	<u>\$ 6,041,752</u>



**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2015 AND 2014*

**Note 7—Endowment funds**

CSO's endowment consists of eight individual funds established for a variety of purposes that are primarily 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, 2015 and 2014 are listed below:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>June 30, 2015:</u></b>				
Donor-restricted endowment funds	<u>\$ (2,588,625)</u>	<u>\$ -</u>	<u>\$ 10,497,669</u>	<u>\$ 7,909,044</u>
<b><u>June 30, 2014:</u></b>				
Donor-restricted endowment funds	<u>\$ (2,403,425)</u>	<u>\$ -</u>	<u>\$ 9,496,686</u>	<u>\$ 7,093,261</u>

The Board of Directors of CSO 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 CSO 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, CSO 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 CSO 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 CSO
7. The investment policies of CSO

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2015 AND 2014

**Note 7—Endowment funds (continued)**

FFTC administers the majority of these endowed funds. The Board of Directors governing the trusts and CSO 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 CSO 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 the following investment allocation guidelines:

	<b>Endowment Investments</b>			<b>Beneficial Interests in Trusts</b>		
Cash	0%	–	10%	0%	–	10%
Equities:						
Large cap	30%	–	50%	40%	–	80%
Small cap	5%	–	15%	10%	–	30%
Emerging market	-	–	-	8%	–	23%
International	10%	–	30%	3%	–	8%
Fixed income	20%	–	30%	20%	–	30%
Private investment funds	8%	–	12%	8%	–	32%

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.

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, 2015 and 2014 are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, July 1, 2013	\$ (2,804,454)	\$ -	\$ 9,496,566	\$ 6,692,112
Investment return:				
Investment income, net of expenses	321	-	-	321
Realized and unrealized loss	9,557	-	-	9,557
Total investment loss	9,878	-	-	9,878
Contributions	-	-	120	120
Change in endowment pledges	-	-	-	-
Change in beneficial interests in trusts	642,178	-	-	642,178
Release of allowable balance for spending	(251,027)	-	-	(251,027)
Endowment net assets, June 30, 2014	<u>\$ (2,403,425)</u>	<u>\$ -</u>	<u>\$ 9,496,686</u>	<u>\$ 7,093,261</u>

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2015 AND 2014*

**Note 7—Endowment funds (continued)**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, July 1, 2014	\$ (2,403,425)	\$ -	\$ 9,496,686	\$ 7,093,261
Investment return:				
Investment income, net of expenses	1,082	-	-	1,082
Realized and unrealized return	(559)	-	-	(559)
Total investment return	523	-	-	523
Contributions	-	-	15,983	15,983
Change in endowment pledges	-	-	985,000	985,000
Change in beneficial interests in trusts	75,746	-	-	75,746
Release of allowable balance for spending	(261,469)	-	-	(261,469)
Endowment net assets, June 30, 2015	<u>\$ (2,588,625)</u>	<u>\$ -</u>	<u>\$ 10,497,669</u>	<u>\$ 7,909,044</u>

As of June 30, 2015, CSO has withdrawn \$2,747,390 of cumulative earnings in excess of CSO's annual spending policy. At June 30, 2015 and 2014, endowment assets were not sufficient to cover endowment corpus. The amount by which fair value was below corpus was \$2,588,625 and \$2,403,425 at June 30, 2015 and 2014, respectively. This resulted primarily from withdrawals that were approved by GCCT and when such withdrawals occur, the amounts are considered borrowed from the endowment by CSO and GCCT. 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.

**Note 8—Financial support**

Grants and contributions represented approximately 53% and 54% of CSO's unrestricted revenue for the years ended June 30, 2015 and 2014, respectively. Certain grants are normally awarded on an annual basis, but continuation is dependent upon future annual determinations by the grantors.

**Note 9—Lines of credit and term loan**

As of June 30, 2015, CSO had a \$1,350,000 line of credit with a financial institution at an interest rate of prime (3.25% as of June 30, 2015) on the first \$750,000 and prime plus 2% (5.25% as of June 30, 2015) on the remaining balance. The available line of credit under the agreement changed during the year. At June 30, 2014, the available line of credit was \$1,400,000 and for the period July 31, 2014 – February 27, 2015, the available line of credit was \$1,700,000. The line is secured by \$750,000 of endowment funds held in a certificate of deposit. The line of credit has a balance of \$1,400,000 as of June 30, 2015 and 2014, respectively.

In July 2015, the line of credit was amended to provide for availability of \$1,400,000 from August 1, 2015 through October 14, 2015, an increase in availability to \$1,800,000 from October 15, 2015 through February 15, 2016 and then a decrease in availability to \$1,400,000 from February 16, 2016 through July 31, 2016, the expiration date. The interest rate on the amended line of credit is at prime on the first \$750,000 of borrowings and prime plus 2.25% on the remaining balance.

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2015 AND 2014*

**Note 9—Lines of credit and term loan (continued)**

CSO also has a \$400,000 unsecured line of credit with a financial institution at an interest rate of prime. Effective October 10, 2013, the agreement was amended so that the promissory note became a term loan and CSO may no longer borrow under this note. Principal payments of \$25,000 are due quarterly on July 31, October 31, January 31, and April 30. Accrued unpaid interest is due monthly, and the interest rate is prime plus 2%. All unpaid principal and all accrued unpaid interest is due July 31, 2015.

Total interest expense was approximately \$86,000 and \$80,000 during the years ended June 30, 2015 and 2014, respectively, and is included in other administrative expenses on the accompanying statements of activities.

**Note 10—Note Payable**

In March 2014, CSO borrowed \$200,000 from a foundation. The loan was repaid in full in July 2014. In November 2014, CSO borrowed \$125,000 from an employee under a promissory note. The note was repaid in full in February 2015.

**Note 11—Temporarily and permanently restricted net assets**

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

	<u>2015</u>	<u>2014</u>
Sally Meanor Music Library fund	\$ -	\$ 5,653
Oratorio Singers Minority Scholarship Fund	-	3,185
Gaffney Memorial Fund	-	2,525
Healing Hands and other	-	5,172
YO Scholarship Fund	-	2,500
Recapitalization funding for future years	336,215	657,736
Bridge funding for future fiscal years	500,000	587,766
Other time restricted pledges receivable	208,151	880,481
Instrument loan fund	45,000	25,000
	<u>\$ 1,089,366</u>	<u>\$ 2,170,018</u>

Permanently restricted net assets at June 30, 2015 and 2014, relate to endowment funds and beneficial interests in trusts discussed in Notes 4, 5 and 7.

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. During the years ended June 30, 2015 and 2014, CSO expended funds from temporarily restricted net assets for the Sally Meanor Music Library Fund, Healing Hands and other, scholarship funds, payments on pledges, and other purposes.

**CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2015 AND 2014*

**Note 12—Benefit plans**

CSO has established a qualified defined contribution plan for administrative employees. Under this plan, CSO 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, 2015 and 2014.

CSO 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 CSO. 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 CSO and American Federation of Musicians, Local No. 342. Participants do not contribute to the plan. Total contributions made to the plan were \$230,729 and \$233,006 for the years ended June 30, 2015 and 2014, 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 CSO's contributions to provide benefits to employees of other participating employers, CSO becoming obligated for other participating employers' unfunded obligations, and, upon CSO's withdrawal from the plan, CSO 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 CSO participated during the year ended June 30, 2015 is summarized in the table below. The zone status included in the table is based on information that CSO 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.

<b>Pension Fund</b>	<b>EIN/ Pension Plan Number</b>	<b>PPA Zone Status (2)</b>	<b>FIP/RP Status (3)</b>	<b>2015 Contributions</b>	<b>Contributions Greater than 5%</b>	
					<b>of Total Plan Contributions (1)</b>	<b>Expiration Date of CBA</b>
American Federation of Musicians and Employers' Pension Plan	51-6120204	Red	Yes	\$ 230,729	No	August 2017

(1) This information was obtained from the respective plans' Form 5500 for the most current available filing. These dates may not correspond with CSO'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, 2016.

(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. CSO amended their Collective Bargaining Agreement, effective February 27, 2014, in accordance with the RP.

# CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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### Note 13—Commitments

CSO leased office and storage space and a kiosk under operating lease agreements which expire in March, 2016; however, CSO terminated the leases in September 2015. In August 2015, CSO entered a new office lease which expires in October 2020. The leases provide 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, 2015 are as follows:

**Year ending:**

June 30, 2016	\$	125,042
June 30, 2017		143,386
June 30, 2018		147,702
June 30, 2019		152,160
June 30, 2020		156,731
Thereafter		52,755
	\$	<u>777,776</u>

Rent expense amounted to \$126,260 and \$122,098 during the years ended June 30, 2015 and 2014, respectively.

CSO has an agreement for a contract for musician services with the American Federation of Musicians, Local No. 342 that expires August 31, 2017.

### Note 14—Concentrations

CSO 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. CSO from time to time may have amounts on deposit in excess of the insured limits.

CSO 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.

A significant portion of CSO's support has historically been attributed to one source, ASC. During the years ended June 30, 2015 and 2014, CSO recognized unrestricted direct support totaling \$46,304 and \$833,106, respectively, from ASC. CSO released \$677,981 from ASC into unrestricted net assets as of June 30, 2015 that was recognized as temporarily restricted revenue during the year ended June 30, 2014. For fiscal year 2016, CSO has been approved for \$777,981 in funding from ASC.

### Note 15—Subsequent events

CSO has evaluated subsequent events through December 11, 2015, 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, 2015*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Elimination</u>	<u>Total</u>
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 120,016	\$ -	\$ -	\$ -	\$ 120,016
Accounts receivable	304,521	32,943	-	-	337,464
Pledges receivable, net	300,582	-	-	-	300,582
Prepaid expenses and other current assets	<u>178,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,506</u>
Total Current Assets	<u>903,625</u>	<u>32,943</u>	<u>-</u>	<u>-</u>	<u>936,568</u>
Property and Equipment, Net	<u>567,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>567,396</u>
Restricted assets					
Restricted cash and investments	51,880	132,058	68,368	-	252,306
Receivable from operations	-	-	2,747,390	(2,747,390)	-
Restricted pledges receivable, net	-	924,365	-	-	924,365
Endowment receivable	-	-	985,000	-	985,000
Endowed investments	38,580	-	777,069	-	815,649
Beneficial interests in trusts					
Campaign for the Cultural Facilities	163,423	-	4,138,157	-	4,301,580
Campaign for the Cultural Facilities pledges receivable	-	-	907,691	-	907,691
Other beneficial interests in trusts	<u>(41,513)</u>	<u>-</u>	<u>873,994</u>	<u>-</u>	<u>832,481</u>
Total Restricted Assets	<u>212,370</u>	<u>1,056,423</u>	<u>10,497,669</u>	<u>(2,747,390)</u>	<u>9,019,072</u>
<b>Total Assets</b>	<b><u>\$ 1,683,391</u></b>	<b><u>\$ 1,089,366</u></b>	<b><u>\$ 10,497,669</u></b>	<b><u>\$ (2,747,390)</u></b>	<b><u>\$ 10,523,036</u></b>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Checks written in excess of bank balance	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	817,259	-	-	-	817,259
Cash receipts applicable to the coming season	876,620	-	-	-	876,620
Other deferred revenue	1,037,179	-	-	-	1,037,179
Note payable	-	-	-	-	-
Lines of credit and term loan - current portion	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total Current Liabilities	<u>2,831,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,831,058</u>
Lines of credit and term loan- noncurrent portion	1,499,229	-	-	-	1,499,229
Loan from endowed funds	<u>2,747,390</u>	<u>-</u>	<u>-</u>	<u>(2,747,390)</u>	<u>-</u>
<b>Total Liabilities</b>	<b><u>7,077,677</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(2,747,390)</u></b>	<b><u>4,330,287</u></b>
Net Assets (Deficit):					
Unrestricted	(5,394,286)	-	-	-	(5,394,286)
Temporarily restricted	-	1,089,366	-	-	1,089,366
Permanently restricted	<u>-</u>	<u>-</u>	<u>10,497,669</u>	<u>-</u>	<u>10,497,669</u>
<b>Total Net Assets</b>	<b><u>(5,394,286)</u></b>	<b><u>1,089,366</u></b>	<b><u>10,497,669</u></b>	<b><u>-</u></b>	<b><u>6,192,749</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,683,391</u></b>	<b><u>\$ 1,089,366</u></b>	<b><u>\$ 10,497,669</u></b>	<b><u>\$ (2,747,390)</u></b>	<b><u>\$ 10,523,036</u></b>



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

JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Elimination</u>	<u>Total</u>
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 34,310	\$ -	\$ -	\$ -	\$ 34,310
Accounts receivable	171,427	17,943	-	-	189,370
Pledges receivable, net	29,751	-	-	-	29,751
Prepaid expenses and other current assets	<u>123,768</u>	<u>28,500</u>	<u>-</u>	<u>-</u>	<u>152,268</u>
Total Current Assets	<u>359,256</u>	<u>46,443</u>	<u>-</u>	<u>-</u>	<u>405,699</u>
Property and Equipment, Net	<u>546,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>546,415</u>
Restricted assets					
Restricted cash and investments	-	112,369	68,248	-	180,617
Receivable from operations	-	-	2,747,390	(2,747,390)	-
Restricted pledges receivable, net	-	2,011,206	-	-	2,011,206
Endowed investments	41,588	-	777,069	-	818,657
Beneficial interests in trusts					
Campaign for the Cultural Facilities	310,415	-	3,974,094	-	4,284,509
Campaign for the Cultural Facilities pledges receivable	-	-	1,055,891	-	1,055,891
Other beneficial interests in trusts	<u>(6,492)</u>	<u>-</u>	<u>873,994</u>	<u>-</u>	<u>867,502</u>
Total Restricted Assets	<u>345,511</u>	<u>2,123,575</u>	<u>9,496,686</u>	<u>(2,747,390)</u>	<u>9,218,382</u>
<b>Total Assets</b>	<u>\$ 1,251,182</u>	<u>\$ 2,170,018</u>	<u>\$ 9,496,686</u>	<u>\$ (2,747,390)</u>	<u>\$ 10,170,496</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities:					
Checks written in excess of bank balance	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	837,197	-	-	-	837,197
Cash receipts applicable to the coming season	895,274	-	-	-	895,274
Other deferred revenue	174,365	-	-	-	174,365
Note payable	200,000	-	-	-	200,000
Lines of credit and term loan - current portion	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total Current Liabilities	<u>2,206,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,206,836</u>
Lines of credit and term loan - noncurrent portion	1,599,229	-	-	-	1,599,229
Loan from endowed funds	<u>2,747,390</u>	<u>-</u>	<u>-</u>	<u>(2,747,390)</u>	<u>-</u>
<b>Total Liabilities</b>	<u>6,553,455</u>	<u>-</u>	<u>-</u>	<u>(2,747,390)</u>	<u>3,806,065</u>
Net Assets (Deficit):					
Unrestricted	(5,302,273)	-	-	-	(5,302,273)
Temporarily restricted	-	2,170,018	-	-	2,170,018
Permanently restricted	-	-	9,496,686	-	9,496,686
<b>Total Net Assets</b>	<u>(5,302,273)</u>	<u>2,170,018</u>	<u>9,496,686</u>	<u>-</u>	<u>6,364,431</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,251,182</u>	<u>\$ 2,170,018</u>	<u>\$ 9,496,686</u>	<u>\$ (2,747,390)</u>	<u>\$ 10,170,496</u>