

**CHARLOTTE SYMPHONY ORCHESTRA
SOCIETY, INCORPORATED**

**FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION**

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

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Report of Independent Auditor

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

We have audited the accompanying financial statements of Charlotte Symphony Orchestra Society, Incorporated (the "Society"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

We draw attention to the fact that as a result of net losses without donor restrictions for several years the Society has a deficit in net assets without donor restrictions of \$344,940 and \$1,155,398 as of June 30, 2019 and 2018, respectively. As discussed more fully in Note 2, the Society has taken action to create operating surpluses and to improve its cash flow and liquidity. Our opinion is not modified with respect to that matter.

As discussed in Note 15 of the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Emphasis of Matters (continued)

As discussed in Note 14 to the financial statements, the Society has restated its 2018 financial statements to reflect a reclassification in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Changes in Financial Statement Presentation

As discussed in Note 1, the Society adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

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



Charlotte, North Carolina
April 22, 2020

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,100,425 | \$ 383,607 |
| Accounts receivable | 292,852 | 74,415 |
| Allowable endowment spending not withdrawn | 384,769 | 373,205 |
| Promises to give, net | 1,049,073 | 494,213 |
| Prepaid expenses and other current assets | 141,902 | 147,137 |
| Total Current Assets | 2,969,021 | 1,472,577 |
| Restricted cash | 21,435 | 23,975 |
| Noncurrent promises to give, net | 170,000 | 497,200 |
| Property and Equipment: | | |
| Music library | 324,010 | 324,010 |
| Musical instruments | 288,079 | 261,779 |
| Furniture and equipment, less accumulated depreciation of \$203,100 at June 30, 2019 and \$204,400 at June 30, 2018 | 104,212 | 146,568 |
| Property and Equipment, Net | 716,301 | 732,357 |
| Restricted Assets - Endowment: | | |
| Cash restricted for endowments | 10,672 | 10,672 |
| Beneficial Interests in Trusts: | | |
| Campaign for the Cultural Facilities | 5,757,596 | 4,963,619 |
| Campaign for the Cultural Facilities promises to give | 406,594 | 549,670 |
| Other beneficial interests in trusts | 4,128,191 | 3,903,021 |
| Total Restricted Assets - Endowment | 10,303,053 | 9,426,982 |
| Total Assets | \$ 14,179,810 | \$ 12,153,091 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 662,284 | \$ 694,253 |
| Cash receipts applicable to the coming season | 1,094,588 | 902,089 |
| Total Current Liabilities | 1,756,872 | 1,596,342 |
| Advance from Thrive | 1,000,000 | 1,000,000 |
| Total Liabilities | 2,756,872 | 2,596,342 |
| Net Assets (Deficit): | | |
| Without donor restrictions | (344,940) | (1,155,398) |
| With donor restrictions | 11,767,878 | 10,712,147 |
| Total Net Assets | 11,422,938 | 9,556,749 |
| Total Liabilities and Net Assets | \$ 14,179,810 | \$ 12,153,091 |

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

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| Revenues: | | | |
| Concert revenue: | | | |
| Season tickets | \$ 1,171,873 | \$ - | \$ 1,171,873 |
| Single tickets | 2,149,505 | - | 2,149,505 |
| Other fee concerts | 648,587 | - | 648,587 |
| Youth orchestras | 73,212 | - | 73,212 |
| Oratorio singers | 2,400 | - | 2,400 |
| Special events, net of expenses of \$194,126 | 372,183 | - | 372,183 |
| Contributions: | | | |
| Individuals and foundations | 2,241,177 | 1,764,730 | 4,005,907 |
| Corporations | 391,067 | 30,000 | 421,067 |
| Arts and Science Council | 657,191 | - | 657,191 |
| Thrive | 2,000,000 | - | 2,000,000 |
| Government sources | 83,500 | - | 83,500 |
| Organizations | 52,918 | 15,000 | 67,918 |
| Allowable endowment balance for spending | 384,769 | - | 384,769 |
| Other revenue | 36,925 | - | 36,925 |
| | <u>10,265,307</u> | <u>1,809,730</u> | <u>12,075,037</u> |
| Net Assets Released from Restriction: | | | |
| Other | <u>703,013</u> | <u>(703,013)</u> | <u>-</u> |
| Total Revenues | <u>10,968,320</u> | <u>1,106,717</u> | <u>12,075,037</u> |
| Expenses: | | | |
| Musical and project | 8,243,729 | - | 8,243,729 |
| Administrative | 1,335,963 | - | 1,335,963 |
| Fundraising and development | 578,170 | - | 578,170 |
| Total Expenses | <u>10,157,862</u> | <u>-</u> | <u>10,157,862</u> |
| Change in net assets before other changes | 810,458 | 1,106,717 | 1,917,175 |
| Other Changes: | | | |
| Change in beneficial interests in trusts | - | 333,783 | 333,783 |
| Release of allowable endowment balance for spending | <u>-</u> | <u>(384,769)</u> | <u>(384,769)</u> |
| Change in net assets | 810,458 | 1,055,731 | 1,866,189 |
| Net Assets (Deficit): | | | |
| Beginning of year | <u>(1,155,398)</u> | <u>10,712,147</u> | <u>9,556,749</u> |
| Net Assets, End of Year | <u>\$ (344,940)</u> | <u>\$ 11,767,878</u> | <u>\$ 11,422,938</u> |

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

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| Revenues: | | | |
| Concert revenue: | | | |
| Season tickets | \$ 1,186,507 | \$ - | \$ 1,186,507 |
| Single tickets | 1,538,686 | - | 1,538,686 |
| Other fee concerts | 621,084 | - | 621,084 |
| Youth orchestras | 110,559 | - | 110,559 |
| Oratorio singers | 16,171 | - | 16,171 |
| Special events, net of expenses of \$105,488 | 303,695 | - | 303,695 |
| Contributions: | | | |
| Individuals and foundations | 3,488,177 | 492,624 | 3,980,801 |
| Corporations | 225,865 | - | 225,865 |
| Arts and Science Council | 676,443 | - | 676,443 |
| Thrive | 2,000,000 | - | 2,000,000 |
| Government sources | 95,000 | - | 95,000 |
| Organizations | 19,915 | - | 19,915 |
| Allowable endowment balance for spending | 373,205 | - | 373,205 |
| Other revenue | 205,002 | - | 205,002 |
| | <u>10,860,309</u> | <u>492,624</u> | <u>11,352,933</u> |
| Net Assets Released from Restriction: | | | |
| Other | <u>1,171,800</u> | <u>(1,171,800)</u> | <u>-</u> |
| Total Revenues | <u>12,032,109</u> | <u>(679,176)</u> | <u>11,352,933</u> |
| Expenses: | | | |
| Musical and project | 8,025,127 | - | 8,025,127 |
| Administrative | 1,417,665 | - | 1,417,665 |
| Fundraising and development | 629,677 | - | 629,677 |
| Total Expenses | <u>10,072,469</u> | <u>-</u> | <u>10,072,469</u> |
| Change in net assets before other changes | 1,959,640 | (679,176) | 1,280,464 |
| Other Changes: | | | |
| Change in beneficial interests in trusts | - | 775,807 | 775,807 |
| Release of allowable endowment balance for spending | <u>-</u> | <u>(373,205)</u> | <u>(373,205)</u> |
| Change in net assets | 1,959,640 | (276,574) | 1,683,066 |
| Net Assets (Deficit): | | | |
| Beginning of year, prior to reclassification | (5,044,934) | 12,918,617 | 7,873,683 |
| Reclassification (Note 15) | <u>1,929,896</u> | <u>(1,929,896)</u> | <u>-</u> |
| Beginning of year, reclassified | <u>(3,115,038)</u> | <u>10,988,721</u> | <u>7,873,683</u> |
| Net Assets, End of Year | <u>\$ (1,155,398)</u> | <u>\$ 10,712,147</u> | <u>\$ 9,556,749</u> |

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

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,866,189 | \$ 1,683,066 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 45,161 | 46,815 |
| Change in beneficial interests in trusts | (333,783) | (775,807) |
| Change in discounts on promises to give | (2,900) | 500 |
| Provision for uncollectible pledges | (4,300) | (16,200) |
| Loss on disposal of property and equipment | - | 3,110 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (218,437) | (23,992) |
| Allowable endowment spending not withdrawn | (11,564) | (73,807) |
| Promises to give | (77,384) | 138,515 |
| Prepaid expenses and other current assets | 5,235 | 81,243 |
| Accounts payable and accrued liabilities | (31,969) | (78,944) |
| Cash receipts applicable to the coming season | 192,499 | (87,157) |
| Other deferred revenue - current portion | - | (50,768) |
| Net cash from operating activities | <u>1,428,747</u> | <u>846,574</u> |
| Cash flows from investing activities: | | |
| Sales of restricted cash and investments, net | - | 810,699 |
| (Purchases) sales of endowed investments | (685,364) | 247,476 |
| Purchases of furniture and equipment, net of sales | <u>(29,105)</u> | <u>(58,878)</u> |
| Net cash from investing activities | <u>(714,469)</u> | <u>999,297</u> |
| Cash flows from financing activities: | | |
| Proceeds from lines of credit and notes payable | - | 870,000 |
| Repayment on lines of credit and notes payable | <u>-</u> | <u>(2,720,000)</u> |
| Net cash from financing activities | <u>-</u> | <u>(1,850,000)</u> |
| Net change in cash, cash equivalents, and restricted cash | 714,278 | (4,129) |
| Cash, cash equivalents, and restricted cash, beginning of year | <u>418,254</u> | <u>422,383</u> |
| Cash, cash equivalents, and restricted cash, end of year | <u>\$ 1,132,532</u> | <u>\$ 418,254</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | <u>\$ -</u> | <u>\$ 60,375</u> |

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 1—Organization and summary of significant accounting policies

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

Basis of Presentation – The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. These net assets may be used at the discretion of the Society’s management and the Board of Directors. The Society has chosen to provide further classification information about net assets without donor restrictions in the notes to the financial statements. The subclassifications are as follows:

Board Designated – Represents resources set aside by the Board of Directors to be used for specific activities within guidelines established by the Board of Directors. As of June 30, 2019 and 2018, \$529,892 was designated by the board for an operating reserve.

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets designated for specific activities.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Contributions – Contributions, including unconditional promises to give, 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 use unless specifically restricted by the donor.

The Society records contributed services if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2019 and 2018, no such contributed assets or services were received. In addition, a number of unpaid volunteers, who serve in the capacity of board members, have made significant contributions of their time in the furtherance of the Society’s purpose. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

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

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

Income Taxes – The Society has received a favorable determination letter from the Internal Revenue Service with respect to its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Management believes the Society continues to satisfy the requirements of a tax-exempt organization and is not subject to tax. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements. The Society accounts for tax uncertainties based on a more likely than not recognition threshold whereby tax benefits are only recognized when the Society believes they have a greater than 50% likelihood of being sustained upon examination by taxing authorities. The Society has evaluated all its tax positions and determined it had no material uncertain income tax positions as of June 30, 2019 and 2018.

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

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

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

Accounts Receivable – Accounts receivable are stated at cost less an allowance for doubtful accounts, if necessary. Management's determination of the allowance for doubtful accounts is based on an evaluation of the receivable, past experience, and current economic conditions. Management has determined an allowance for doubtful accounts is not considered necessary as of June 30, 2019 and 2018.

Instrument Loans Receivable – Loans receivable are carried at unpaid principal balances, less an allowance for loan losses, if necessary. Management's determination of the allowance for loan losses is based on past loan loss experience, specific impaired loans, and current economic conditions. Management has determined an allowance for loan losses is not considered necessary as of June 30, 2019 and 2018. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. At June 30, 2019 and 2018, the Society reported instrument loans receivable of approximately \$10,000 and \$12,000, respectively, which are included in accounts receivable in the statements of financial position.

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

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

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

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

Advance from Thrive – Other deferred revenue consists primarily of a \$1 million receipt during fiscal year 2015 that relates to the 2022 fiscal year grant from the Thrive campaign (see note 2).

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 cash receipts applicable to the coming season in the accompanying statements of financial position.

Use of Estimates – The preparation of financial statements in conformity with 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 13). 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.

New Pronouncements – The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Society has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. As a result, underwater endowments of \$2,032,607 were reclassified from net assets without donor restrictions to net assets with donor restrictions at June 30, 2017, and change in beneficial interests and trusts and release of allowable endowment balance for spending related to the underwater endowments of \$402,602 was reclassified from net assets without donor restrictions to net assets with donor restrictions for the year ended June 30, 2018. See Note 14 for further disclosure.

In May 2014, FASB issued ASU 2014-09. The amendments in this update create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in *Topic 605, Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, *Revenue Recognition – Construction-Type and Production-Type Contracts*, and create new Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*. The core principle of Topic 606 is an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14, which defers the effective date of the ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of this standard on the Society’s financial statements, but does not believe it will have a material impact on the statements of activities of the Society.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

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, 2020. A modified retrospective transition approach is required for lessees for financing and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of this standard on the Society's financial statements, but does not believe it will have a material impact on the statements of activities of the Society.

Note 2—Liquidity and availability of resources

Liquidity and availability of resources at June 30, 2019 is as follows:

Financial assets at year-end:

| | |
|---|-------------------|
| Cash, cash equivalents, and restricted cash | \$ 1,132,532 |
| Accounts receivable | 292,852 |
| Allowable endowment spending not withdrawn | 384,769 |
| Promises to give | 1,219,073 |
| Beneficial interests in trusts | 10,292,381 |
| Total financial assets at year-end | <u>13,321,607</u> |

Less amounts not available to be used for general expenditures within one year:

| | |
|---|---------------------|
| Board-designated funds | 529,892 |
| Restricted by donor with purpose or time restrictions | 769,825 |
| Endowment funds | 10,998,053 |
| Financial assets not available to be used within one year | <u>12,297,770</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 1,023,837</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 both donor-restricted and board-designated 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. Although the Society does not intend to spend from these board-designated funds, these amounts could be made available, if necessary.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 2—Liquidity and availability of resources (continued)

Due to losses in several prior years, the Society experienced decreases in its net assets without donor restrictions; however, for the fiscal years ended June 30, 2019 and 2018, the Society had increases in net assets without donor restrictions of \$810,458 and \$1,959,640, respectively. Prior to the disruption of operations caused by the spread of COVID-19, further discussed in Note 15, the Society was projecting a surplus in operations for the year ended June 30, 2020, which would have further reduced the overall deficit in net assets without donor restriction. The Society’s liquidity needs have been supplemented by a line of credit (see Note 8), flexibility of the timing of grants received from the Arts and Science Council (“ASC”), use of advance ticket sales and, since June 30, 2013, over \$17 million in cumulative contributions from the Thrive Arts Stabilization Fund, whose mission is to help arts groups develop independent fundraising tools and infrastructure. In addition, the Society substantially offset the cash flow impact of prior operating deficits through additional withdrawals of approximately \$2,700,000 from its endowment funds during 2007-2011 which contributes to the underwater endowments discussed in Note 6.

The Society has developed a business plan to continue to increase net assets without donor restrictions. In September 2017, the musicians and management agreed to a five-year extension of the union contract which provided the Society with costs savings (see Note 11). Management is continuing to expand revenue generating activities as well as explore ways to reduce other expenses where possible. The Society has engaged consultants to help optimize revenue from its performances and improve patron engagement in order to improve both earned and contributed income. The Society has budgeted for an increase in future contributions from individuals and foundations.

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:

| | 2019 | 2018 |
|---|--------------|-------------|
| Time restricted promises to give | \$ 120,923 | \$ 99,713 |
| Purpose restricted promises to give | 427,250 | 528,000 |
| Endowment promises to give | 700,000 | 400,000 |
| Total promises to give | 1,248,173 | 1,027,713 |
| Less allowance for uncollectible accounts | (25,500) | (29,800) |
| Less discount to present value | (3,600) | (6,500) |
| Total promises to give, net | 1,219,073 | 991,413 |
| Receivable in one to five years | (170,000) | (497,200) |
| Receivable in less than one year | \$ 1,049,073 | \$ 494,213 |
| Endowment promises to give in trust | \$ 406,594 | \$ 549,670 |

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 2.18% and 1.76% for the years ended June 30, 2019 and 2018, respectively. The fair value option was chosen to measure the fair value of promises to give in order to mitigate volatility in reported changes in net assets. 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 and Board of Trustees of approximately \$164,000 and \$173,000 as of June 30, 2019 and 2018, respectively.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 4—Beneficial interests in trusts

As discussed below, beneficial interests in trusts represent funds contributed by donors to the Greater Charlotte Cultural Trust (“GCCT”) for the benefit of the Society and which are managed as part of the Society’s endowment (see Note 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 \$5,757,596 and \$4,963,619 at June 30, 2019 and 2018, respectively, representing the Society’s interest in the investment portion of funds held. In addition, as part of the Campaign for Cultural Facilities, the Society has endowed pledges receivable of \$406,594 and \$549,670 as of June 30, 2019 and 2018, respectively, which are presented as Campaign for the Cultural Facilities pledges receivable in the statements of financial position.

The Society has also recorded other beneficial interests in trusts held at Foundation for the Carolinas (“FFTC”) of \$4,128,191 and \$3,903,021 at June 30, 2019 and 2018, respectively.

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

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

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

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

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical securities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager.

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, 2019.

The Society's beneficial interests in trust are considered a Level 3 financial instrument as of June 30, 2019 and 2018 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, 2019</u> | | | |
| Beneficial interests in trusts | \$ - | \$ - | \$ 10,292,381 |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| <u>June 30, 2018</u> | | | |
| Beneficial interests in trusts | \$ - | \$ - | \$ 9,416,310 |

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

For the assets measured at fair value on a recurring basis using Level 3 valuations during the period, the following table provides a reconciliation of beginning and ending balances for the years ended June 30, 2019 and 2018:

| | Beneficial Interests in Trusts |
|--|---|
| Balance, June 30, 2017 | \$ 9,007,839 |
| Allowable endowment spending | (373,205) |
| Change in beneficial interests in trusts | 775,807 |
| Other changes and adjustments to promises to give, net | <u>5,869</u> |
| Balance, June 30, 2018 | 9,416,310 |
| Contributions | 935,173 |
| Allowable endowment spending | (384,769) |
| Change in beneficial interests in trusts | 333,783 |
| Other changes and adjustments to promises to give, net | <u>(8,116)</u> |
| Balance, June 30, 2019 | <u><u>\$ 10,292,381</u></u> |

Note 6—Endowment funds

The Society's endowment consists of eight individual funds established for a variety of purposes that are primarily held by GCCT and invested at FFTC. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net asset composition by type of fund as of June 30, 2019 and 2018 are listed below:

| | Without Donor Restriction | With Donor Restriction | Total |
|--|--------------------------------------|-----------------------------------|----------------------|
| <u>June 30, 2019:</u> | | | |
| Original donor-restricted gift amounts | | | |
| required to be maintained in perpetuity by donor | \$ - | \$ 11,983,662 | \$ 11,983,662 |
| Underwater endowments | - | (1,680,609) | (1,680,609) |
| Total donor-restricted endowment funds | <u>\$ -</u> | <u>\$ 10,303,053</u> | <u>\$ 10,303,053</u> |
| <u>June 30, 2018:</u> | | | |
| Original donor-restricted gift amounts | | | |
| required to be maintained in perpetuity by donor | \$ - | \$ 11,448,489 | \$ 11,448,489 |
| Underwater endowments | - | (2,021,507) | (2,021,507) |
| Total donor-restricted endowment funds | <u>\$ -</u> | <u>\$ 9,426,982</u> | <u>\$ 9,426,982</u> |

Included in the endowment net asset composition by type of fund above are endowment promises to give held in trust, net, which total \$406,594 and \$549,670 as of June 30, 2019 and 2018, respectively.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6—Endowment funds (continued)

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

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

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

FFTC administers the majority of these endowed funds. The Board of Directors governing the trusts and the Society have adopted investment and spending policies for endowment assets that attempt to provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, the endowment assets are invested in a manner that is intended to produce results that provide an average annual real rate of return, net of fees, equal to or greater than spending, administrative fees, and inflation (Consumer Price Index). Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Society uses two different long-term FFTC investment strategies that rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FFTC has adopted an investment allocation for the first long-term growth strategy which includes a target asset allocation of U.S. equities, 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 5.0% of the endowment funds’ average fair value using the prior three years’ value at the calendar year-end proceeding the fiscal year in which the distribution is planned. FFTC evaluates the spending policy on an annual basis for prudence. In establishing the spending policy, the expected return on the endowment was taken into consideration. Accordingly, the spending policy is expected to allow the endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 6—Endowment funds (continued)

Changes in endowment net assets, which include cash restricted for endowment, investments, and Campaign for Cultural Facilities pledge receivable, for the years ended June 30, 2019 and 2018 are as follows:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|--------------------------------------|-----------------------------------|----------------------|
| Endowment net assets, June 30, 2017, as previously presented | \$ (2,032,607) | \$ 12,442,645 | \$ 10,410,038 |
| Reclassifications (Note 14) | 2,032,607 | (1,929,896) | 102,711 |
| Endowment note presentation reclassification | - | (1,494,238) | (1,494,238) |
| Endowment net assets, June 30, 2017, restated | - | 9,018,511 | 9,018,511 |
| Change in promises to give and other adjustments | - | 5,869 | 5,869 |
| Change in beneficial interests in trusts | - | 775,807 | 775,807 |
| Allowable endowment spending | - | (373,205) | (373,205) |
| Endowment net assets, June 30, 2018 | - | 9,426,982 | 9,426,982 |
| Contributions | - | 935,173 | 935,173 |
| Change in promises to give and other adjustments | - | (8,116) | (8,116) |
| Change in beneficial interests in trusts | - | 333,783 | 333,783 |
| Allowable endowment spending | - | (384,769) | (384,769) |
| Endowment net assets, June 30, 2019 | <u>\$ -</u> | <u>\$ 10,303,053</u> | <u>\$ 10,303,053</u> |

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. At June 30, 2019 and 2018, the fair value of endowment assets was below endowment corpus and included in net assets with donor restrictions. The amounts by which fair value was below corpus at June 30 are noted above.

Note 7—Financial support

Grants and contributions represented approximately 53% and 58% of the Society's revenue without donor restriction for the years ended June 30, 2019 and 2018, respectively. In addition, grants from two organizations comprised of 100% and 98% of total grants for the years ended June 30, 2019 and 2018, respectively. Certain grants are normally awarded on an annual basis, but continuation is dependent upon future annual determinations by the grantors.

Note 8—Line of credit

The Society has a line of credit with a financial institution with available borrowing of \$1,000,000 that provides for an interest rate of prime plus 1.50% (7.00% as of June 30, 2019). The line of credit had no balance as of June 30, 2019 and 2018. The line of credit expired in April 2020 and as of the date of these financials has not been renewed.

Total interest expense was approximately \$60,000 for the year ended June 30, 2018 and is included in interest expense on the accompanying statements of functional expense.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 9—Net assets

Net assets with donor restrictions at June 30, 2019 and 2018 have been restricted by the donors for the following purpose restrictions:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Subject to purpose and time restriction: | | |
| Time restricted promises to give and contributions | \$ 524,073 | \$ 594,913 |
| Instrument loan fund | 56,252 | 31,252 |
| Other purpose restricted | <u>189,500</u> | <u>262,500</u> |
| Total subject to purpose restriction | <u>769,825</u> | <u>888,665</u> |
| Endowment net assets: | | |
| Donor-restricted endowment funds | 9,896,459 | 8,877,312 |
| Endowed promises to give held in trust | 406,594 | 549,670 |
| Endowed promises to give, net allowance | <u>695,000</u> | <u>396,500</u> |
| Total endowment net assets | <u>10,998,053</u> | <u>9,823,482</u> |
| Total net assets with donor restrictions | <u>\$ 11,767,878</u> | <u>\$ 10,712,147</u> |

Net assets totaling \$703,013 and \$1,171,800 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018 are as follows:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|-----------------------|
| Board designated: | | |
| Operating reserve | <u>\$ 529,892</u> | <u>\$ 529,892</u> |
| Total board designated | 529,892 | 529,892 |
| Undesignated | <u>(874,832)</u> | <u>(1,685,290)</u> |
| Total net assets without donor restrictions | <u>\$ (344,940)</u> | <u>\$ (1,155,398)</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, 2019 and 2018.

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 \$226,013 and \$241,487 for the years ended June 30, 2019 and 2018, respectively.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10—Benefit plans (continued)

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, 2019 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.

| <u>Pension Fund</u> | <u>EIN/ Pension Plan Number</u> | <u>PPA Zone Status (2)</u> | <u>FIP/RP Status (3)</u> | <u>2019 Contributions</u> | <u>Contributions Greater than 5% of Total Plan Contributions (1)</u> | <u>Expiration Date of CBA</u> |
|--|---|------------------------------------|------------------------------|-------------------------------|--|-----------------------------------|
| American Federation of Musicians and Employers' Pension Plan | 51-6120204 | Red | Yes | \$ 226,013 | 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, 2019.

(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

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

Future minimum rental payments under this operating lease as of June 30, 2019 are as follows:

| <u>Years Ending June 30,</u> | |
|------------------------------|-------------------|
| 2020 | \$ 156,731 |
| 2021 | 65,944 |
| | <u>\$ 222,675</u> |

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 11—Commitments (continued)

Rent expense amounted to \$155,230 and \$147,425 during the years ended June 30, 2019 and 2018, respectively.

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

Note 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—Functional expenses

Expenses by function and nature consist of the following for the year ended June 30, 2019:

| | Program Expenses | Supporting Services | | Total |
|-----------------------------|---------------------|---------------------------|-------------------|----------------------|
| | | Management and General | Fundraising | |
| Salaries and wages | \$ 4,911,963 | \$ 486,840 | \$ 443,019 | \$ 5,841,822 |
| Employee benefits and taxes | 1,045,977 | 156,899 | 74,850 | 1,277,726 |
| Guest artists | 671,996 | - | - | 671,996 |
| Properties and production | 769,279 | - | - | 769,279 |
| Education | 71,967 | - | - | 71,967 |
| Other project expenses | 77,599 | - | 20,641 | 98,240 |
| Promotion | 694,948 | - | - | 694,948 |
| Interest | - | 3,393 | - | 3,393 |
| Depreciation | - | 45,161 | - | 45,161 |
| Other | - | 643,670 | 39,660 | 683,330 |
| | <u>\$ 8,243,729</u> | <u>\$ 1,335,963</u> | <u>\$ 578,170</u> | <u>\$ 10,157,862</u> |

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 13—Functional expenses (continued)

Expenses by function and nature consist of the following for the year ended June 30, 2018:

| | Program Expenses | Supporting Services | | Total |
|-----------------------------|---------------------|---------------------------|-------------------|----------------------|
| | | Management and General | Fundraising | |
| Salaries and wages | \$ 4,786,092 | \$ 527,978 | \$ 431,545 | \$ 5,745,615 |
| Employee benefits and taxes | 1,132,046 | 109,394 | 75,128 | 1,316,568 |
| Guest artists | 563,796 | - | - | 563,796 |
| Properties and production | 743,523 | - | - | 743,523 |
| Education | 75,368 | - | - | 75,368 |
| Other project expenses | 58,657 | - | 116,928 | 175,585 |
| Promotion | 665,645 | - | - | 665,645 |
| Interest | - | 64,216 | - | 64,216 |
| Depreciation | - | 46,815 | - | 46,815 |
| Other | - | 669,262 | 6,076 | 675,338 |
| | <u>\$ 8,025,127</u> | <u>\$ 1,417,665</u> | <u>\$ 629,677</u> | <u>\$ 10,072,469</u> |

Note 14—Prior period reclassifications

During the year ended June 30, 2019, reclassifications were made between the balances in net assets without donor restriction and net assets with donor restriction related to the clarification and correction of donor restricted endowment funds due to the implementation of ASU 2016-14.

| | Without Donor Restriction | With Donor Restriction | Total |
|--|------------------------------|---------------------------|---------------------|
| Net assets as of June 30, 2017, prior to reclassification | \$ (5,044,934) | \$ 12,918,617 | \$ 7,873,683 |
| Underwater endowments - Implementation of ASU 2016-14 | 2,032,607 | (2,032,607) | - |
| Clarification of intent | (102,711) | 102,711 | - |
| Net assets as of June 30, 2017, reclassified | <u>\$ (3,115,038)</u> | <u>\$ 10,988,721</u> | <u>\$ 7,873,683</u> |

As a result of the prior period reclassifications to net assets as of June 30, 2017 noted above, a portion of investment return for the year ended June 30, 2018 was also reclassified. The impact of the reclassification was an increase in the change in net assets with donor restriction and a decrease in the change in net assets without donor restriction of \$402,602. The reclassification had no effect on the change in total net assets for the year ended June 30, 2018.

CHARLOTTE SYMPHONY ORCHESTRA SOCIETY, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 15—Subsequent events

The Society has evaluated subsequent events through April 22, 2020, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

As a result of the spread of COVID-19 in early 2020, the Society has experienced the cancellation of certain activities and performances and other disruption of operations. This, coupled with other economic uncertainties which have arisen, are likely to negatively impact operating results of the Society. Other financial impacts could occur though such potential impact is unknown at this time.

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act or the "CARES Act", the Society applied for a Paycheck Protection Program loan on April 3, 2020 in the amount of \$1,187,600. The terms of the loan provide forgiveness of principal and any interest to the extent the Society incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan, all as defined in the CARES Act. At this time, it is not known how much, if any, in loan proceeds the Society will receive.

ACCOMPANYING INFORMATION

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

JUNE 30, 2019

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|-----------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 910,925 | \$ 189,500 | \$ 1,100,425 |
| Accounts receivable | 283,035 | 9,817 | 292,852 |
| Allowable endowment spending not withdrawn | 384,769 | - | 384,769 |
| Promises to give, net | - | 1,049,073 | 1,049,073 |
| Prepaid expenses and other current assets | 141,902 | - | 141,902 |
| Total Current Assets | <u>1,720,631</u> | <u>1,248,390</u> | <u>2,969,021</u> |
| Restricted cash | - | 21,435 | 21,435 |
| Noncurrent promises to give, net | - | 170,000 | 170,000 |
| Property and Equipment, Net | <u>691,301</u> | <u>25,000</u> | <u>716,301</u> |
| Restricted Assets - Endowment: | | | |
| Cash restricted for endowments | - | 10,672 | 10,672 |
| Beneficial interests in trusts: | | | |
| Campaign for the Cultural Facilities | - | 5,757,596 | 5,757,596 |
| Campaign for the Cultural Facilities promises to give | - | 406,594 | 406,594 |
| Other beneficial interests in trusts | <u>-</u> | <u>4,128,191</u> | <u>4,128,191</u> |
| Total Restricted Assets - Endowment | <u>-</u> | <u>10,303,053</u> | <u>10,303,053</u> |
| Total Assets | <u><u>\$ 2,411,932</u></u> | <u><u>\$ 11,767,878</u></u> | <u><u>\$ 14,179,810</u></u> |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 662,284 | \$ - | \$ 662,284 |
| Cash receipts applicable to the coming season | <u>1,094,588</u> | <u>-</u> | <u>1,094,588</u> |
| Total Current Liabilities | 1,756,872 | - | 1,756,872 |
| Advance from Thrive | <u>1,000,000</u> | <u>-</u> | <u>1,000,000</u> |
| Total Liabilities | <u>2,756,872</u> | <u>-</u> | <u>2,756,872</u> |
| Net Assets (Deficit): | | | |
| Without donor restrictions | (344,940) | - | (344,940) |
| With donor restrictions | <u>-</u> | <u>11,767,878</u> | <u>11,767,878</u> |
| Total Net Assets | <u>(344,940)</u> | <u>11,767,878</u> | <u>11,422,938</u> |
| Total Liabilities and Net Assets | <u><u>\$ 2,411,932</u></u> | <u><u>\$ 11,767,878</u></u> | <u><u>\$ 14,179,810</u></u> |

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

JUNE 30, 2018

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|----------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 150,865 | \$ 232,742 | \$ 383,607 |
| Accounts receivable | 62,380 | 12,035 | 74,415 |
| Allowable endowment spending not withdrawn | 373,205 | - | 373,205 |
| Promises to give, net | - | 494,213 | 494,213 |
| Prepaid expenses and other current assets | 122,137 | 25,000 | 147,137 |
| Total Current Assets | <u>708,587</u> | <u>763,990</u> | <u>1,472,577</u> |
| Restricted cash | - | 23,975 | 23,975 |
| Noncurrent promises to give, net | - | 497,200 | 497,200 |
| Property and Equipment, Net | <u>732,357</u> | - | <u>732,357</u> |
| Restricted Assets - Endowment: | | | |
| Cash restricted for endowments | - | 10,672 | 10,672 |
| Beneficial interests in trusts: | | | |
| Campaign for the Cultural Facilities | - | 4,963,619 | 4,963,619 |
| Campaign for the Cultural Facilities promises to give | - | 549,670 | 549,670 |
| Other beneficial interests in trusts | - | 3,903,021 | 3,903,021 |
| Total Restricted Assets - Endowment | <u>-</u> | <u>9,426,982</u> | <u>9,426,982</u> |
| Total Assets | <u>\$ 1,440,944</u> | <u>\$ 10,712,147</u> | <u>\$ 12,153,091</u> |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 694,253 | \$ - | \$ 694,253 |
| Cash receipts applicable to the coming season | 902,089 | - | 902,089 |
| Total Current Liabilities | 1,596,342 | - | 1,596,342 |
| Advance from Thrive | 1,000,000 | - | 1,000,000 |
| Total Liabilities | <u>2,596,342</u> | <u>-</u> | <u>2,596,342</u> |
| Net Assets (Deficit): | | | |
| Without donor restrictions | (1,155,398) | - | (1,155,398) |
| With donor restrictions | - | 10,712,147 | 10,712,147 |
| Total Net Assets | <u>(1,155,398)</u> | <u>10,712,147</u> | <u>9,556,749</u> |
| Total Liabilities and Net Assets | <u>\$ 1,440,944</u> | <u>\$ 10,712,147</u> | <u>\$ 12,153,091</u> |