

JACKSONVILLE SYMPHONY ASSOCIATION, INC.

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

**with
INDEPENDENT AUDITORS' REPORT**

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INDEPENDENT AUDITORS' REPORT

**Board of Directors of
Jacksonville Symphony Association, Inc.**

Opinion

We have audited the accompanying financial statements of Jacksonville Symphony Association, Inc. (the "Symphony") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Symphony as of June 30, 2023 and 2022, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Symphony and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; 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.

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 the Symphony's ability to continue as a going concern for one year after the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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 GAAS 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 can arise from fraud or error and 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 GAAS, we:

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

We are 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 we identified during the audit.

Smith and Howard

Atlanta, GA
November 9, 2023

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

| | <u>2023</u> | <u>2022</u> |
|--|---------------------------------|---------------------------------|
| Cash and cash equivalents | \$ 2,184,612 | \$ 752,980 |
| Contributions receivable, net | 5,837,308 | 793,606 |
| Other receivables | 6,319 | 526,018 |
| Investments | 22,443,632 | 18,299,989 |
| Beneficial interest in assets held by community foundation | 440,520 | 411,273 |
| Prepaid expenses | 87,376 | 95,556 |
| Right-of-use asset | 329,967 | - |
| Property and equipment, net | <u>404,696</u> | <u>337,548</u> |
| Total Assets | <u><u>\$ 31,734,430</u></u> | <u><u>\$ 21,216,970</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|--|---------------------------------|---------------------------------|
| Accounts payable and accrued expenses | \$ 661,518 | \$ 646,761 |
| Deferred revenue - concert ticket sales and sponsorships | 973,610 | 1,002,388 |
| Operating lease liability | <u>335,016</u> | <u>-</u> |
| Total Liabilities | <u><u>1,970,144</u></u> | <u><u>1,649,149</u></u> |
| Net Assets | | |
| Without donor restrictions | 23,149,819 | 18,322,821 |
| With donor restrictions | <u>6,614,467</u> | <u>1,245,000</u> |
| Total Net Assets | <u><u>29,764,286</u></u> | <u><u>19,567,821</u></u> |
| Total Liabilities and Net Assets | <u><u>\$ 31,734,430</u></u> | <u><u>\$ 21,216,970</u></u> |

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

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|--|---|--------------------------|
| Revenues | | | |
| Ticket sales and concert fees | \$ 3,465,839 | \$ - | \$ 3,465,839 |
| Contributions | 9,569,164 | 5,519,467 | 15,088,631 |
| Governmental grants | 584,245 | - | 584,245 |
| Fundraising activities | 411,967 | - | 411,967 |
| Other revenue | 102,092 | - | 102,092 |
| Endowment distribution for Symphony operations | 1,284,294 | - | 1,284,294 |
| Net assets released from restriction | <u>150,000</u> | <u>(150,000)</u> | <u>-</u> |
| Total Revenues and Other Support | <u>15,567,601</u> | <u>5,369,467</u> | <u>20,937,068</u> |
| Expenses | | | |
| Program expenses | | | |
| Performances | 8,186,568 | - | 8,186,568 |
| Education | 343,349 | - | 343,349 |
| Supporting expenses | | | |
| Managerial | 2,700,459 | - | 2,700,459 |
| Fundraising | <u>1,063,722</u> | <u>-</u> | <u>1,063,722</u> |
| Total Expenses | <u>12,294,098</u> | <u>-</u> | <u>12,294,098</u> |
| Changes in Net Assets from Operations | <u>3,273,503</u> | <u>5,369,467</u> | <u>8,642,970</u> |
| Nonoperating Activities | | | |
| Net investment gain | 2,808,542 | - | 2,808,542 |
| Endowment transfer to operations | (1,284,294) | - | (1,284,294) |
| Change in beneficial trust held at the Community Foundation | <u>29,247</u> | <u>-</u> | <u>29,247</u> |
| | 1,553,495 | - | 1,553,495 |
| Changes in Net Assets | <u>4,826,998</u> | <u>5,369,467</u> | <u>10,196,465</u> |
| Net Assets, Beginning of Year | <u>18,322,821</u> | <u>1,245,000</u> | <u>19,567,821</u> |
| Net Assets, End of Year | <u>\$ 23,149,819</u> | <u>\$ 6,614,467</u> | <u>\$ 29,764,286</u> |

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

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

| | <u>Without Donor</u> <u>Restrictions</u> | <u>With Donor</u> <u>Restrictions</u> | <u>Total</u> |
|--|---|--|-----------------------------|
| Revenues | | | |
| Ticket sales and concert fees | \$ 2,766,865 | \$ - | \$ 2,766,865 |
| Contributions | 5,682,374 | - | 5,682,374 |
| Governmental grants | 1,929,322 | - | 1,929,322 |
| Fundraising activities | 433,150 | - | 433,150 |
| Other revenue | 82,282 | - | 82,282 |
| Endowment distribution for Symphony operations | 1,129,000 | - | 1,129,000 |
| Net assets released from restriction | <u>600,000</u> | <u>(600,000)</u> | <u>-</u> |
| Total Revenues and Other Support | <u>12,622,993</u> | <u>(600,000)</u> | <u>12,022,993</u> |
| Expenses | | | |
| Program expenses | | | |
| Performances | 7,348,889 | - | 7,348,889 |
| Education | 290,803 | - | 290,803 |
| Supporting expenses | | | |
| Managerial | 2,287,639 | - | 2,287,639 |
| Fundraising | <u>900,806</u> | <u>-</u> | <u>900,806</u> |
| Total Expenses | <u>10,828,137</u> | <u>-</u> | <u>10,828,137</u> |
| | | | |
| Changes in Net Assets from Operations | <u>1,794,856</u> | <u>(600,000)</u> | <u>1,194,856</u> |
| Nonoperating Activities | | | |
| Net investment loss | (2,720,198) | - | (2,720,198) |
| Endowment transfer to operations | (1,129,000) | - | (1,129,000) |
| Gain on sale of property and equipment | 50,000 | - | 50,000 |
| Change in beneficial trust held at the Community Foundation | <u>(91,212)</u> | <u>-</u> | <u>(91,212)</u> |
| | (3,890,410) | - | (3,890,410) |
| | | | |
| Changes in Net Assets | <u>(2,095,554)</u> | <u>(600,000)</u> | <u>(2,695,554)</u> |
| | | | |
| Net Assets, Beginning of Year | <u>20,418,375</u> | <u>1,845,000</u> | <u>22,263,375</u> |
| | | | |
| Net Assets, End of Year | <u>\$ 18,322,821</u> | <u>\$ 1,245,000</u> | <u>\$ 19,567,821</u> |

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

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

| | <u>Program expenses</u> | | | <u>Support expenses</u> | | <u>Total</u> |
|--------------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| | <u>Performances</u> | <u>Education</u> | <u>Total</u> | <u>Managerial</u> | <u>Fundraising</u> | |
| Expenses | | | | | | |
| Salaries and benefits | \$ 6,187,420 | \$ 241,170 | \$ 6,428,590 | \$ 1,399,719 | \$ 472,655 | \$ 8,300,964 |
| Guest artists and conductors | 722,251 | 27,668 | 749,919 | - | - | 749,919 |
| House personnel | 351,366 | - | 351,366 | - | - | 351,366 |
| Production expenses | 499,322 | - | 499,322 | - | - | 499,322 |
| Services and professional fees | 358,817 | 19,560 | 378,377 | 921,833 | 315,464 | 1,615,674 |
| Office and occupancy | 47,171 | 29,792 | 76,963 | 106,374 | 86,894 | 270,231 |
| Bad debt expense | - | - | - | 121,509 | - | 121,509 |
| Special event expenses | - | - | - | - | 155,548 | 155,548 |
| Depreciation | 16,625 | 10,500 | 27,125 | 29,751 | 30,626 | 87,502 |
| Supplies and travel | <u>3,596</u> | <u>14,659</u> | <u>18,255</u> | <u>121,273</u> | <u>2,535</u> | <u>142,063</u> |
| Total Expenses | <u>\$ 8,186,568</u> | <u>\$ 343,349</u> | <u>\$ 8,529,917</u> | <u>\$ 2,700,459</u> | <u>\$ 1,063,722</u> | <u>\$ 12,294,098</u> |

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

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

| | <u>Program expenses</u> | | | <u>Support expenses</u> | | <u>Total</u> |
|--------------------------------|-------------------------|-----------------------|-------------------------|-------------------------|-----------------------|--------------------------|
| | <u>Performances</u> | <u>Education</u> | <u>Total</u> | <u>Managerial</u> | <u>Fundraising</u> | |
| Expenses | | | | | | |
| Salaries and benefits | \$ 5,394,041 | \$ 218,779 | \$ 5,612,820 | \$ 1,215,952 | \$ 509,905 | \$ 7,338,677 |
| Guest artists and conductors | 656,312 | 11,656 | 667,968 | - | - | 667,968 |
| House personnel | 312,838 | - | 312,838 | - | - | 312,838 |
| Production expenses | 464,020 | - | 464,020 | - | - | 464,020 |
| Services and professional fees | 464,595 | 8,693 | 473,288 | 787,430 | 163,161 | 1,423,879 |
| Office and occupancy | 48,591 | 32,723 | 81,314 | 86,952 | 90,421 | 258,687 |
| Bad debt expense | - | - | - | 438 | - | 438 |
| Special event expenses | - | - | - | - | 118,324 | 118,324 |
| Depreciation | 7,242 | 4,574 | 11,816 | 62,959 | 13,340 | 88,115 |
| Supplies and travel | <u>1,250</u> | <u>14,378</u> | <u>15,628</u> | <u>133,908</u> | <u>5,655</u> | <u>155,191</u> |
| Total Expenses | <u>\$ 7,348,889</u> | <u>\$ 290,803</u> | <u>\$ 7,639,692</u> | <u>\$ 2,287,639</u> | <u>\$ 900,806</u> | <u>\$ 10,828,137</u> |

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

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|--------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ 10,196,465 | \$ (2,695,554) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation expense | 87,502 | 88,115 |
| Bad debt expense | 121,509 | 438 |
| Gain on sale of property and equipment | - | (50,000) |
| Realized and unrealized (gain) loss, net | (2,481,575) | 2,821,839 |
| Change in beneficial interest | (29,247) | 91,212 |
| Operating lease expense | 115,038 | - |
| Payments on operating lease obligations | (109,989) | - |
| Changes in: | | |
| Contributions receivables | (5,165,211) | (512,934) |
| Other assets | 527,879 | (10,327) |
| Accounts payable and accrued expenses | 14,757 | (37,201) |
| Deferred revenue | (28,778) | 454,261 |
| Net Cash Provided by Operating Activities | <u>3,248,350</u> | <u>149,849</u> |
| Cash Flows from Investing Activities: | | |
| Proceeds from sale of investments | 4,093,614 | 5,096,447 |
| Purchase of investments | (5,755,682) | (3,240,087) |
| Proceeds from sale of property and equipment | - | 50,000 |
| Purchases of property and equipment | (154,650) | (274,337) |
| Net Cash Provided (Required) by Investing Activities | <u>(1,816,718)</u> | <u>1,632,023</u> |
| Cash Flows from Financing Activities: | | |
| Net payments on line of credit | - | (2,680,881) |
| Net Cash Required by Financing Activities | <u>-</u> | <u>(2,680,881)</u> |
| Change in Cash and Cash Equivalents | 1,431,632 | (899,009) |
| Cash and Cash Equivalents at Beginning of Year | <u>752,980</u> | <u>1,651,989</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 2,184,612</u> | <u>\$ 752,980</u> |

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

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

The Jacksonville Symphony Association is a not-for-profit organization established to encourage and expand musical appreciation in the community.

The Jacksonville Symphony Foundation was a not-for-profit organization established to provide financial assistance and support to the Jacksonville Symphony Association. On June 22, 2023, the Jacksonville Symphony Association and Jacksonville Symphony Foundation reached an agreement to dissolve the Jacksonville Symphony Foundation. In the process of this dissolution, the assets of the Jacksonville Symphony Foundation, which were valued at \$8,464,275, were gifted and transferred to the Jacksonville Symphony Association (the “Symphony”).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Symphony follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Policies

Effective July 1, 2022, the Symphony adopted Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The objective of this ASU is to increase transparency and comparability in financial reporting by requiring statement of financial position recognition of leases and note disclosure of certain information about lease arrangements. The Symphony adopted ASU 2016-02 using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment to net assets recognized upon adoption, if necessary. Adoption of ASU 2016-02 did not result in changes to the Symphony’s beginning net asset balance. Additionally, upon adoption, the Symphony elected to use risk-free discount rate (United States Treasury Yield Curve Rate), an option only available to private entities, when calculating the present value of future lease payments and has made an accounting policy election to not recognize lease assets and lease liabilities for leases with terms of 12 months or less. Adoption of this ASU resulted in the Symphony recording a right-of-use (“ROU”) asset and operating lease liability of \$433,915 on July 1, 2022, which represented the present value of future lease payments on the Symphony’s office lease further detailed in Note 12 at the date of adoption. Operating lease expense continues to be recorded on a straight-line basis throughout the lease term and the ROU asset and corresponding operating lease liability are reduced as lease payments are made.

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

The Symphony's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, contributions receivable, and investments. At times, cash and cash equivalents exceeds federally insured amounts. The Symphony believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors contributions receivable balances and believes that its exposure to credit risk is limited. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

Investments

Investments are carried at fair value. The investment return of the Symphony includes interest and dividends and realized and unrealized gains and losses. Investment income (interest and dividends) and gains and losses on investments carried at fair value are recorded as increases or decreases in net assets without donor restrictions unless their use is restricted for purpose or restricted by explicit donor stipulations or by law. Income is recognized from interest and dividends as earned

Investments and Beneficial Interest in Assets Held by Community Foundation of Northeast Florida

Investments and the beneficial interest in assets held by community foundation are carried at fair value. Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in the statements of activities.

Property and Equipment

Property and equipment with values of \$1,000 or more, and a useful life longer than a year, are capitalized. Property and equipment are stated at historical cost. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in Operations. Depreciation is provided over the estimated useful life (3 to 10 years) of the related assets using the straight-line method. Leasehold improvements recorded at the inception of the lease are amortized over the life of the lease, or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the amortization period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonably assured).

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

The Symphony periodically reviews property and equipment for indicators of potential impairment. If this review indicates that the carrying amount of these assets may not be recoverable, the Symphony estimates the future cash flows expected to result from the operations of the asset and its eventual disposition. If the sum of these future cash flows (undiscounted and without interest charges) is less than the carrying amounts of the asset, the Symphony records an impairment loss based on the fair value of the asset. No impairments were deemed to exist at June 30, 2023 or 2022.

Net Asset Classifications

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 (or certain grantor) restrictions. These are presented as undesignated and board designated.

Net Assets With Donor Restrictions – Net assets subject to donor-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 resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Recognition of Revenue

Ticket Sales and Concert Fees

The Symphony recognizes revenue for ticket sales and concert fees on the satisfaction of performance obligations. Performance obligations are determined based on the service provided by the Symphony. Ticket sales and concert fee revenues are associated with tickets sold for shows produced by the Symphony. Ticket sales are recognized when the show occurs for which the ticket relates. Amounts not earned by the end of the fiscal year are reported as deferred revenue. Advanced ticket sales outstanding at June 30, 2022 of \$742,410 were recognized in revenue in 2023. The balance of advanced ticket sales at June 30, 2023 of \$784,782 will be recognized in fiscal year 2024.

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue (Continued)

Governmental Grants

Employee Retention Tax Credit - As part of the Coronavirus Aid, Relief and Economic Stabilization Act (the “CARES” Act), employers have the option to participate in the Employee Retention Tax Credit (“ERTC”). The ERTC is a benefit provided through payroll tax credits to encourage maintaining employee headcounts throughout the Coronavirus pandemic. As of June 30, 2022, the Symphony had a receivable of \$521,000 and is included within other receivables on the accompanying statement of financial position. During 2023, the Symphony received the final ERTC payment.

A portion of the Symphony’s revenue is derived from federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Symphony has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period 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 met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted using a risk-adjusted rate appropriate for the expected term of the promise to give. Amortization of the discount is recorded as contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management’s judgment, including such factors as prior collection history, type of contribution and nature of fund-raising activity.

All contributions are considered available for the Symphony’s general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date received. Contributions of cash or other assets to be used to acquire property and equipment are recorded as donor restricted; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenue (Continued)

Contributions (Continued)

The Symphony records the value of donated goods or services as in-kind contributions when there is an objective basis available to measure their value. Donated services of a professional or skilled nature are presented at the estimated value of such services. Donated materials are reflected in the accompanying statements at their estimated value at date of receipt.

A substantial number of volunteers have donated significant amounts of their time to the Symphony. When that time includes services that require specialized skills or enhance nonfinancial assets and would otherwise require to be purchased, in-kind values are recorded as contributions and expenses in the statements of activities. Donated services and goods were not significant at June 30, 2023 and 2022.

Fundraising Activities

Fundraising activities consists primarily of special event revenue which is recognized as revenue when the event takes place.

Income Taxes

The Symphony's as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

The Symphony evaluates its tax positions for any uncertainties based on the technical merits of the positions taken. The Symphony recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Symphony has analyzed the tax positions taken and has concluded that as of June 30, 2023 and 2022, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements.

Management is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, including federal and certain state taxing authorities. With few exceptions, at June 30, 2023, the Symphony is no longer subject to U.S. federal, state or local income tax examinations by taxing authorities for years before 2020. As of and for the years ended June 30, 2023 and 2022, the Symphony did not have a liability for any unrecognized taxes. The Symphony has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Expenses that can be identified with a specific function are charged directly to that function, whereas costs common to multiple functions have been allocated. Salaries and wages, benefits and payroll taxes are allocated based on employee estimates of the percentage of time spent in each function. Facilities, telecommunications, office, printing, supplies and insurance expenses are allocated based on salary allocations. These functions are defined as follows:

Program Services – The costs related to providing services related to the Symphony’s mission.

Managerial – Activities that provide governance, oversight, business and financial management, financial recordkeeping, budgeting, legal, and human resource management services.

Fundraising – Activities include publicizing and conducting fundraising campaigns, maintaining donor lists, conducting fundraising events, and any other activities that solicit contributions from corporations, foundations, individuals and others. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Subsequent events

We have evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

NOTE 3 – FAIR VALUE MEASUREMENTS – INVESTMENTS

FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities;

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 inputs that are both significant to the fair value measurement and unobservable.

The asset's 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, 2023 and 2022.

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – FAIR VALUE MEASUREMENTS – INVESTMENTS (Continued)

The table below represents fair value measurement hierarchy of the Symphony’s assets at fair value as of June 30:

| | <u>2023</u> | | | |
|---|---------------------|---------------------|-------------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Money market funds | \$ 5,242,981 | \$ - | \$ - | \$ 5,242,981 |
| Corporate stocks | 8,322,742 | - | - | 8,322,742 |
| Mutual funds | 174,490 | - | - | 174,490 |
| Corporate bonds | - | 1,857,774 | - | 1,857,774 |
| Beneficial interest trust | - | - | 440,520 | 440,520 |
| Total assets at fair value | <u>\$13,740,213</u> | <u>\$ 1,857,774</u> | <u>\$ 440,520</u> | 16,038,507 |
| Cash (interest-bearing) | | | | 612,818 |
| Investments at NAV* expedient | | | | <u>6,232,827</u> |
| Total investments and beneficial interest trust | | | | <u>\$22,884,152</u> |

| | <u>2022</u> | | | |
|---|---------------------|-------------------|-------------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Money market funds | \$ 3,411,074 | \$ - | \$ - | \$ 3,411,074 |
| Corporate stocks | 6,418,107 | - | - | 6,418,107 |
| Mutual funds | 2,605,584 | - | - | 2,605,584 |
| Corporate bonds | - | 137,008 | - | 137,008 |
| Beneficial interest trust | - | - | 411,273 | 411,273 |
| Total assets at fair value | <u>\$12,434,765</u> | <u>\$ 137,008</u> | <u>\$ 411,273</u> | 12,983,046 |
| Cash (interest-bearing) | | | | 103,308 |
| Investments at NAV* expedient | | | | <u>5,624,908</u> |
| Total investments and beneficial interest trust | | | | <u>\$18,711,262</u> |

(*) Certain investments that are measured at fair value using the net asset value (“NAV”) per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – FAIR VALUE MEASUREMENTS – INVESTMENTS (Continued)

Level 3 Measurements

Beneficial Interest in Perpetual Trusts and Charitable Remainder Trust

Fair value for the irrevocable beneficial interests are measured using the fair value of the assets held in the trust as reported by the respective trustees as of June 30, 2023 and 2022. The Symphony considers the measurement of its beneficial interest in these trusts to be a Level 3 measurement within the fair value hierarchy as further described in Note 4.

Measured at NAV per Share or Equivalent

The significant unobservable inputs used in the fair value measurement of the Symphony's alternative investments are subject to market risks resulting from changes in the market value of its investments. Investments measured at NAV per share or equivalent may be sold at amounts different than the NAV per share due to various restriction and redemptive requirements as described below.

| Alternative Investment | | Fair Value at June 30, 2023 | Fair Value at June 30, 2022 |
|-------------------------------|-----|--|--|
| 683 Capital Partners | (a) | \$ 1,181,243 | \$ 971,657 |
| Lone Pine Capital, LLC | (b) | 722,659 | 1,155,745 |
| Semper Vic Partners, L.P. | (c) | 4,328,925 | 3,497,506 |
| | | \$ 6,232,827 | \$ 5,624,908 |

(a) 683 Capital Partners, L.P. emphasizes fundamental – company and industry-specific – research in selecting investments. It targets dislocations and special investment situations occurring across all industries and geographies. It is primarily invested in long-short equities and distressed debt as well as equity options and interest rate swap contracts. 683 Capital Partners, L.P. allows for quarterly redemptions and requires at least a 75 day notice period.

(b) Lone Pine Capital, LLC's provides investors with compound annual long-term returns that are superior to the broad market averages while having less risk than the overall stock market. To accomplish this, the partnership invests primarily in public equity securities of U.S. and non-U.S. issuers. The partnership also invests (no more than 5% of partners' capital) in private placement securities, may utilize both over-the-counter and exchange traded instruments (including derivative instruments such as options, swaps, and futures on equities and equity indices and other equity derivatives), invest in other funds and invest in the high yield and convertible fixed income markets. The partnership does not engage in speculative trading in the interest rate, currency or physical commodities markets. Lone Pine Capital, LLC, allows for quarterly redemptions and requires at least a 60 day notice period

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 – FAIR VALUE MEASUREMENTS – INVESTMENTS (Continued)

Measured at NAV per Share or Equivalent (Continued)

- (c) Semper Vic Partners, L.P., is a limited partnership whose purpose is to serve as a fund through which the assets of its partners may be utilized in investing, holding and trading in securities, other financial instruments and rights and options relating thereto. Semper Vic Partners, L.P., allows for quarterly redemptions and requires at least a 30 day notice period.

NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Symphony transferred assets to the Community Foundation for Northeast Florida (“Community Foundation”), which is holding them as an endowed component fund (the “Fund”) for the benefit of the Symphony. The Fund is reported as beneficial interest in assets held by Community Foundation in the consolidating statements of activities in accordance with Statements of Financial Accounting Standards No. 136, Transfers of Assets to a Not-for-Profit Symphony or Charitable Trust that Raises or Holds Contributions for Others, which was codified within FASB Accounting Standards Codification (“ASC”) 958-605 principally in sections 15 and 25.

The Symphony has granted the Community Foundation variance power, which gives the Community Foundation’s Board of Trustees the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Community Foundation’s investment and spending policies which currently result in a distribution to the Symphony of 5% of the average quarterly value over the previous 12 quarters. The Symphony reports the fair value of the Fund as a beneficial interest in assets held by community foundation in the consolidating statements of financial position and reports distributions received as investment income. Changes in the value of the Fund are reported as gains or losses in the statement of activities. The beneficial interest in assets held by the Community Foundation was \$440,520 and \$411,273 at June 30, 2023 and 2022, respectively.

The beneficial interest in assets held by community foundation has been valued, as a practical expedient, at the fair value of the Symphony’s share of the Community Foundation’s investment pool as of the measurement date. The Community Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Community Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Community Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The Symphony is also the beneficiary, but not the legal owner, of twelve designated donor endowments held and controlled by the Community Foundation. Since these funds are held in donor advised funds, the Symphony does not record the endowed funds as assets. For the years ended June 30, 2023 and 2022, the Symphony received income earned on these endowment funds of approximately \$257,000 and \$223,000, respectively, and has recorded these as contributions in the accompanying statements of activities.

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

| | <u>2023</u> | <u>2022</u> |
|--------------------------------|--------------------|--------------------|
| Furniture and fixtures | \$ 1,117,807 | \$ 1,068,429 |
| Instruments | 616,988 | 563,509 |
| Stage sets | 122,508 | 92,302 |
| Leasehold improvements | <u>366,541</u> | <u>344,953</u> |
| Total property and equipment | 2,223,844 | 2,069,193 |
| Less: accumulated depreciation | <u>(1,819,148)</u> | <u>(1,731,645)</u> |
| Property and equipment, net | <u>\$ 404,696</u> | <u>\$ 337,548</u> |

Depreciation expense for the years ended June 30, 2023 and 2022 was approximately \$88,000.

NOTE 6 – LINE OF CREDIT

The Symphony has a \$3,500,000 asset-based revolving line of credit with a bank which is due on demand and bears interest at the SOFR plus 1.50%, an effective rate of 6.6% at June 30, 2023. The line matures November 18, 2023 and is secured by assets held in the Symphony's brokerage account that had a balance of \$8,874,207 at June 30, 2023. The Symphony may borrow up to 75% of the collateral's value. There were no outstanding borrowings on the line of credit at June 30, 2023 and 2022.

NOTE 7 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at June 30:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|--------------------|
| Unconditional promises expected to be collected in: | | |
| Less than one year | \$ 2,552,775 | \$ 635,215 |
| Between one to five years | <u>3,513,183</u> | <u>252,500</u> |
| Total contributions | 6,065,958 | 887,715 |
| Less: discount to present value | (107,332) | (64,282) |
| Less: allowance for uncollectible contributions | <u>(121,318)</u> | <u>(29,827)</u> |
| Total contributions | <u>\$ 5,837,308</u> | <u>\$ 793,606</u> |

Contributions have been discounted by a 2% annual rate of interest. One donor represented 66% of contributions receivable at June 30, 2023. Five donors represented 84% of contributions receivable at June 30, 2022.

**JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8 – GRANT PROGRAMS – CITY OF JACKSONVILLE

The Symphony applied for and received a grant from the Cultural Council of Greater Jacksonville, Inc. (the “City”) for the years ended June 30, 2023 and 2022 as outlined in the table below. The Symphony requests funds to support the 2022-2023 and 2020-2022 seasons of programs, music education and community enrichment. The Symphony also received a capital grant during 2023. The City of Jacksonville grant funding for the fiscal year ending is as follows:

| | City FY <u>2021-2022</u> | City FY <u>2022-2023</u> |
|------------------------------------|-------------------------------------|-------------------------------------|
| Amount of Award(s) | \$ 333,342 | \$ 431,745 |
| Amount Received 7/1/21 - 6/30/22 | 241,070 | - |
| Amount Received 7/1/22 - 6/30/23 | - | 303,967 |
| Amount Received 7/1/21 - 6/30/22 | 80,357 | - |
| Amount Received 7/1/22 - 6/30/23 | <u>11,915</u> | <u>19,842</u> |
| Amount remaining to be distributed | <u>\$ -</u> | <u>\$ 107,936</u> |

Expenditures of City Funds

**Expenditure of City Funds
City FY 2021/22 CSGP**

| | Approved Budget | Actual Expenditures 10/1/2021 - 6/30/2022 | Actual Expenditures 7/1/2021 - 9/30/2022 | Total Expenditures | Remaining Balance |
|----------|----------------------------|--|---|-------------------------------|------------------------------|
| Salaries | \$ 321,427 | \$ 241,070 | \$ 80,357 | \$ 321,427 | \$ - |
| Total | <u>\$ 321,427</u> | <u>\$ 241,070</u> | <u>\$ 80,357</u> | <u>\$ 321,427</u> | <u>\$ -</u> |

**Expenditure of City Funds
City FY 2021/22 Capital Grant**

| | Approved Budget | Actual Expenditures 10/1/2021 - 6/30/2022 | Actual Expenditures 7/1/2021 - 9/30/2022 | Total Expenditures | Remaining Balance |
|-------------------------------------|----------------------------|--|---|-------------------------------|------------------------------|
| Repairs, Equipment and Materials | \$ 11,915 | \$ - | \$ 11,915 | \$ 11,915 | \$ - |
| Total | <u>\$ 11,915</u> | <u>\$ -</u> | <u>\$ 11,915</u> | <u>\$ 11,915</u> | <u>\$ -</u> |

**JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8 – GRANT PROGRAMS – CITY OF JACKSONVILLE (Continued)

City FY 2022/23 CSGP

| | Approved Budget | Actual Expenditures 10/1/22 - 6/30/23 | Remaining Balance |
|----------|----------------------------|--|------------------------------|
| Salaries | \$ 405,289 | \$ 303,967 | \$ 101,322 |
| Total | <u>\$ 405,289</u> | <u>\$ 303,967</u> | <u>\$ 101,322</u> |

City FY 2022/23 Capital Grant

| | Approved Budget | Actual Expenditures 10/1/22 - 6/30/23 | Remaining Balance |
|-------------------------------------|----------------------------|--|------------------------------|
| Repairs, Equipment and Materials | \$ 26,456 | \$ 19,842 | \$ 6,614 |
| Total | <u>\$ 26,456</u> | <u>\$ 19,842</u> | <u>\$ 6,614</u> |

NOTE 9 – MULTI-EMPLOYER PLAN

The Symphony contributes to the American Federation of Musicians and Employers’ Pension Plan (“Pension Plan”), a multiemployer defined benefit pension plan, under the terms of a collective-bargaining agreement, see Note 12, which covers its union-represented musicians. The risks of participating in a multiemployer plan are different from single-employer plan in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Symphony chooses to stop participating in the Pension Plan, the Symphony may be required to pay the Pension Plan an amount based on the underfunded status of the Pension Plan, referred to as a withdrawal liability.

The Symphony’s participation in the Pension Plan for the periods ended June 30, 2023 and 2022 is outlined in the table below. The EIN/Pension Plan Number column provides the Employer Identification Number (“EIN”) and the three-digit plan number. Unless otherwise noted, the most recent Pension Protection Act (“PPA”) zone status available in 2023 is for the Pension Plan’s year-end at March 31, 2023. The zone status is based on information that the Symphony received from the Pension Plan and is certified by the Pension 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. The FIP/RP Status Pending/Implemented column indicates plans for which a financial improvement plan (“FIP”) or a rehabilitation plan (“RP”) is either pending or has been implemented.

**JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 9 – MULTI-EMPLOYER PLAN (Continued)

The last column lists the expiration date of the collective-bargaining agreement is also disclosed in Note 12, and reflects the Symphony’s commitment to the Pension Plan.

| <u>EIN/Pension Plan Number</u> | <u>Pension Protection Act Zone Status</u> | <u>FIP/RP Status Pending/ Implemented</u> | <u>Contributions for the Year</u> | | <u>Surcharge Imposed</u> | <u>Expiration Date of Collective Bargaining Agreement</u> |
|------------------------------------|---|---|-----------------------------------|----------------------|------------------------------|---|
| | | | <u>June 30, 2023</u> | <u>June 30, 2022</u> | | |
| 51-6120204 Plan 001 | Red | Yes | \$ 254,088 | \$ 199,486 | No | September 3, 2028 |

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2023 and 2022, net assets with donor restrictions were as follows:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Subject to expenditure for specified purpose or passage of time: | | |
| Program | \$ 344,500 | \$ 200,000 |
| Promises to give that are not restricted by donors, but which are unavailable for expenditures until due | <u>5,549,967</u> | <u>325,000</u> |
| | <u>5,894,467</u> | <u>525,000</u> |
| Endowments: | | |
| Investments in perpetuity - Fine Arts | <u>720,000</u> | <u>720,000</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 6,614,467</u> | <u>\$ 1,245,000</u> |

Fine Arts Endowment

The Symphony has three endowment programs (Fine Arts I, Fine Arts II and Fine Arts III) with assets held at Stifel Nicholas. The endowments were set up in order to obtain matching funds from the State of Florida Department of State Division of Cultural Affairs (the “State”). The Symphony contributed \$360,000 and applied for and received \$240,000 from the State for each endowment fund. The Symphony is required, at all times, to maintain \$600,000 for each award in these separate accounts. If the funds fall below \$600,000 the Symphony would be required to refund the State matching contribution. Therefore, the matching contributions from the State of \$720,000 are considered with donor restrictions to be held in perpetuity.

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Fine Arts Endowment (Continued)

As of June 30, 2023 and 2022, the balance of the Fine Arts endowment accounts that have received State matching funds was as follows, and the Symphony was in compliance with the minimum balance requirement.

| | <u>Fine Arts I</u> | <u>Fine Arts II</u> | <u>Fine Arts III</u> |
|--------------------|--------------------|---------------------|----------------------|
| June 30, 2023 | | | |
| Cash | \$ 98 | \$ 87 | \$ 10 |
| Money market funds | 606,896 | 13,267 | 1,100 |
| Mutual funds | - | 590,023 | 660,786 |
| Total | \$ 606,994 | \$ 603,377 | \$ 661,896 |
| | | | |
| | <u>Fine Arts I</u> | <u>Fine Arts II</u> | <u>Fine Arts III</u> |
| June 30, 2022 | | | |
| Cash | \$ 1,316 | \$ 12,364 | \$ 13,798 |
| Money market funds | 220,000 | - | - |
| Mutual funds | 400,400 | 589,680 | 659,960 |
| Total | \$ 621,716 | \$ 602,044 | \$ 673,758 |

NOTE 11 – BOARD DESIGNATED ENDOWMENT

At June 30, 2023 and 2022, the Board had designated endowment in the amount of \$21,723,632 and \$17,579,989, respectively. The Board designated endowment is to support the mission of the Symphony. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as without donor restrictions.

The Symphony has a spending policy of appropriating for distribution each year of no less than 5% and no more than 7% of its Board designated endowment's fair market value at year end. The transfer rate is based on a five year average return. In establishing this policy, the Symphony considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Symphony expects the current spending policy to allow its general endowment fund to grow at an average of 3% annually. This is consistent with the Symphony's objective to maintain, and preferably enhance, the transfer power of its assets in perpetuity.

To achieve that objective, the Symphony has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a diversified asset mix, which includes equity and debt securities and certain approved alternative investments, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%-7%, while growing the fund if possible. Accordingly, the Symphony expects its endowment assets, over time, to produce an average rate of return of approximately 7.5%-9%. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 – BOARD DESIGNATED ENDOWMENT (Continued)

A reconciliation of the board designated endowment funds are as follows for the years ended June 30, 2023 and 2022:

| | |
|--|-----------------------------|
| Board designated net assets at June 30, 2021 | \$ 21,129,188 |
| Transfers in, net | 299,999 |
| Investment loss, net | (2,720,198) |
| Distributions | <u>(1,129,000)</u> |
| Board designated net assets at June 30, 2022 | 17,579,989 |
| Transfers in, net | 2,590,148 |
| Investment loss, net | 2,837,789 |
| Distributions | <u>(1,284,294)</u> |
| Board designated net assets at June 30, 2023 | <u><u>\$ 21,723,632</u></u> |

The distributions to the Symphony's operating fund are consistent with the Symphony's "Endowment Investment and Spending Policy."

NOTE 12 – LEASE COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreement

The Symphony has a collective bargaining agreement with the International Alliance of Theatrical Stage Employees, Local 115, representing its stagehands, which expires in August 31, 2025. The Symphony also has a collective bargaining agreement with the American Federation of Musicians, Local 444, representing its musicians, which is in effect until September 3, 2028.

Operating Leases

As discussed in Note 2, the Symphony adopted ASC 842, Leases, effective July 1, 2022. The Symphony leases the concert hall and its office facility under a noncancelable operating lease through June 30, 2026. The lease has monthly payments of approximately \$8,700 at inception, and a 3% increase on rental fees every year after. The lease agreement includes a rent abatement clause associated with ticket sales ranging from an abatement of \$3,000 for 27,000 tickets sold to \$9,000 for 33,000 tickets sold. As of June 30, 2023, the remaining lease term was 3 years and the discount rate was 2.85%.

At June 30, 2023, the Symphony's operating lease liability comprised of the following:

| | |
|--|--------------------------|
| Gross operating lease liability | \$ 350,163 |
| Less: imputed interest | <u>(15,147)</u> |
| Present value of operating lease liability | <u><u>\$ 335,016</u></u> |

JACKSONVILLE SYMPHONY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 – LEASE COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum lease payments for the operating lease liability as of June 30, 2023 were as follows:

| | |
|-------|-------------------|
| 2024 | \$ 113,288 |
| 2025 | 116,687 |
| 2026 | <u>120,188</u> |
| Total | <u>\$ 350,163</u> |

NOTE 13 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Symphony's management monitors its liquidity so that it is able to cover operating expenses. Management budgets for such costs based on the prior year actual expenses and anticipated future expenses. Budgets are approved by the board of directors in June for the following year. The Symphony has the following financial assets available within one year of the statement of financial position for general expenditures are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,184,612 | \$ 752,980 |
| Contributions receivable, due within one year | 2,552,775 | 635,215 |
| Other receivables | 6,319 | 526,018 |
| Investments allocated for the following year | <u>1,380,100</u> | <u>1,284,294</u> |
| Total | <u>\$ 6,123,806</u> | <u>\$ 3,198,507</u> |

The Symphony's endowment funds consist primarily of board-designated endowments. The investments allocated for the following year is determined based on the Symphony's spending policy. However, if additional funds are needed, the board of directors may elect to transfer above the spending policy in the need for additional liquidity.

As part of the Symphony's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Symphony invests cash in excess of daily requirements in short-term investments. The Symphony's funds are invested conservatively with the primary objective of preservation of capital (including diversification of risk of institutional failure) and liquidity in order to provide sufficient cash to meet obligations in a timely manner and maintain reserves to cover between 5 and 6 months of expenses. This range provides a conservative figure intended to balance the desire to mitigate risks while ensuring that cash needs are met without adding administrative burdens. The Symphony relies on ticket sales, sponsorships and contributions to meet its operating needs. The Symphony also has an available line of credit of \$3,500,000 as of June 30, 2023 if additional liquidity needs occur.