# TUCSON SYMPHONY SOCIETY

**AUDITED FINANCIAL STATEMENTS**
**Years ended June 30, 2024 and 2023**

JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

**TUCSON SYMPHONY SOCIETY**
AUDITED FINANCIAL STATEMENTS
Years ended June 30, 2024 and 2023

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JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

# INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Tucson Symphony Society
Tucson, Arizona

## Opinion

I have audited the accompanying financial statements of Tucson Symphony Society (an Arizona nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tucson Symphony Society as of June 30, 2024 and 2023, 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.

## Basis for opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Tucson Symphony Society and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tucson Symphony Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Tucson Symphony Society's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tucson Symphony Society's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Jennifer J Phillips, CPA, PLLC

JENNIFER J. PHILLIPS, CPA, PLLC
Tucson, Arizona

November 5, 2024

**TUCSON SYMPHONY SOCIETY**
STATEMENT OF FINANCIAL POSITION
June 30, 2024

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 839,782 | $ 318,073 | $ 1,157,855 |
| Accounts receivable - admissions | 15,654 | - | 15,654 |
| Government grants receivable | 15,422 | 38,500 | 53,922 |
| Contributions receivable, current portion - Note 4 | 84,900 | 502,750 | 587,650 |
| Certificates of deposit | 1,249,048 | - | 1,249,048 |
| Prepaid expenses and deposits | 215,111 | - | 215,111 |
| Bequests receivable | 103,782 | 9,142,775 | 9,246,557 |
| Total current assets | 2,523,699 | 10,002,098 | 12,525,797 |
| Contributions receivable, non-current portion, net - Notes 4 and 11 | - | 328,540 | 328,540 |
| Investments - Note 11 | 2,268,854 | 3,802,463 | 6,071,317 |
| Beneficial interests in remainder trusts - Notes 5 and 11 | - | 189,563 | 189,563 |
| Operating lease right of use asset - Note 13 | 49,986 | - | 49,986 |
| Property and equipment - Note 6 | 816,412 | - | 816,412 |
| Other assets | 26,607 | 3,546 | 30,153 |
| Total assets | $ 5,685,558 | $ 14,326,210 | $ 20,011,768 |
| **LIABILITIES AND NET ASSETS** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | $ 198,071 | $ - | $ 198,071 |
| Deferred revenue | 1,023,133 | - | 1,023,133 |
| Operating lease liability, current portion - Note 13 | 21,491 | - | 21,491 |
| Notes payable, current portion - Note 8 | 45,720 | - | 45,720 |
| Total current liabilities | 1,288,415 | - | 1,288,415 |
| Operating lease liability, non-current portion - Note 13 | 28,494 | - | 28,494 |
| Notes payable, non-current portion - Note 8 | 354,834 | - | 354,834 |
| Total liabilities | 1,671,743 | - | 1,671,743 |
| Net assets: | | | |
| Without donor restrictions - Note 3 | 4,013,815 | - | 4,013,815 |
| With donor restrictions - Notes 9 and 10 | - | 14,326,210 | 14,326,210 |
| Total net assets | 4,013,815 | 14,326,210 | 18,340,025 |
| Total liabilities and net assets | $ 5,685,558 | $ 14,326,210 | $ 20,011,768 |

See Accompanying Notes.

**TUCSON SYMPHONY SOCIETY**
STATEMENT OF FINANCIAL POSITION
June 30, 2023

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 1,272,729 | $ 338,397 | $ 1,611,126 |
| Accounts receivable - admissions | 27,356 | - | 27,356 |
| Government grants receivable | 225,321 | - | 225,321 |
| Contributions receivable, current portion - Note 4 | 25,805 | 280,500 | 306,305 |
| Certificates of deposit | 500,000 | - | 500,000 |
| Prepaid expenses and deposits | 128,884 | - | 128,884 |
| Bequests receivable | 70,000 | 45,000 | 115,000 |
| Total current assets | 2,250,095 | 663,897 | 2,913,992 |
| Contributions receivable, non-current portion, net - Notes 4 and 11 | - | 213,912 | 213,912 |
| Investments - Note 11 | 2,141,549 | 3,432,406 | 5,573,955 |
| Beneficial interests in remainder trusts - Notes 5 and 11 | - | 6,599,273 | 6,599,273 |
| Operating lease right of use asset - Note 13 | 72,838 | - | 72,838 |
| Property and equipment - Note 6 | 655,962 | - | 655,962 |
| Other assets | 13,608 | - | 13,608 |
| Total assets | $ 5,134,052 | $ 10,909,488 | $ 16,043,540 |
| **LIABILITIES AND NET ASSETS** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | $ 234,681 | $ - | $ 234,681 |
| Deferred revenue | 1,063,536 | - | 1,063,536 |
| Operating lease liability, current portion - Note 13 | 22,853 | - | 22,853 |
| Notes payable, current portion - Note 8 | 43,888 | - | 43,888 |
| Total current liabilities | 1,364,958 | - | 1,364,958 |
| Operating lease liability, non-current portion - Note 13 | 49,984 | - | 49,984 |
| Notes payable, non-current portion - Note 8 | 199,048 | - | 199,048 |
| Total liabilities | 1,613,990 | - | 1,613,990 |
| Net assets: | | | |
| Without donor restrictions - Note 3 | 3,520,062 | - | 3,520,062 |
| With donor restrictions - Notes 9 and 10 | - | 10,909,488 | 10,909,488 |
| Total net assets | 3,520,062 | 10,909,488 | 14,429,550 |
| Total liabilities and net assets | $ 5,134,052 | $ 10,909,488 | $ 16,043,540 |

See Accompanying Notes.

**TUCSON SYMPHONY SOCIETY**
STATEMENT OF ACTIVITIES
Year ended June 30, 2024

| | Without donor restrictions | | | With donor restrictions | | | |
|---|---|---|---|---|---|---|---|
| | Operating | Board designated | Total | Time and purpose | Permanent | Total | Grand total |
| Public support and revenues: | | | | | | | |
| Public support: | | | | | | | |
| Government grants | $ 86,199 | $ - | $ 86,199 | $ 38,500 | $ - | $ 38,500 | $ 124,699 |
| Contributions and donations | 1,681,732 | 933,782 | 2,615,514 | 793,628 | 2,500 | 796,128 | 3,411,642 |
| Fundraising events, net of direct donor benefit costs of $148,212 | 171,613 | - | 171,613 | 39,000 | - | 39,000 | 210,613 |
| Total public support | 1,939,544 | 933,782 | 2,873,326 | 871,128 | 2,500 | 873,628 | 3,746,954 |
| Revenue: | | | | | | | |
| Admissions | 2,133,919 | - | 2,133,919 | - | - | - | 2,133,919 |
| Contract income | 272,863 | - | 272,863 | - | - | - | 272,863 |
| Net investment return | 162,354 | 271,299 | 433,653 | 419,327 | - | 419,327 | 852,980 |
| Change in value of trust - Note 5 | - | - | - | - | 2,688,065 | 2,688,065 | 2,688,065 |
| Gain/(loss) on disposal of assets | 129,618 | - | 129,618 | - | - | - | 129,618 |
| Other income | 8,043 | - | 8,043 | - | - | - | 8,043 |
| Total revenue | 2,706,797 | 271,299 | 2,978,096 | 419,327 | 2,688,065 | 3,107,392 | 6,085,488 |
| Net assets released from restrictions | 948,171 | (383,873) | 564,298 | (564,298) | - | (564,298) | - |
| Total public support and revenues | 5,594,512 | 821,208 | 6,415,720 | 726,157 | 2,690,565 | 3,416,722 | 9,832,442 |
| Expenses: | | | | | | | |
| Program services | 4,759,529 | - | 4,759,529 | - | - | - | 4,759,529 |
| General and administrative | 684,225 | - | 684,225 | - | - | - | 684,225 |
| Fundraising | 478,213 | - | 478,213 | - | - | - | 478,213 |
| Total expenses | 5,921,967 | - | 5,921,967 | - | - | - | 5,921,967 |
| Change in net assets | (327,455) | 821,208 | 493,753 | 726,157 | 2,690,565 | 3,416,722 | 3,910,475 |
| Net assets, beginning of year | 790,912 | 2,729,150 | 3,520,062 | 647,142 | 10,262,346 | 10,909,488 | 14,429,550 |
| Net assets, end of year | $ 463,457 | $ 3,550,358 | $ 4,013,815 | $ 1,373,299 | $ 12,952,911 | $ 14,326,210 | $ 18,340,025 |

See Accompanying Notes.

**TUCSON SYMPHONY SOCIETY**
STATEMENT OF ACTIVITIES
Year ended June 30, 2023

| | Without donor restrictions | | | With donor restrictions | | | |
|---|---|---|---|---|---|---|---|
| | Operating | Board designated | Total | Time and purpose | Permanent | Total | Grand total |
| Public support and revenues: | | | | | | | |
| Public support: | | | | | | | |
| Government grants | $ 807,723 | $ - | $ 807,723 | $ - | $ - | $ - | $ 807,723 |
| Contributions and donations | 1,469,818 | - | 1,469,818 | 226,080 | 147,500 | 373,580 | 1,843,398 |
| Fundraising events, net of direct donor benefit costs of $113,137 | 144,113 | - | 144,113 | 11,000 | - | 11,000 | 155,113 |
| Total public support | 2,421,654 | - | 2,421,654 | 237,080 | 147,500 | 384,580 | 2,806,234 |
| Revenue: | | | | | | | |
| Admissions | 2,156,380 | - | 2,156,380 | - | - | - | 2,156,380 |
| Contract income | 165,796 | - | 165,796 | - | - | - | 165,796 |
| Net investment return | 53,994 | 178,339 | 232,333 | 297,091 | - | 297,091 | 529,424 |
| Change in value of trust - Note 5 | - | - | - | - | 475,157 | 475,157 | 475,157 |
| Gain/(loss) on disposal of assets | (3,375) | - | (3,375) | - | - | - | (3,375) |
| Other income | 17,415 | - | 17,415 | - | - | - | 17,415 |
| Total revenue | 2,390,210 | 178,339 | 2,568,549 | 297,091 | 475,157 | 772,248 | 3,340,797 |
| Net assets released from restrictions | 707,818 | (132,685) | 575,133 | (575,133) | - | (575,133) | - |
| Total public support and revenues | 5,519,682 | 45,654 | 5,565,336 | (40,962) | 622,657 | 581,695 | 6,147,031 |
| Expenses: | | | | | | | |
| Program services | 4,600,253 | - | 4,600,253 | - | - | - | 4,600,253 |
| General and administrative | 585,813 | - | 585,813 | - | - | - | 585,813 |
| Fundraising | 482,560 | - | 482,560 | - | - | - | 482,560 |
| Total expenses | 5,668,626 | - | 5,668,626 | - | - | - | 5,668,626 |
| Change in net assets | (148,944) | 45,654 | (103,290) | (40,962) | 622,657 | 581,695 | 478,405 |
| Net assets, beginning of year | 939,856 | 2,683,496 | 3,623,352 | 688,104 | 9,639,689 | 10,327,793 | 13,951,145 |
| Net assets, end of year | $ 790,912 | $ 2,729,150 | $ 3,520,062 | $ 647,142 | $ 10,262,346 | $ 10,909,488 | $ 14,429,550 |

See Accompanying Notes.

**TUCSON SYMPHONY SOCIETY**
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2024

| | Program services | General and administrative | Fundraising | Total |
|---|---|---|---|---|
| Salaries, wages, and fringe benefits | $ 2,795,379 | $ 510,073 | $ 351,666 | $ 3,657,118 |
| Contracted services | 983,640 | 37,144 | 21,815 | 1,042,599 |
| Marketing | 232,466 | - | 21,094 | 253,560 |
| Depreciation | 68,021 | 31,450 | 8,181 | 107,652 |
| Occupancy | 246,478 | 29,902 | 15,516 | 291,896 |
| Professional services | - | 20,666 | - | 20,666 |
| Licenses, fees and dues | 147,430 | 23,420 | 16,367 | 187,217 |
| Bad debt expense (recovery) | - | - | 6,698 | 6,698 |
| Equipment | 210,822 | 4,937 | 3,605 | 219,364 |
| Interest | - | 9,045 | - | 9,045 |
| Other | 29,380 | 16,750 | 32,434 | 78,564 |
| Insurance | 45,913 | 838 | 837 | 47,588 |
| Total expenses, per Statement of Activities | 4,759,529 | 684,225 | 478,213 | 5,921,967 |
| Direct donor benefit, netted against fundraising event revenue | - | - | 148,212 | 148,212 |
| Total functional expenses | $ 4,759,529 | $ 684,225 | $ 626,425 | $ 6,070,179 |

See Accompanying Notes.

**TUCSON SYMPHONY SOCIETY**
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023

| | Program services | General and administrative | Fundraising | Total |
|---|---|---|---|---|
| Salaries, wages, and fringe benefits | $ 2,627,345 | $ 448,250 | $ 399,165 | $ 3,474,760 |
| Contracted services | 997,372 | 22,301 | 23,786 | 1,043,459 |
| Marketing | 269,878 | - | 22,094 | 291,972 |
| Depreciation | 56,918 | 26,318 | 6,845 | 90,081 |
| Occupancy | 267,357 | 26,661 | 15,492 | 309,510 |
| Professional services | - | 18,080 | - | 18,080 |
| Licenses, fees and dues | 129,301 | 17,260 | 3,617 | 150,178 |
| Bad debt expense (recovery) | 2,650 | - | (7,802) | (5,152) |
| Equipment | 184,624 | 5,309 | 3,355 | 193,288 |
| Interest | - | 10,759 | - | 10,759 |
| Other | 29,421 | 10,103 | 15,494 | 55,018 |
| Insurance | 35,387 | 772 | 514 | 36,673 |
| Total expenses, per Statement of Activities | 4,600,253 | 585,813 | 482,560 | 5,668,626 |
| Direct donor benefit, netted against fundraising event revenue | - | - | 113,137 | 113,137 |
| Total functional expenses | $ 4,600,253 | $ 585,813 | $ 595,697 | $ 5,781,763 |

See Accompanying Notes.

**TUCSON SYMPHONY SOCIETY**
STATEMENT OF CASH FLOWS
Year ended June 30, 2024

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Change in net assets | $ 493,753 | $ 3,416,722 | $ 3,910,475 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | | |
| Write-off of uncollectible contribution receivable | - | 6,250 | 6,250 |
| Discount on unconditional promises to give | - | 4,122 | 4,122 |
| Contributions restricted to endowment | - | (2,500) | (2,500) |
| Endowment net investment (return) | (271,299) | (419,327) | (690,626) |
| Change in value of interest in remainder trust | - | (2,688,065) | (2,688,065) |
| Depreciation expense | 107,652 | - | 107,652 |
| Loss on disposal of property and equipment | 13,300 | - | 13,300 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable - admissions | 11,702 | - | 11,702 |
| Government grants receivable | 209,899 | (38,500) | 171,399 |
| Contributions receivable | (59,095) | (347,250) | (406,345) |
| Prepaid expenses and deposits | (86,227) | - | (86,227) |
| Bequests receivable | (33,782) | - | (33,782) |
| Other assets | (12,999) | (3,546) | (16,545) |
| Accounts payable and accrued expenses | (36,610) | - | (36,610) |
| Deferred revenue | (40,403) | - | (40,403) |
| Net cash provided by (used in) operating activities | 295,891 | (72,094) | 223,797 |
| Cash flows from investing activities: | | | |
| Purchase of property and equipment | (79,896) | - | (79,896) |
| Purchases of certificates of deposit/ reinvested interest | (2,079,711) | - | (2,079,711) |
| Proceeds from the sale/redemption of other investments | 1,330,663 | - | 1,330,663 |
| (Addition to)/withdrawal from endowment | 143,994 | 49,270 | 193,264 |
| Net cash provided by (used in) investing activities | (684,950) | 49,270 | (635,680) |
| Cash flows from financing activities: | | | |
| Collection of contributions - endowment | - | 2,500 | 2,500 |
| Principal payments on notes payable | (43,888) | - | (43,888) |
| Net cash provided by (used in) financing activities | (43,888) | 2,500 | (41,388) |
| Net change in cash and cash equivalents | (432,947) | (20,324) | (453,271) |
| Cash and cash equivalents, beginning of year | 1,272,729 | 338,397 | 1,611,126 |
| Cash and cash equivalents, end of year | $ 839,782 | $ 318,073 | $ 1,157,855 |
| Supplemental cash flow information - Note 14 | | | |

See Accompanying Notes.

**TUCSON SYMPHONY SOCIETY**
STATEMENT OF CASH FLOWS
Year ended June 30, 2023

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Change in net assets | $ (103,290) | $ 581,695 | $ 478,405 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | | |
| Write-off of uncollectible contribution receivable | - | 10,435 | 10,435 |
| Discount on unconditional promises to give | - | 3,645 | 3,645 |
| Contributions restricted to endowment | - | (147,500) | (147,500) |
| Endowment net investment (return) | (178,339) | (297,091) | (475,430) |
| Change in value of interest in remainder trust | - | (475,157) | (475,157) |
| Depreciation expense | 90,081 | - | 90,081 |
| Loss on disposal of property and equipment | 3,375 | - | 3,375 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable - admissions | 6,617 | - | 6,617 |
| Government grants receivable | 142,803 | - | 142,803 |
| Contributions receivable | 7,837 | 196,240 | 204,077 |
| Prepaid expenses and deposits | 692 | - | 692 |
| Bequests receivable | 295,000 | (45,000) | 250,000 |
| Other assets | (12,008) | - | (12,008) |
| Accounts payable and accrued expenses | 75,509 | - | 75,509 |
| Deferred revenue | 30,785 | - | 30,785 |
| Net cash provided by (used in) operating activities | 359,062 | (172,733) | 186,329 |
| Cash flows from investing activities: | | | |
| Purchase of property and equipment | (170,719) | - | (170,719) |
| Purchases of certificates of deposit/ reinvested interest | (500,000) | - | (500,000) |
| Proceeds from the sale/redemption of other investments | 301,271 | - | 301,271 |
| (Addition to)/withdrawal from endowment | 80,286 | 113,339 | 193,625 |
| Net cash provided by (used in) investing activities | (289,162) | 113,339 | (175,823) |
| Cash flows from financing activities: | | | |
| Collection of contributions - endowment | - | 147,500 | 147,500 |
| Principal payments on notes payable | (42,174) | - | (42,174) |
| Net cash provided by (used in) financing activities | (42,174) | 147,500 | 105,326 |
| Net change in cash and cash equivalents | 27,726 | 88,106 | 115,832 |
| Cash and cash equivalents, beginning of year | 1,245,003 | 250,291 | 1,495,294 |
| Cash and cash equivalents, end of year | $ 1,272,729 | $ 338,397 | $ 1,611,126 |
| Supplemental cash flow information - Note 14 | | | |

See Accompanying Notes.

## NOTE 1 – Organization

Tucson Symphony Society (Society) is a nonprofit organization that supports and manages a professional symphony orchestra and produces symphonic concerts, educational programs and other musical performances in Tucson, Arizona and surrounding communities. The majority of the Society's support is obtained through ticket sales and contributions.

## NOTE 2 – Summary of significant accounting policies

*Cash and cash equivalents*

The Society considers cash and highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include short-term certificates of deposit and money market accounts which are stated at market value, which approximates cost.

*Accounts and grants receivable*

Accounts receivable consist of amounts due for scheduled community events and scheduled performances. Grants receivable consist of governmental grants awarded to the Society but not yet received. Management believes all amounts are collectible and, therefore, has not established an allowance for uncollectible amounts. There are no amounts greater than 90 days past due as of either June 30, 2024 or 2023.

*Promises to give*

The Society records unconditional promises to give (contributions receivable) that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Society determines the allowance for uncollectable promises to give based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor’s ability to pay. Promises to give are written off when deemed uncollectable.

*Bequests receivable*

Bequests are recognized as contribution revenue when the Society has an irrevocable right to the gift as determined by applicable court declarations, and the amount can be reasonably estimated. The revenue and related receivable are recorded at the present value of the amount which management estimates it will collect. Bequests receivable that are expected to be collected within one year are recorded at their net realizable value and classified as current. Bequests receivable that are expected to be collected in future years are recorded at the estimated net realizable value and classified as noncurrent.

*Investments*

Investments in marketable securities with readily determinable fair values are stated at their fair values in the statements of financial position. Net investment income/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Certificates of deposits (CDs) are other investments that are not a debt security. CDs with original maturities greater than one year with remaining maturities less than one year are classified as current. Certificates of deposit with remaining maturities greater than one year are classified as non-current.

**NOTE 2 – Summary of significant accounting policies** – continued

*Property and equipment*

Purchased property and equipment in excess of $5,000 is capitalized at cost. Donated property and equipment is recorded at fair value at the date of the donation. The cost of repairs and maintenance is charged to expense in the year incurred. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

| | |
|---|---|
| Building and improvements | 5-30 years |
| Concert equiment | 5-10 years |
| Computer equipment and software | 3-5 years |
| Office furniture and equipment | 5-10 years |
| Musical instruments | 5-10 years |
| Music library | 5-25 years |

The Society reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Society has determined that there were no indicators of asset impairment as of either June 30, 2024 or 2023.

*Fund accounting and net asset classifications*

To ensure observance of limitations and restrictions placed on the use of resources available to the Society, the financial records of the Society are maintained on the accrual basis of accounting utilizing "fund accounting" and by applying the provisions of the State of Arizona's Management of Charitable Funds Act to endowment funds. Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specific activities and objectives. Separate accounts are maintained for each fund.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net assets without donor restrictions** – Net assets available for use in general operations and not subject to donor restrictions. The Board of Trustees has designated, from net assets without donor restrictions, net assets for a board-designated quasi-endowment and a board-designated operating reserve.

**Net assets with donor restrictions** – Net assets subject to donor (or grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity.

The Society reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**NOTE 2 – Summary of significant accounting policies** – continued

*Endowments*

The Society's endowment consists of eleven donor-restricted funds established for a variety of purposes, and one quasi-endowment of net assets without donor restrictions, designated by the Board of Trustees. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Arizona adopted the Management of Charitable Funds Act (the Act). The Board of Trustees of the Society adheres to the Act as implemented by the State of Arizona, and the Society's Investment Policy Statement (IPS), in managing the endowment fund and in making decisions to appropriate or accumulate donor-restricted endowment funds.

The accumulated investment earnings on donor-restricted funds are classified as net assets with donor restrictions, subject to spending policy or appropriation, until those amounts are appropriated for expenditure by the Society in a manner consistent with the IPS and the standards of prudence prescribed by the Act and other applicable law.

Accordingly, the Society considers the following factors in making a determination to appropriate or accumulate endowment 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

*Revenue and revenue recognition*

Season ticket revenue is recognized during the related concert season. Season ticket revenue collected prior to year-end and applicable to the following season is recorded as deferred revenue. Payments received prior to year-end for future community contract engagements are recorded as deferred revenue, and the related contract income is recognized as the contract engagements are performed.

Fundraising events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Society recognizes fundraising events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Society recognizes the contribution element of fundraising event revenue immediately, unless there is a right of return if the special event does not take place.

All goods and services are transferred at a point in time.

The Society recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2024 and 2023, conditional grants totaling $200,000 and $0, respectively, have not been recognized as revenue in the accompanying financial statements.

**NOTE 2 – Summary of significant accounting policies** – continued

*In-kind contributions*

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services receive. The Society does not sell donated gifts-in-kind. Contributed goods are recorded at fair value at the date of donation. Any contributions of such goods or services received during the years ended June 30, 2024 and 2023 were not material to the financial statements taken as a whole.

Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although the Society's volunteers contribute significant amounts of time to program services, administration and fundraising activities, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

*Functional allocation of expenses*

The Society allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified to a specific functional area are allocated directly according to their natural classification. Certain other expenses are allocated among the program services and supporting services benefited. Allocation methodologies include a time study for certain employee wages split between program and support services, allocations by square footage occupied for shared building and depreciation expenses, full-time equivalent (FTE) allocation of services, equipment and supplies used, and a headcount allocation of insurance expenses. Wages and contracted expenses for accounting, payroll, human resources, and professional services remain in the General and Administrative functional area and are not allocated to programs.

*Advertising*

The Society does not participate in direct-response advertising which requires the capitalization and amortization of related costs. For the years ended June 30, 2024 and 2023 advertising costs totaled $185,822 and $221,826, respectively, included in marketing expense in the accompanying statements of functional expenses.

*Operating leases*

The Society leases certain office equipment at various terms under long-term non-cancelable operating lease agreements. The leases expire at various dates through 2028. In addition, the equipment operating lease agreement requires the Society to pay usage fees.

During the year ended June 30, 2023, the Society adopted Accounting Standards Update (ASU) No. 2016-02, *Leases,* which requires lessees to recognize leases with terms of twelve months or more on the statement of financial position and disclose key information about leasing arrangements. The Society has elected to use a modified retrospective transition approach as of the effective date of the standard (July 1, 2022), with a cumulative-effect adjustment to net assets in the amount of $0.

**NOTE 2 – Summary of significant accounting policies** – continued

The weighted-average discount rate is based on the discount rate implicit in the lease. The Society has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Society has applied the risk-free rate option to the office equipment class of assets.

The Society has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. In addition, immaterial assets and liabilities are not recognized for long-term leases. Lease payments for these leases are recognized on straight-line basis.

The Society has elected the practical expedient to not separate lease and non-lease components for equipment leases.

*Income tax status*

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(VI) and has been classified as an organization other than a private Society under Section 509(a)(2).

Management of the Society considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the organization's status as a not-for-profit entity. Management believes that the Society met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. Accordingly, the Society has not filed an *Exempt Organization Business Income Tax Return* (Form 990-T) with the Internal Revenue Service (IRS) for either of the years ended June 30, 2024 or 2023.

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Fair value measurements*

Fair value measurements are determined based on the assumptions—referred to as inputs—that market participants would use in pricing the asset or liability. A fair value hierarchy distinguishes between market participant assumptions and the Society's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are the Society's own assumptions about what market participants would assume based on the best information available in the circumstances.

*Level 1 inputs*. A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value.

*Level 2 inputs*. These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. They include quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates or yield curves) that are

**NOTE 2 – Summary of significant accounting policies** – continued

observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3 inputs*. These inputs are unobservable and are used to measure fair value only when observable inputs are not available. These inputs reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

*Financial instruments and credit risk*

The Society maintains cash in bank deposit accounts with financial institutions believed to be creditworthy. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to $250,000 per institution. At times, amounts on deposit may exceed federally insured limits. As of June 30, 2024, there was no uninsured cash. To date, the Society has not experienced losses in any of these accounts.

Cash and investments held by other institutions are covered up to $500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, the SIPC does not protect against losses in market value. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Board of Trustees believes that the investment policies and guidelines are prudent for the long-term welfare of the organization. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that such changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Trustees and others supportive of the Society's mission; however, there is a potential credit risk and accounting loss that could occur if all parties to the receivables fail to perform their obligations for the stated amounts.

*Reclassifications*

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**NOTE 3 – Liquidity, availability and sustainability**

Trustee-designated amounts consist of funds designated by the Board as a quasi-endowment and an operating reserve. Although the Society intends to hold the board-designated endowment in perpetuity (other than amounts appropriated for expenditure as part of the Board's annual budget - See Note 10), the Board has the discretion to make these funds available for operations, if necessary, as the quasi-endowment is made up of unrestricted financial resources. The designated operating reserve is subject to internal purpose restrictions and is also made up of unrestricted financial resources.

**NOTE 3 – Liquidity, availability and sustainability** – continued

Endowments with donor restrictions on the use of earnings are not available for general expenditure. Earnings on endowments not restricted by donors are available for expenditure in accordance with the spending policy of the Society.

The Society maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Society maintains a line of credit in the amount of $500,000 that can be drawn upon as needed to manage cash flow.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, follow on June 30:

| | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents | $ 839,782 | $ 1,272,729 |
| Accounts and grants receivable | 31,076 | 252,677 |
| Contributions receivable, current | 84,900 | 25,805 |
| Certificates of deposit | 1,249,048 | 500,000 |
| Bequests receivable | 103,782 | 70,000 |
| Investments | 2,268,854 | 2,141,549 |
| | 4,577,442 | 4,262,760 |
| Less: Trustee-designated net assets: | | |
| Operating reserves | (819,884) | (587,601) |
| Maestro's Vision | (400,000) | - |
| Quasi-endowment | (2,330,474) | (2,141,549) |
| | (3,550,358) | (2,729,150) |
| | $ 1,027,084 | $ 1,533,610 |

**NOTE 4 – Contributions receivable**

The Society has an ongoing campaign to help raise funds for current and future symphony seasons. The balances due related to this campaign are scheduled to be paid in future years as follows at June 30, 2024:

| | Without donor restrictions | With donor restrictions: Time & purpose restrictions | With donor restrictions: Endowment | Total |
|---|---|---|---|---|
| Year ended June 30, 2025 | $ 84,900 | $ 502,750 | $ - | $ 587,650 |
| 2026 | - | 125,000 | - | 125,000 |
| 2027 | - | 120,000 | - | 120,000 |
| 2028 | - | 120,000 | - | 120,000 |
| | 84,900 | 867,750 | - | 952,650 |
| Interest at 4.99% | - | (18,210) | - | (18,210) |
| Allowance for uncollectible amounts | - | (18,250) | - | (18,250) |
| | 84,900 | 831,290 | - | 916,190 |
| Less: current portion | (84,900) | (502,750) | - | (587,650) |
| Non-current portion, net | $ - | $ 328,540 | $ - | $ 328,540 |

**NOTE 4 – Contributions receivable –** continued

Contributions receivable are scheduled to be paid in future years as follows at June 30, 2023:

| | Without donor restrictions | With donor restrictions | | |
|---|---|---|---|---|
| | | Time & purpose restrictions | Endowment | Total |
| Year ended June 30, 2024 | $ 25,805 | $ 280,500 | $ - | $ 306,305 |
| 2025 | - | 240,000 | - | 240,000 |
| 2026 | - | - | - | - |
| | 25,805 | 520,500 | - | 546,305 |
| Interest at 3.92% | - | (14,088) | - | (14,088) |
| Allowance for uncollectible amounts | - | (12,000) | - | (12,000) |
| | 25,805 | 494,412 | - | 520,217 |
| Less: current portion | (25,805) | (280,500) | - | (306,305) |
| Non-current portion, net | $ - | $ 213,912 | $ - | $ 213,912 |

See Note 11 for fair value measurements.

**NOTE 5 – Beneficial interests in remainder trusts**

The Society is the named beneficiary of a charitable remainder unitrust established in 2005. The donor has indicated that the assets of the trust are to be added to the Society's endowment fund. Changes in the fair value of the Society's interest in the trust assets are reflected as gains or losses in the statement of activities in the period they occur. The assets of the trust as of June 30, 2024 and 2023 consist of investments in the amount of $189,563 and $171,745, respectively.

During the year ended June 30, 2020, the Society was listed as a beneficiary in an irrevocable trust. According to the trust documents, the primary beneficiary (an individual unrelated to the Society) received regular distributions from the income generated by the trust assets throughout the duration of her life. The distributions from the charitable remainder trust to the primary beneficiary in any one year are limited to the lesser of 5% of the fair value of the trust assets at the previous year end, or the income generated by the trust assets in the previous year. The primary beneficiary was not entitled to any of the principal of the assets held in the trust. After such obligations are fulfilled, the remaining assets held in the trust will be distributed in equal shares to the eight charitable organizations named in the agreement, to be held by each organization as a permanent endowment.

The amount recognized was the estimated fair value of its beneficial interest based on the Society's share of the present value of the assets held in the trusts, using an estimated 2.6% interest rate, as of the date it became irrevocable and utilizing Internal Revenue Service guidelines and factor tables for calculating the present value of a remainder. Changes in the fair value of the Society's interest in the trust assets are reflected as gains or losses in the statement of activities in the period they occur. The beneficial interests in the trust as of June 30, 2023 was $6,427,528 and was reported net of the estimated discount to net present value of $1,602,566. See Note 11 for fair value measurements.

During the year ended June 30, 2024, the primary beneficiary deceased and a bequest receivable was recognized by the Society in the amount of $9,097,775.

**NOTE 6 – Property and equipment**

Property and equipment at June 30, 2024 and 2023 consisted of the following:

| | 2024 | 2023 |
|---|---|---|
| Building and improvements | $ 1,780,875 | $ 1,634,338 |
| Concert equipment | 272,551 | 272,551 |
| Computer equipment and software | 159,121 | 99,821 |
| Office furniture and equipment | 11,626 | 11,626 |
| Musical instruments | 427,987 | 371,222 |
| Music library | 178,546 | 173,046 |
| | 2,830,706 | 2,562,604 |
| Less: accumulated depreciation | (2,014,294) | (1,906,642) |
| | $ 816,412 | $ 655,962 |

**NOTE 7 – Line of credit**

During the year ended June 30, 2024, the Society entered into a revolving line of credit with a maximum borrowing amount of $500,000. The line of credit has no stated maturity date and is secured by the Society's real property. Interest will be payable at a variable rate of 1.5% above the prime rate. The balance on the line of credit was $0 as of June 30, 2024.

**NOTE 8 – Notes payable**

The Society has a note payable to a bank collateralized by the Society's building. In January 2022, the variable interest rate was modified to a fixed interest rate of 3.99% per annum. Payments are due in monthly installments of $4,411. Final payment is due in July 2028. The outstanding balance at June 30, 2024 and 2023 was $199,048 and $242,935, respectively.

Subsequent to year-end, the Society finalized a note payable to a financing company in the amount of $250,459 for the purchase of a solar energy system. Payments are due in monthly installments of $1,937 for a term of 10 years beginning on the earlier of the installation date of the system or 18 months from the first funding distributions to the solar installer, including interest at 4.99% per annum. A balloon payment in the amount of $77,500 is due within two years, upon the receipt of a direct-pay tax credit.

Required principal payments on the notes payable are as follows:

| | |
|---|---|
| Year ending June 30, 2025 | $ 45,720 |
| 2026 | 59,030 |
| 2027 | 139,897 |
| 2028 | 68,228 |
| Thereafter | 87,679 |
| | 400,554 |
| Less: current portion | (45,720) |
| Non-current portion | $ 354,834 |

**NOTE 9 – Net assets with donor restrictions**

Net assets with donor restrictions were as follows for the year ended June 30, 2024:

| | Beginning balance | Contributions | Net investment income | Releases/ Reclassifications | Ending balance |
|---|---|---|---|---|---|
| Specified purpose: | | | | | |
| Concert sponsorship | $ 25,000 | $ 88,750 | $ - | $ (25,000) | $ 88,750 |
| Cotillion Ball | 30,000 | 19,000 | - | (30,000) | 19,000 |
| Capital repairs | 6,000 | - | - | (531) | 5,469 |
| Education | - | 150,000 | - | - | 150,000 |
| Other | 1,999 | 20,000 | - | (1,999) | 20,000 |
| | 62,999 | 277,750 | - | (57,530) | 283,219 |
| Timing - | | | | | |
| Future symphony seasons | 598,613 | 593,378 | - | (379,450) | 812,541 |
| Endowments: | | | | | |
| Subject to appropriation and expenditure (purpose): | | | | | |
| Accumulated earnings on endowment gifts | (14,470) | - | 419,327 | (127,318) | 277,539 |
| Not subject to spending policy and appropriation: | | | | | |
| Gifts - investments | 3,663,073 | 2,500 | - | 9,097,775 | 12,763,348 |
| Gifts - beneficial interest In trusts | 6,599,273 | - | 2,688,065 | (9,097,775) | 189,563 |
| | 10,262,346 | 2,500 | 2,688,065 | - | 12,952,911 |
| Total endowments | 10,247,876 | 2,500 | 3,107,392 | (127,318) | 13,230,450 |
| | $ 10,909,488 | $ 873,628 | $ 3,107,392 | $ (564,298) | $ 14,326,210 |

**NOTE 9 – Net assets with donor restrictions –** continued

Net assets with donor restrictions were as follows for the year ended June 30, 2023:

| | Beginning balance | Contributions | Net investment income | Releases/ Reclassifications | Ending balance |
|---|---|---|---|---|---|
| Specified purpose: | | | | | |
| Concert sponsorship | $ 125,000 | $ 25,000 | $ - | $ (125,000) | $ 25,000 |
| Cotillion Ball | 19,000 | 30,000 | - | (19,000) | 30,000 |
| Capital repairs | 31,000 | - | - | (25,000) | 6,000 |
| Education | - | - | - | - | - |
| Other | 15,732 | 2,000 | - | (15,733) | 1,999 |
| | 190,732 | 57,000 | - | (184,733) | 62,999 |
| Timing - | | | | | |
| Future symphony seasons | 686,633 | 180,080 | - | (268,100) | 598,613 |
| Endowments: | | | | | |
| Subject to appropriation and expenditure (purpose): | | | | | |
| Accumulated earnings on endowment gifts | (189,261) | - | 297,091 | (122,300) | (14,470) |
| Not subject to spending policy and appropriation: | | | | | |
| Gifts - investments | 3,515,573 | 147,500 | - | - | 3,663,073 |
| Gifts - beneficial interest In trusts | 6,124,116 | - | 475,157 | - | 6,599,273 |
| | 9,639,689 | 147,500 | 475,157 | - | 10,262,346 |
| Total endowments | 9,450,428 | 147,500 | 772,248 | (122,300) | 10,247,876 |
| | $ 10,327,793 | $ 384,580 | $ 772,248 | $ (575,133) | $ 10,909,488 |

**NOTE 10 – Endowments**

*Funds with deficiencies*

The Act permits spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of $0 and $14,470 were reported in net assets with donor restrictions as of June 30, 2024 and 2023, respectively.

*Investment return objectives, risk parameters and strategies*

The Society has an Investment Committee that is responsible for the broad design, oversight, and implementation of the endowment funds' investment activities. The Investment Committee selects, engages, and monitors a qualified Outsourced Chief Investment Officer (OCIO). As a fiduciary, the discretionary OCIO is hired to select the institutional investments of the Society. The OCIO may select individual investments or investment funds directly or hire investment managers to perform the work.

The Society has adopted investment and spending policies for endowment assets with the objective of providing a predictable stream of funding to operations while also maintaining the purchasing power of the endowment funds over the long-term.

**NOTE 10 – Endowments** – continued

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible.

The Society's primary objective is for its endowment assets, over time, to produce an average rate of return of at least the return of the Society's spending policy, net of fees and above inflation on a 5-year rolling average. Actual returns in any given year may vary from this amount. The secondary objective is to attain an average annual return, net of fees, and on a rolling 3-year basis, equal or greater to the appropriate benchmark based on asset allocation. Thoughtful diversification is the primary means by which the Investment Committee expects the funds to attain the stated return objectives and avoid undue risk of losses over long periods of time. The OCIO will manage risk through careful application of asset allocation, diversification, and rebalancing in accordance with prudent fiduciary practices.

*Spending policies*

The Society has a policy that appropriations for distributions from the donor-restricted endowment funds taken each fiscal year may not ordinarily exceed 5% of the average account balance of the ending market values for the prior 12 quarters. The Board may approve distributions that exceed this formula if, in its judgment such distributions are prudent, consistent with the Act, and necessary to support operations of the Society. In the case of donor-endowed accounts with specified spending guidance, withdrawals will be in accordance with donor guidelines. In establishing this policy, the Society considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds and the possible effects of inflation. Unrestricted quasi-endowments generally follow the same spending policy with the purpose to support annual operations.

Changes in endowment net assets consisted of the following for the year ended June 30, 2024:

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Balance, beginning of year | $ 2,141,549 | $ 10,247,876 | $ 12,389,425 |
| Contributions | - | 2,500 | 2,500 |
| Investment return, net | 271,299 | 419,327 | 690,626 |
| Change in value of trust | - | 2,688,065 | 2,688,065 |
| Appropriations/releases | (82,374) | (127,318) | (209,692) |
| Balance, end of year | $ 2,330,474 | $ 13,230,450 | $ 15,560,924 |

Changes in endowment net assets consisted of the following for the year ended June 30, 2023:

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Balance, beginning of year | $ 2,043,496 | $ 9,450,428 | $ 11,493,924 |
| Contributions | - | 147,500 | 147,500 |
| Investment return, net | 178,339 | 297,091 | 475,430 |
| Change in value of trust | - | 475,157 | 475,157 |
| Appropriations/releases | (80,286) | (122,300) | (202,586) |
| Balance, end of year | $ 2,141,549 | $ 10,247,876 | $ 12,389,425 |

**NOTE 10 – Endowments** – continued

Endowment fund assets consisted of the following at June 30, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents | $ 157,269 | $ 171,197 |
| Bequests receivable | 9,142,775 | 45,000 |
| Investments | 6,071,317 | 5,573,955 |
| Beneficial interest in trusts | 189,563 | 6,599,273 |
| | $ 15,560,924 | $ 12,389,425 |

**NOTE 11 – Fair value measurements**

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024:

| | Level 1 | Level 3 | Total |
|---|---|---|---|
| Mutual funds | $ 6,071,317 | $ - | $ 6,071,317 |
| Beneficial interest in trusts | $ - | $ 189,563 | $ 189,563 |

The fair value of assets measured on a recurring basis at June 30, 2023 are the following:

| | Level 1 | Level 3 | Total |
|---|---|---|---|
| Mutual funds | $ 5,573,955 | $ - | $ 5,573,955 |
| Beneficial interest in trusts | $ - | $ 6,599,273 | $ 6,599,273 |

Activity measured on a recurring basis for Level 3 investments consisted of the following for the years ended June 30, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Balance, beginning of year | $ 6,599,273 | $ 6,124,116 |
| Conversion to bequest receivable | (9,097,775) | - |
| Change in value of trust | 2,688,065 | 475,157 |
| Balance, end of year | $ 189,563 | $ 6,599,273 |

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a non-recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

| | Level 3 | |
|---|---|---|
| | 2024 | 2023 |
| Assets: | | |
| Contributions receivable | $ 916,190 | $ 520,217 |

**NOTE 11 – Fair value measurements** – continued

*Valuation*

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2024 and 2023.

The following is a description of the valuation methodologies used for assets measured at fair value.

- *Equities, fixed income:* Valued at fair value based on national trade listing.
- *Mutual funds:* Valued at the net asset value ("NAV") of shares held by the Society at year end.
- *Beneficial interests in remainder trusts:* Valued at the fair value of the underlying investments as reported by the third party.
- *Contribution*s *receivable*: Initially valued using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NOTE 12 – Retirement plans**

The Society has a qualified 403(b) retirement savings plan covering substantially all employees. Under the Plan, employees may elect to contribute a specified percentage or a fixed dollar amount of their salary to the plan. The Plan also allows the Society to make a discretionary matching contribution. During the years ended June 30, 2024 and 2023, the Society contributed $15,980 and $17,592, respectively, to the Plan.

**NOTE 13 – Operating leases**

Total operating lease costs for office equipment were $28,869 and $26,824 for the years ended June 30, 2024 and 2023, respectively. The weighted-average remaining lease term was 2.5 years at June 30, 2024. The weighted-average discount rate was 3.70% at June 30, 2024. The future minimum lease payments under non-cancelable operating leases with terms greater than one year are as follows:

| | |
|---|---|
| Year ending June 30, 2025 | $ 24,588 |
| 2026 | 24,588 |
| 2027 | 4,651 |
| 2028 | 3,489 |
| Total lease payments | 57,316 |
| Less interest | (7,330) |
| | $ 49,986 |

**NOTE 14 – Supplemental cash flow information**

Cash paid for interest was $9,045 and $10,759 during the years ended June 30, 2024 and 2023, respectively. No cash was paid for income taxes during either of the years ended June 30, 2024 or 2023.

**NOTE 14 – Supplemental cash flow information** – continued

*Non-cash transactions*

Reinvested dividends were $142,241 and $129,513 during the years ended June 30, 2024 and 2023, respectively. During the year ended June 30, 2024, the primary beneficiary of a charitable remainder trust deceased and a bequest receivable was recognized by the Society in the amount of $9,097,775. During the year ended June 30, 2024, the Society began installing a solar energy system, which was financed by a financing company. Total payments by the financing company to the solar company were $201,506 as of June 30, 2024. The note payable was finalized subsequent to June 30, 2024.

**NOTE 15 – Subsequent events**

Subsequent events have been evaluated through November 5, 2024 which is the date the financial statements were available to be issued.