

**BUFFALO PHILHARMONIC ORCHESTRA  
SOCIETY, INC. AND SUBSIDIARY**  
Consolidated Financial Statements and  
Supplemental Information  
August 31, 2023 and 2022  
(With Independent Auditors' Report Thereon)

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees  
Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary:

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary (the BPO) (a nonprofit organization) which comprise the consolidated statements of financial position as of August 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary as of August 31, 2023 and 2022, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the BPO 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 audit opinion.

#### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 BPO'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BPO'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 audits.

### Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

EFPR Group, CPAs, PLLC

Williamsville, New York  
February 8, 2024

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY  
Consolidated Statements of Financial Position  
August 31, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 2,923,454	2,075,377
Investments	725,126	635,809
Pledges receivable	175,500	194,100
Grants and other receivables	126,960	2,442,622
Prepaid expenses and other current assets	<u>350,631</u>	<u>365,030</u>
Total current assets	<u>4,301,671</u>	<u>5,712,938</u>
Property and equipment, at cost	3,940,638	3,838,447
Less accumulated depreciation	<u>(1,365,924)</u>	<u>(1,233,902)</u>
Net property and equipment	<u>2,574,714</u>	<u>2,604,545</u>
Noncurrent portion of pledges receivable, net	7,192	83,999
Assets held in trust	<u>42,782,066</u>	<u>40,466,061</u>
Total assets	<u>\$ 49,665,643</u>	<u>48,867,543</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	132,036	406,146
Accrued expenses	182,043	399,996
Due to Buffalo Philharmonic Orchestra Foundation, Inc.	21,456	21,362
Funds held on behalf of others	247,471	370,423
Deferred revenue	<u>2,008,349</u>	<u>2,004,282</u>
Total current liabilities	<u>2,591,355</u>	<u>3,202,209</u>
Net assets:		
Without donor restrictions	3,456,901	4,350,004
With donor restrictions	<u>43,617,387</u>	<u>41,315,330</u>
Total net assets	<u>47,074,288</u>	<u>45,665,334</u>
Total liabilities and net assets	<u>\$ 49,665,643</u>	<u>48,867,543</u>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY  
Consolidated Statements of Activities  
Years ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions:		
Revenue and other support:		
Concert revenue	\$ 4,170,081	3,476,878
Private support	5,138,919	4,311,745
Public support	1,274,295	1,280,234
Grant revenue:		
Employee retention credit	-	712,137
Shuttered venue operators grant	-	1,345,118
Endowment income	2,308,672	2,091,345
Other income	382,899	71,902
Net assets released from restrictions	<u>106,000</u>	<u>75,000</u>
Total revenue and other support	<u>13,380,866</u>	<u>13,364,359</u>
Expenses:		
Program services:		
Orchestra	7,074,563	6,811,027
Artistic	1,599,144	1,436,608
Production	<u>1,836,820</u>	<u>1,169,123</u>
Total program services	<u>10,510,527</u>	<u>9,416,758</u>
Supporting services:		
Marketing	1,473,732	1,272,309
Management and general	1,445,151	1,382,800
Fundraising	<u>844,559</u>	<u>778,119</u>
Total supporting services	<u>3,763,442</u>	<u>3,433,228</u>
Total expenses	<u>14,273,969</u>	<u>12,849,986</u>
Change in net assets without donor restrictions	<u>(893,103)</u>	<u>514,373</u>
Changes in net assets with donor restrictions:		
Contributions	192,107	210,765
Investment income (loss), net	2,215,950	(3,598,282)
Net assets released from restrictions	<u>(106,000)</u>	<u>(75,000)</u>
Change in net assets with donor restrictions	<u>2,302,057</u>	<u>(3,462,517)</u>
Change in net assets	1,408,954	(2,948,144)
Net assets at beginning of year	<u>45,665,334</u>	<u>48,613,478</u>
Net assets at end of year	<u>\$ 47,074,288</u>	<u>45,665,334</u>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY  
Consolidated Statement of Functional Expenses  
Year ended August 31, 2023  
with comparative totals for 2022

	Program Services				Supporting Services				Total	
	<u>Orchestra</u>	<u>Artistic</u>	<u>Production</u>	<u>Total program services</u>	<u>Marketing</u>	<u>Management and general</u>	<u>Fund-raising</u>	<u>Total supporting services</u>	<u>2023</u>	<u>2022</u>
Wages	\$ 5,220,563	35,707	735,382	5,991,652	361,497	725,198	605,551	1,692,246	7,683,898	7,225,781
Employee benefits	1,268,943	14,483	68,379	1,351,805	55,261	96,094	35,414	186,769	1,538,574	1,493,481
Guest artist/conductor expenses	-	1,543,848	-	1,543,848	-	-	-	-	1,543,848	1,384,117
Production expenses	-	-	898,520	898,520	-	-	-	-	898,520	507,890
Payroll taxes	552,063	5,106	77,409	634,578	41,035	66,076	41,225	148,336	782,914	740,780
Advertising	-	-	-	-	429,403	-	-	429,403	429,403	408,814
Office expenses	11,505	-	11,654	23,159	7,106	84,225	3,988	95,319	118,478	120,672
Marketing and promotion	-	-	-	-	110,236	-	32,866	143,102	143,102	83,756
Bank service fees	-	-	-	-	128,674	14,654	9,558	152,886	152,886	139,782
Special events	-	-	-	-	-	-	51,293	51,293	51,293	69,533
Depreciation	1,106	-	4,424	5,530	8,294	114,327	3,871	126,492	132,022	135,661
Repairs and maintenance	-	-	-	-	26,500	11,700	22,500	60,700	60,700	53,244
Insurance	-	-	-	-	-	58,901	-	58,901	58,901	49,447
Consultants	-	-	-	-	91,759	-	-	91,759	91,759	68,009
Travel	2,674	-	41,052	43,726	178	12,311	4,770	17,259	60,985	25,032
Interest	-	-	-	-	-	9,394	-	9,394	9,394	2,743
Gift shop inventory	-	-	-	-	-	30,676	-	30,676	30,676	14,553
Pre/post concert expenses	-	-	-	-	42,250	-	-	42,250	42,250	37,298
Professional fees	7,080	-	-	7,080	-	14,500	-	14,500	21,580	14,650
Building expenses	-	-	-	-	-	103,051	-	103,051	103,051	64,195
Meals and entertainment	7,537	-	-	7,537	269	12,447	-	12,716	20,253	16,905
Payroll processing fees	-	-	-	-	-	25,334	-	25,334	25,334	19,144
Dues and registration fees	-	-	-	-	-	16,191	1,127	17,318	17,318	19,435
Bad debt	-	-	-	-	-	-	30,000	30,000	30,000	-
Miscellaneous	3,092	-	-	3,092	171,270	50,072	2,396	223,738	226,830	155,064
<b>Total expenses</b>	<b>\$ 7,074,563</b>	<b>1,599,144</b>	<b>1,836,820</b>	<b>10,510,527</b>	<b>1,473,732</b>	<b>1,445,151</b>	<b>844,559</b>	<b>3,763,442</b>	<b>14,273,969</b>	<b>12,849,986</b>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY  
Consolidated Statement of Functional Expenses  
Year ended August 31, 2022

	Program Services			Total program services	Supporting Services			Total supporting services	Total
	Orchestra	Artistic	Production		Marketing	Management and general	Fund- raising		
Wages	\$ 4,991,799	39,252	516,369	5,547,420	366,229	765,048	547,084	1,678,361	7,225,781
Employee benefits	1,256,343	9,168	57,144	1,322,655	57,074	80,553	33,199	170,826	1,493,481
Guest artist/conductor expenses	-	1,384,117	-	1,384,117	-	-	-	-	1,384,117
Production expenses	-	-	507,890	507,890	-	-	-	-	507,890
Payroll taxes	534,704	4,071	62,376	601,151	41,828	59,220	38,581	139,629	740,780
Advertising	-	-	-	-	408,814	-	-	408,814	408,814
Office expenses	9,705	-	9,245	18,950	8,843	87,772	5,107	101,722	120,672
Marketing and promotion	-	-	-	-	61,792	-	21,964	83,756	83,756
Bank service fees	-	-	-	-	103,647	11,274	24,861	139,782	139,782
Special events	-	-	-	-	-	-	69,533	69,533	69,533
Depreciation	1,246	-	4,982	6,228	9,342	115,731	4,360	129,433	135,661
Repairs and maintenance	-	-	-	-	23,250	7,994	22,000	53,244	53,244
Insurance	-	-	-	-	-	49,447	-	49,447	49,447
Consultants	-	-	-	-	68,009	-	-	68,009	68,009
Travel	1,684	-	11,117	12,801	-	8,016	4,215	12,231	25,032
Interest	-	-	-	-	-	2,743	-	2,743	2,743
Gift shop inventory	-	-	-	-	-	14,553	-	14,553	14,553
Pre/post concert expenses	-	-	-	-	37,298	-	-	37,298	37,298
Professional fees	4,900	-	-	4,900	-	9,750	-	9,750	14,650
Building expenses	-	-	-	-	-	64,195	-	64,195	64,195
Meals and entertainment	8,321	-	-	8,321	620	7,964	-	8,584	16,905
Payroll processing fees	-	-	-	-	-	19,144	-	19,144	19,144
Dues and registration fees	-	-	-	-	-	16,835	2,600	19,435	19,435
Miscellaneous	2,325	-	-	2,325	85,563	62,561	4,615	152,739	155,064
Total expenses	<u>\$ 6,811,027</u>	<u>1,436,608</u>	<u>1,169,123</u>	<u>9,416,758</u>	<u>1,272,309</u>	<u>1,382,800</u>	<u>778,119</u>	<u>3,433,228</u>	<u>12,849,986</u>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY  
Consolidated Statements of Cash Flows  
Years ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,408,954	(2,948,144)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	132,022	135,661
Net realized and unrealized (gain) loss on investments	(89,317)	73,165
Net (appreciation) depreciation of assets held in trust	(2,128,091)	3,531,734
Changes in present value of pledges receivable	(4,193)	(6,929)
Changes in:		
Pledges receivable	99,600	(14,101)
Grants and other receivables	2,315,662	(750,078)
Prepaid expenses and other current assets	14,399	(146,421)
Accounts payable	(274,110)	152,736
Accrued expenses	(217,953)	77,215
Due to Buffalo Philharmonic Orchestra Foundation, Inc.	94	(635,583)
Funds held on behalf of others	(122,952)	(406,939)
Deferred revenue	<u>4,067</u>	<u>(102,739)</u>
Net cash provided by (used in) operating activities	<u>1,138,182</u>	<u>(1,040,423)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(102,191)	(85,171)
Net contributions restricted for long-term investments	<u>(187,914)</u>	<u>(254,883)</u>
Net cash used in investing activities	<u>(290,105)</u>	<u>(340,054)</u>
Net change in cash and equivalents	848,077	(1,380,477)
Cash and equivalents at beginning of year	<u>2,075,377</u>	<u>3,455,854</u>
Cash and equivalents at end of year	<u>\$ 2,923,454</u>	<u>2,075,377</u>
Supplemental schedules of cash flow information - cash paid for interest	<u>\$ 9,394</u>	<u>2,743</u>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

August 31, 2023 and 2022

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Buffalo Philharmonic Orchestra Society, Inc. (the Society) maintains a world-class symphonic orchestra serving Western New York State and the Niagara Frontier region. The Society performs classical, pop, progressive and educational concerts to enrich the cultural interests and stimulate the economy in the community in which it operates.

786 Delaware, LLC (the Corporation), a nonprofit organization, is a wholly-owned subsidiary of the Society. The Corporation was formed to manage the operations and maintenance of the building for its tenants, including the Society.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Society and its wholly-owned subsidiary, the Corporation (collectively, the BPO). All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(d) Basis of Presentation

The BPO reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the BPO's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the BPO.

(e) Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) Cash and Equivalents

For purposes of the consolidated statements of cash flows, the BPO considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and equivalents.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Investments

Investments are reported at their fair values based on quoted market prices. Donated investments are recorded at fair value at the date of donation. Realized and unrealized gains and losses are included in the consolidated statements of activities as changes in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

(h) Fair Value Measurements and Disclosures

A framework has been established for measuring fair value. That framework provides 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the BPO has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in inactive markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the assets or liabilities; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 August 31, 2023 and 2022.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated property and equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statements of activities.

(j) Deferred Revenue and Revenue Recognition

(i) Contracts with Customers

Under Accounting Standards Update (ASU) No. 2014-09 (Topic 606) - Revenue from Contracts with Customers, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the BPO expects to be entitled in exchange for these good or services. The primary sources of revenue from contracts with customers for the BPO are as follows:

Concert revenue is recognized in the period in which the concert is performed. Concert revenue is typically refundable up until a certain point before the concert date.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Deferred revenue	\$ <u>1,745,501</u>	<u>1,753,043</u>	<u>1,657,056</u>
Concert revenue	\$ <u>4,170,081</u>	<u>3,476,878</u>	<u>1,032,415</u>

(ii) Contributions and Grants

Under ASU No. 2018-08 - Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made, grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with grant restrictions. Amounts unspent are recorded in the consolidated statements of financial position as deferred revenue.

(k) Contributed Nonfinancial Assets

Donated materials and supplies are reflected in the consolidated financial statements based on the fair market value at the time of the donation.

Donated personal services meeting the requirements for recognition in the consolidated financial statements were not material and have not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Society.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Functional Allocation of Expenses

The costs of providing the BPO's various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated based on direct allocation where related items are allocated to program services and office related items are allocated to management and general.

(m) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the BPO. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

(n) Income Taxes

The BPO is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the consolidated financial statements. The BPO has been classified as a publicly supported organization that is not a private foundation under 509(a) of the Code. The BPO presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the BPO has taken no uncertain tax positions that require adjustment in its consolidated financial statements. U.S. Forms 990 filed by the BPO is subject to examination by taxing authorities. 786 Delaware, LLC is a single-member LLC and a qualified non-profit organization exempt from income taxes under Section 501(a) of the Internal Revenue Code. Accordingly, no provision has been reflected in the accompanying consolidated financial statements.

(o) Subsequent Events

The BPO has evaluated subsequent events through the date of the report which is the date that the consolidated financial statements were available to be issued.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(2) Liquidity

The BPO has \$3,951,040 of financial assets available within one year of the consolidated statement of financial position date consisting of \$2,923,454 in cash and equivalents, \$725,126 of investments, \$175,500 of pledges receivable and \$126,960 in grants and other receivables at August 31, 2023. It is anticipated that the pledges receivable and grants and other receivables will be collected and utilized within one year of the consolidated statement of financial position date. Of the \$3,951,040 financial assets available within one year of the consolidated statement of financial position date above, \$782,130 have contract or donor imposed restrictions. As described further in note 7, the BPO has three available lines of credit for borrowings up to \$1,000,000, which could be drawn on in the event of an unanticipated liquidity need.

(3) Investments

The following table presents information about the BPO's assets that are measured at fair value on a recurring basis as of August 31, 2023 and 2022, and indicates the fair value hierarchy of the valuation techniques the BPO utilized to determine such fair value:

	<u>2023</u>	<u>2022</u>
<u>Level 1</u>		
Equities	\$ 450,692	399,393
Exchange-traded products	<u>274,434</u>	<u>236,416</u>
Total	\$ <u>725,126</u>	<u>635,809</u>

The following are included within investment income and are classified in the consolidated statements of activities as net assets with donor restrictions for the years ended August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Net realized and unrealized gain (loss) on investments	\$ 89,317	(73,165)
Dividends and interest, net of fees	(1,458)	6,617
Assets held in trust appreciation (depreciation) - Community Foundation for Greater Buffalo	485,259	(721,449)
Assets held in trust appreciation (depreciation) - Buffalo Philharmonic Orchestra Foundation, Inc.	<u>1,905,384</u>	<u>(2,562,545)</u>
	2,478,502	(3,350,542)
Less assets held in trust investment expenses	<u>(262,552)</u>	<u>(247,740)</u>
	\$ <u>2,215,950</u>	<u>(3,598,282)</u>

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(4) Pledges Receivable

Pledges receivable are composed of the following at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Gross unconditional promises to give	\$ 217,001	286,601
Less unamortized discount	(4,309)	(8,502)
Less allowance for uncollectible pledges	<u>(30,000)</u>	<u>-</u>
	\$ <u>182,692</u>	<u>278,099</u>
Amounts due in:		
Less than one year	175,500	194,100
One to five years	<u>41,501</u>	<u>92,501</u>
	\$ <u>217,001</u>	<u>286,601</u>

Additionally, as of August 31, 2023 and 2022, the Society was notified of bequest intentions totaling \$15,876,495 and \$15,903,922, respectively. These intentions to give are not recognized in the accompanying consolidated financial statements since there is no written unconditional promise to give.

Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate consistent with the United States Prime Lending Rate (8.50% as of August 31, 2023 and 5.50% as of August 31, 2022) with the amortized discount over the life of the pledges.

(5) Property and Equipment

Property and equipment consisted of the following at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 255,000	255,000
Building	2,167,500	2,167,500
Computer software and equipment	732,666	727,180
Furniture, fixtures and equipment	739,905	643,200
Leasehold improvements	<u>45,567</u>	<u>45,567</u>
	3,940,638	3,838,447
Less accumulated depreciation	<u>(1,365,924)</u>	<u>(1,233,902)</u>
	\$ <u>2,574,714</u>	<u>2,604,545</u>

Depreciation expense amounted to \$132,022 and \$135,661 for the years ended August 31, 2023 and 2022, respectively.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(6) Assets Held in Trust

Assets held in trust consisted of the following at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
The Buffalo Philharmonic Orchestra Foundation, Inc.	\$ 36,888,432	34,983,048
The Society's permanent endowment fund held at the Community Foundation for Greater Buffalo	<u>5,893,634</u>	<u>5,483,013</u>
	\$ <u>42,782,066</u>	<u>40,466,061</u>

The Buffalo Philharmonic Orchestra Foundation, Inc. (the Foundation), a related party, is a not-for-profit corporation whose primary purpose is to receive contributions and maintain a permanent endowment fund for the benefit of the BPO. The Foundation may, at the discretion of its independent Board of Directors, make unrestricted distributions to the BPO not to exceed an amount determined by a formula based on 5% of historical asset fair value averages at the determination date.

Amounts held by the Foundation consist primarily of pledges receivable and a variety of pooled investments sponsored by the Commonfund and Wilmington Trust, an organization that provides a full array of investment advisory services to foundations, endowments, health care institutions and certain other tax exempt institutional investors. Distributions received from the Foundation totaled \$1,630,691 and \$1,439,931 for the years ended August 31, 2023 and 2022, respectively, and are included in endowment income in the accompanying consolidated statements of activities.

The BPO maintains an agency endowment fund at the Community Foundation for Greater Buffalo (CFGB) to accommodate donors who wish to support the BPO through an endowment fund held by a community foundation. The Fund is pooled with other CFGB investment assets and includes money market funds, marketable securities and alternative investments stated at fair value. Values of amounts held by the CFGB are based on the BPO's contributions, plus its allocable share of CFGB net investment earnings, as defined, less any withdrawals or distributions.

Under the terms of an agreement with the CFGB, the BPO receives a distribution based upon the quarterly market value of the Fund in accordance with CFGB's current spending policy percentage, which is 5.25%. Earnings from the endowment fund are recorded as revenue with donor restrictions until appropriated for spending. Distributions received by the BPO, which were available for unrestricted purposes, during the years ended August 31, 2023 and 2022 totaled \$237,546 and \$224,146, respectively, and are included in endowment income in the accompanying consolidated statements of activities.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(6) Assets Held in Trust, Continued

The BPO is also a beneficiary of \$5,759,948 of funds not recorded in these consolidated financial statements, but held in trusts established by others at the CFGB. The income earned on these funds is without donor restrictions and remitted annually to the BPO. Distributions received by the BPO during 2023 and 2022, are included in endowment income in the accompanying consolidated statements of activities and totaled \$246,275 and \$233,530, respectively.

Additional funds of approximately \$4,800,000 are earmarked by the Margaret L. Wendt Foundation, Foundation for Jewish Philanthropies and Louis P. Ciminelli Family Foundation to earn income for the benefit of the BPO. These amounts are also not recorded in these consolidated financial statements. Distributions received by the BPO and included in endowment income during the years ended August 31, 2023 and 2022, amounted to \$194,160 and \$193,738, respectively.

(7) Lines of Credit

The BPO has three working capital lines of credit with total availability of \$1,000,000.

The first line of credit has a maximum availability of \$200,000, which bears interest at the prime rate plus 1.75% (10.25% at August 31, 2023). There was no outstanding balance on the line at August 31, 2023 and 2022.

The second line of credit has a maximum availability of \$300,000, which bears interest at the prime rate plus 1.00% (9.50% at August 31, 2023). There was no outstanding balance on the line at August 31, 2023 and 2022.

The third line of credit has a maximum availability of \$500,000, which bears interest at the prime rate plus 0.50% (9.00% at August 31, 2023). There was no outstanding balance on the line at August 31, 2023 and 2022. The Foundation has guaranteed this line in the aggregate amount of \$500,000.

(8) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cumulative appreciation of endowment assets held at the CFGB	\$ 2,626,193	2,215,572
Pledges received for future operational purposes	53,191	154,998
Montgomery assets held	782,130	694,271
Net assets held in trust by the Foundation	36,888,432	34,983,048
Endowment assets held at CFGB	<u>3,267,441</u>	<u>3,267,441</u>
	<u>\$ 43,617,387</u>	<u>41,315,330</u>

## BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

### Notes to Consolidated Financial Statements, Continued

#### (8) Net Assets With Donor Restrictions, Continued

Pledges of \$106,000 and \$75,000 were released from net assets with donor restrictions to net assets without donor restrictions during the years ended August 31, 2023 and 2022, respectively.

The BPO's Board of Trustees has evaluated the New York State Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this evaluation, the BPO classifies net assets with donor restrictions as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of a donor gift instrument at the time the accumulation is added to the fund.

Investment earnings of endowment assets held at the CFGB, including interest, dividends, realized gains (losses), and appreciation (depreciation), are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Undistributed net appreciation or depreciation of net assets held in trust by the Foundation are presented as adjustments to net assets with donor restrictions.

#### (9) Employee Retention Credit

During the year ended August 31, 2022, the BPO qualified to receive a refundable tax credit for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The calculation used to determine the refundable tax credit was based on the financial activity during the years ended August 31, 2021 and 2020. For the year ended August 31, 2022, the BPO recognized \$712,137 of revenue on the consolidated statement of activities. As of August 31, 2022, the BPO has \$2,294,564 of employee retention credit receivables recorded in the consolidated statement of financial position.

#### (10) Retirement Plans

The BPO has a contributory, tax-deferred annuity plan covering substantially all employees. The BPO is not required to make contributions under this plan.

Additionally, the BPO contributions to the American Federation of Musicians and Employers' Pension Fund on behalf of employees covered by the "Agreement for Collectively Bargained Employees." The Plan is a defined benefit multiemployer plan pursuant to the terms of the collective bargaining agreement, and requires contributions based upon specified percentages of scale wages earned. The risks of participating in the multiemployer plan are different from single-employer plans in the following aspects:

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(10) Retirement Plans, Continued

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

For an individually significant plan, the BPO is required to disclose the Plan's zone status, based upon information received from the Plan and certified by the Plan's actuary. The zone status is based upon criteria outlined in the Pension Protection Act of 2006 (PPA). Based upon this criteria and 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. Funds that are designated in the yellow and red zones are required to have a financial improvement plan (FIP) or rehabilitation plan (RP) pending or implemented. Required annual contributions represent less than 5% of total contributions to the Plan.

The BPO contributed to the following multiemployer plan for pension, health and welfare benefits for each of the years ended August 31, 2023 and 2022:

<u>Plan Name</u>	<u>EIN/Plan Number</u>	<u>Act Zone Status</u>	<u>Pending/ Implemented</u>	<u>Surcharge Imposed</u>	<u>Total Contributions</u>	
					<u>2023</u>	<u>2022</u>
American Federation of Musicians and Employers Pension Fund	51-6120204	Red	Yes	No	\$ 339,168	328,633

(11) Related Party Transactions

The BPO uses the facility at Kleinhans Music Hall for concerts and other large group events. Pursuant to an agreement, the BPO has certain exclusive use rights. The BPO rents the facility on an event-by-event basis. Based on agreement, activity and balances with Kleinhans Music Hall are as follows at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ <u>-</u>	<u>2,293</u>
Accounts payable	\$ <u>53,084</u>	<u>299,351</u>
Funds held on behalf of others	\$ <u>247,471</u>	<u>370,423</u>

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY  
Consolidating Schedule of Financial Position  
August 31, 2023

<u>Assets</u>	Buffalo Philharmonic Orchestra Society, Inc.	786 Delaware, LLC	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash	\$ 2,820,529	102,925	-	2,923,454
Investments	725,126	-	-	725,126
Pledges receivable	175,500	-	-	175,500
Grants and other receivables	125,877	1,083	-	126,960
Prepaid expenses and other current assets	<u>350,631</u>	<u>-</u>	<u>-</u>	<u>350,631</u>
Total current assets	4,197,663	104,008	-	4,301,671
Property and equipment, at cost	1,353,914	2,586,724	-	3,940,638
Less accumulated depreciation	<u>(1,051,105)</u>	<u>(314,819)</u>	<u>-</u>	<u>(1,365,924)</u>
Net property and equipment	<u>302,809</u>	<u>2,271,905</u>	<u>-</u>	<u>2,574,714</u>
Noncurrent portion of pledges receivable, net	7,192	-	-	7,192
Assets held in trust	<u>42,782,066</u>	<u>-</u>	<u>-</u>	<u>42,782,066</u>
Total assets	<u>\$ 47,289,730</u>	<u>2,375,913</u>	<u>-</u>	<u>49,665,643</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	131,915	121	-	132,036
Accrued expenses	182,043	-	-	182,043
Due to Buffalo Philharmonic Orchestra Foundation, Inc.	21,456	-	-	21,456
Funds held on behalf of others	247,471	-	-	247,471
Deferred revenue	<u>2,008,349</u>	<u>-</u>	<u>-</u>	<u>2,008,349</u>
Total current liabilities	<u>2,591,234</u>	<u>121</u>	<u>-</u>	<u>2,591,355</u>
Net assets:				
Without donor restrictions	1,081,109	2,375,792	-	3,456,901
With donor restrictions	<u>43,617,387</u>	<u>-</u>	<u>-</u>	<u>43,617,387</u>
Total net assets	<u>44,698,496</u>	<u>2,375,792</u>	<u>-</u>	<u>47,074,288</u>
Total liabilities and net assets	<u>\$ 47,289,730</u>	<u>2,375,913</u>	<u>-</u>	<u>49,665,643</u>

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY  
Consolidating Schedule of Activities  
Year ended August 31, 2023

	Buffalo Philharmonic Orchestra Society, Inc.	786 Delaware, LLC	Eliminations	Total
Changes in net assets without donor restrictions:				
Revenue and other support:				
Concert revenue	\$ 4,170,081	-	-	4,170,081
Private support	5,138,919	-	-	5,138,919
Public support	1,274,295	-	-	1,274,295
Endowment income	2,308,672	-	-	2,308,672
Other income	316,985	149,323	(83,409)	382,899
Net assets released from restrictions	<u>106,000</u>	<u>-</u>	<u>-</u>	<u>106,000</u>
Total revenue and other support	<u>13,314,952</u>	<u>149,323</u>	<u>(83,409)</u>	<u>13,380,866</u>
Expenses:				
Program services:				
Orchestra	7,074,563	-	-	7,074,563
Artistic	1,599,144	-	-	1,599,144
Production	<u>1,836,820</u>	<u>-</u>	<u>-</u>	<u>1,836,820</u>
Total program services	<u>10,510,527</u>	<u>-</u>	<u>-</u>	<u>10,510,527</u>
Supporting services:				
Marketing	1,473,732	-	-	1,473,732
General and administrative	1,347,961	180,599	(83,409)	1,445,151
Fundraising	<u>844,559</u>	<u>-</u>	<u>-</u>	<u>844,559</u>
Total supporting services	<u>3,666,252</u>	<u>180,599</u>	<u>(83,409)</u>	<u>3,763,442</u>
Total expenses	<u>14,176,779</u>	<u>180,599</u>	<u>(83,409)</u>	<u>14,273,969</u>
Change in net assets without donor restrictions	<u>(861,827)</u>	<u>(31,276)</u>	<u>-</u>	<u>(893,103)</u>
Change in net assets with donor restrictions:				
Contributions	192,107	-	-	192,107
Investment income, net	2,215,950	-	-	2,215,950
Net assets released from restrictions	<u>(106,000)</u>	<u>-</u>	<u>-</u>	<u>(106,000)</u>
Change in net assets with donor restrictions	<u>2,302,057</u>	<u>-</u>	<u>-</u>	<u>2,302,057</u>
Change in net assets	1,440,230	(31,276)	-	1,408,954
Net assets at beginning of year	<u>43,258,266</u>	<u>2,407,068</u>	<u>-</u>	<u>45,665,334</u>
Net assets at end of year	<u>\$ 44,698,496</u>	<u>2,375,792</u>	<u>-</u>	<u>47,074,288</u>