

**BUFFALO PHILHARMONIC ORCHESTRA
SOCIETY, INC. AND SUBSIDIARY**
Consolidated Financial Statements and
Supplemental Information
August 31, 2021 and 2020
(With Independent Auditors' Report Thereon)

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5 - 6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 18
Schedules:	
Schedule 1 - Consolidating Statement of Financial Position	19
Schedule 2 - Consolidating Statement of Activities	20

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary (the BPO) (a nonprofit organization), which comprise the consolidated statements of financial position as of August 31, 2021 and 2020, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary as of August 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information included in Schedules 1 and 2 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 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
January 20, 2022

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
August 31, 2021 and 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and equivalents	\$ 3,455,854	1,197,769
Investments	667,929	628,545
Pledges receivable	150,000	150,198
Grants and other receivables	1,692,544	206,213
Prepaid expenses and other current assets	<u>218,609</u>	<u>276,987</u>
Total current assets	<u>6,184,936</u>	<u>2,459,712</u>
Property and equipment, at cost	3,753,276	3,704,615
Less accumulated depreciation	<u>(1,098,241)</u>	<u>(978,651)</u>
Net property and equipment	<u>2,655,035</u>	<u>2,725,964</u>
Noncurrent portion of pledges receivable, net	107,069	182,460
Assets held in trust	<u>43,783,957</u>	<u>36,119,914</u>
Total assets	<u>\$ 52,730,997</u>	<u>41,488,050</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	253,410	157,218
Accrued expenses	322,781	354,655
Due to Buffalo Philharmonic Orchestra Foundation, Inc.	656,945	58,025
Funds held on behalf of others	777,362	225,771
Deferred revenue	<u>2,107,021</u>	<u>1,565,422</u>
Total current liabilities	<u>4,117,519</u>	<u>2,361,091</u>
Net assets:		
Without donor restrictions	3,835,631	2,053,425
With donor restrictions	<u>44,777,847</u>	<u>37,073,534</u>
Total net assets	<u>48,613,478</u>	<u>39,126,959</u>
Total liabilities and net assets	<u>\$ 52,730,997</u>	<u>41,488,050</u>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statements of Activities
Years ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in net assets without donor restrictions:		
Revenue and other support:		
Concert revenue	\$ 1,032,415	3,135,336
Private support	4,120,119	4,477,981
Public support	1,105,360	1,152,691
Grant revenue:		
Paycheck protection program	1,649,740	1,649,740
Employee retention credit	1,582,427	-
Endowment income	2,201,573	2,064,119
Other income	83,377	473,579
Net assets released from restrictions	<u>113,500</u>	<u>212,115</u>
Total revenue and other support	<u>11,888,511</u>	<u>13,165,561</u>
Expenses:		
Program services:		
Orchestra	5,877,980	6,163,067
Artistic	617,858	885,173
Production	<u>900,253</u>	<u>908,264</u>
Total program services	<u>7,396,091</u>	<u>7,956,504</u>
Supporting services:		
Marketing	755,605	1,117,645
Management and general	1,241,570	1,314,717
Fundraising	<u>713,039</u>	<u>867,977</u>
Total supporting services	<u>2,710,214</u>	<u>3,300,339</u>
Total expenses	<u>10,106,305</u>	<u>11,256,843</u>
Change in net assets without donor restrictions	<u>1,782,206</u>	<u>1,908,718</u>
Changes in net assets with donor restrictions:		
Contributions	79,610	25,000
Transfers to Buffalo Philharmonic Orchestra Foundation, Inc. endowment fund	-	(43,000)
Investment income, net	7,738,203	3,343,934
Net assets released from restrictions	<u>(113,500)</u>	<u>(212,115)</u>
Change in net assets with donor restrictions	<u>7,704,313</u>	<u>3,113,819</u>
Change in net assets	9,486,519	5,022,537
Net assets at beginning of year	<u>39,126,959</u>	<u>34,104,422</u>
Net assets at end of year	<u>\$ 48,613,478</u>	<u>39,126,959</u>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year ended August 31, 2021
with comparative totals for 2020

	Program Services			Total program services	Supporting Services			Total supporting services	Total	
	Orchestra	Artistic	Production		Marketing	Management and general	Fund- raising		2021	2020
Wages	\$ 4,227,178	40,916	402,022	4,670,116	319,364	693,709	565,002	1,578,075	6,248,191	6,571,647
Employee benefits	1,221,114	8,265	60,485	1,289,864	43,486	70,450	34,669	148,605	1,438,469	1,497,552
Guest artist/conductor expenses	-	564,457	-	564,457	-	-	-	-	564,457	837,288
Production expenses	-	-	375,251	375,251	-	-	-	-	375,251	302,525
Payroll taxes	414,629	4,220	46,642	465,491	34,896	41,071	34,935	110,902	576,393	598,827
Advertising	-	-	-	-	80,421	-	-	80,421	80,421	254,716
Office expenses	5,275	-	8,491	13,766	5,037	60,226	2,920	68,183	81,949	90,325
Marketing and promotion	-	-	-	-	59,165	-	22,180	81,345	81,345	111,421
Bank service fees	-	-	-	-	62,099	6,158	15,186	83,443	83,443	94,660
Special events	-	-	-	-	-	-	9,245	9,245	9,245	56,301
Depreciation	945	-	3,782	4,727	7,091	104,463	3,309	114,863	119,590	113,946
Repairs and maintenance	-	-	-	-	24,625	23,868	20,625	69,118	69,118	60,482
Insurance	-	-	-	-	-	40,159	-	40,159	40,159	59,405
Consultants	-	-	-	-	59,598	-	-	59,598	59,598	98,005
Travel	-	-	3,580	3,580	-	1,916	47	1,963	5,543	7,383
Interest	-	-	-	-	-	2,741	-	2,741	2,741	18,520
Gift shop inventory	-	-	-	-	-	6,513	-	6,513	6,513	106,369
Pre/post concert expenses	-	-	-	-	135	-	-	135	135	19,023
Professional fees	2,922	-	-	2,922	-	9,500	-	9,500	12,422	27,188
Building expenses	-	-	-	-	-	63,251	-	63,251	63,251	104,470
Meals and entertainment	583	-	-	583	184	4,334	39	4,557	5,140	6,832
Payroll processing fees	-	-	-	-	-	18,384	-	18,384	18,384	17,821
Dues and registration fees	-	-	-	-	-	16,054	1,754	17,808	17,808	16,528
Bad debt	-	-	-	-	-	-	-	-	-	63,442
Miscellaneous	5,334	-	-	5,334	59,504	78,773	3,128	141,405	146,739	122,167
Total expenses	\$ 5,877,980	617,858	900,253	7,396,091	755,605	1,241,570	713,039	2,710,214	10,106,305	11,256,843

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year ended August 31, 2020

	Program Services			Total program services	Supporting Services			Total supporting services	Total
	Orchestra	Artistic	Production		Marketing	Management and general	Fund- raising		
Wages	\$ 4,456,445	36,322	479,223	4,971,990	370,311	642,703	586,643	1,599,657	6,571,647
Employee benefits	1,252,770	7,916	64,853	1,325,539	53,846	73,028	45,139	172,013	1,497,552
Guest artist/conductor expenses	-	837,288	-	837,288	-	-	-	-	837,288
Production expenses	-	-	302,525	302,525	-	-	-	-	302,525
Payroll taxes	430,057	3,647	47,684	481,388	37,708	43,944	35,787	117,439	598,827
Advertising	-	-	-	-	254,716	-	-	254,716	254,716
Office expenses	8,402	-	7,639	16,041	7,921	62,013	4,350	74,284	90,325
Marketing and promotion	-	-	-	-	80,000	-	31,421	111,421	111,421
Bank service fees	-	-	-	-	70,198	7,903	16,559	94,660	94,660
Special events	-	-	-	-	-	-	56,301	56,301	56,301
Depreciation	814	-	3,256	4,070	6,106	100,921	2,849	109,876	113,946
Repairs and maintenance	-	-	-	-	21,450	18,032	21,000	60,482	60,482
Insurance	-	-	-	-	-	59,405	-	59,405	59,405
Consultants	-	-	-	-	98,005	-	-	98,005	98,005
Travel	860	-	2,588	3,448	204	2,810	921	3,935	7,383
Interest	-	-	-	-	-	18,520	-	18,520	18,520
Gift shop inventory	-	-	-	-	-	106,369	-	106,369	106,369
Pre/post concert expenses	-	-	-	-	19,023	-	-	19,023	19,023
Professional fees	10,738	-	-	10,738	-	16,450	-	16,450	27,188
Building expenses	-	-	-	-	-	104,470	-	104,470	104,470
Meals and entertainment	652	-	496	1,148	99	5,311	274	5,684	6,832
Payroll processing fees	-	-	-	-	-	17,821	-	17,821	17,821
Dues and registration fees	-	-	-	-	-	16,218	310	16,528	16,528
Bad debt	-	-	-	-	-	-	63,442	63,442	63,442
Miscellaneous	2,329	-	-	2,329	98,058	18,799	2,981	119,838	122,167
Total expenses	\$ 6,163,067	885,173	908,264	7,956,504	1,117,645	1,314,717	867,977	3,300,339	11,256,843

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 9,486,519	5,022,537
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	119,590	113,946
Net realized and unrealized gain on investments	(39,384)	(73,418)
Net appreciation of assets held in trust	(7,639,043)	(3,246,656)
Changes in present value of pledges receivable	(54,610)	-
Bad debts	-	63,442
Changes in:		
Pledges receivable	130,199	652,447
Grants and other receivables	(1,486,331)	(91,629)
Prepaid expenses and other current assets	58,378	53,030
Accounts payable	96,192	6,459
Accrued expenses	(31,874)	306,298
Due to Buffalo Philharmonic Orchestra Foundation, Inc.	598,920	36,763
Funds held on behalf of others	551,591	78,259
Deferred revenue	<u>541,599</u>	<u>(1,250,298)</u>
Net cash provided by operating activities	<u>2,331,746</u>	<u>1,671,180</u>
Cash flows from investing activities:		
Property and equipment expenditures	(48,661)	(115,547)
Purchases of investments	-	(100,000)
Net contributions restricted for long-term investments	<u>(25,000)</u>	<u>(25,000)</u>
Net cash used in investing activities	<u>(73,661)</u>	<u>(240,547)</u>
Cash flows from financing activities - net change in line of credit	<u>-</u>	<u>(545,000)</u>
Net change in cash and equivalents	2,258,085	885,633
Cash and equivalents at beginning of year	<u>1,197,769</u>	<u>312,136</u>
Cash and equivalents at end of year	<u>\$ 3,455,854</u>	<u>1,197,769</u>
Supplemental schedules of cash flow information - cash paid for interest	<u>\$ 2,741</u>	<u>18,520</u>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

August 31, 2021 and 2020

(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 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, 2021 and 2020.

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

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the consolidated statements of financial position as deferred revenue.

Concert revenue and related expenses are recognized in the period in which the concert is performed. Amounts expended for the subsequent concert session (for example, cost of brochures, advertising and guest artist advances) are recorded as prepaid expenses in the accompanying consolidated statements of financial position.

(k) Donated Materials, Supplies and Personal Services

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.

(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.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(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.

(p) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the BPO and its future results and financial position is not presently determinable.

(q) Reclassifications

Reclassifications have been made to certain 2020 balances in order to conform them to the 2021 presentation.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(2) Liquidity

The BPO has \$5,966,327 of financial assets available within one year of the consolidated statement of financial position date consisting of \$3,455,854 in cash and equivalents, \$667,929 of investments, \$150,000 of pledges receivable and \$1,692,544 in grants and other receivables at August 31, 2021. 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 \$5,966,327 financial assets available within one year of the consolidated statement of financial position date above, \$667,929 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, 2021 and 2020, and indicates the fair value hierarchy of the valuation techniques the BPO utilized to determine such fair value:

	<u>2021</u>	<u>2020</u>
<u>Level 1</u>		
Equities	\$ 389,744	374,590
Exchange-traded products	<u>278,185</u>	<u>253,955</u>
Total	\$ <u>667,929</u>	<u>628,545</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net realized and unrealized gain on investments	\$ 39,384	73,418
Dividends and interest, net of fees	59,775	23,860
Assets held in trust appreciation - Community Foundation for Greater Buffalo	1,480,188	476,883
Assets held in trust appreciation - Buffalo Philharmonic Orchestra Foundation, Inc.	<u>6,395,912</u>	<u>3,002,973</u>
	7,975,259	3,577,134
Less assets held in trust investment expenses	<u>(237,056)</u>	<u>(233,200)</u>
	\$ <u>7,738,203</u>	<u>3,343,934</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Gross unconditional promises to give	\$ 277,500	407,699
Less unamortized discount	(15,431)	(70,041)
Less allowance for uncollectible pledges	<u>(5,000)</u>	<u>(5,000)</u>
	\$ <u>257,069</u>	<u>332,658</u>
Amounts due in:		
Less than one year	150,000	150,198
One to five years	<u>127,500</u>	<u>257,501</u>
	\$ <u>277,500</u>	<u>407,699</u>

Additionally, as of August 31, 2021, the Society was notified of bequest intentions totaling \$16,493,829. 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 (3.25% at August 31, 2020) as of August 31, 2021 and 2020, with the amortized discount over the life of the pledges.

(5) Property and Equipment

Property and equipment consisted of the following at August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 255,000	255,000
Building	2,167,500	2,167,500
Computer software and equipment	709,509	680,992
Furniture, fixtures and equipment	575,700	566,974
Leasehold improvements	<u>45,567</u>	<u>34,149</u>
	3,753,276	3,704,615
Less accumulated depreciation	<u>(1,098,241)</u>	<u>(978,651)</u>
	\$ <u>2,655,035</u>	<u>2,725,964</u>

Depreciation expense amounted to \$119,590 and \$113,946 for the years ended August 31, 2021 and 2020, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
The Buffalo Philharmonic Orchestra Foundation, Inc.	\$ 37,545,593	31,149,682
The Society permanent endowment fund held at the Community Foundation for Greater Buffalo	<u>6,238,364</u>	<u>4,970,232</u>
	\$ <u>43,783,957</u>	<u>36,119,914</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 \$1,265,881 and \$1,128,897 for the years ended August 31, 2021 and 2020, respectively, and are included in endowment income in the accompanying consolidated statement 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, 2021 and 2020 totaled \$214,480 and \$210,991, respectively, and are included in endowment income in the accompanying consolidated statement of activities.

The BPO is also a beneficiary of \$5,276,345 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 2021 and 2020, are included in endowment income in the accompanying consolidated statements of activities and totaled \$209,995 and \$213,820, respectively.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(6) Assets Held in Trust, Continued

Additional funds of approximately \$10,800,000 are earmarked by the John R. Oishei Foundation, 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, 2021 and 2020, amounted to \$511,217 and \$510,411, respectively.

In December 2021, the BPO and the John R. Oishei Foundation came to an agreement to transfer the endowment fund held by the John R. Oishei Foundation to the Foundation to be maintained in its permanent endowment fund. This was accomplished at the end of calendar year 2021.

(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% (5.00% at August 31, 2021). There was no outstanding balance on the line at August 31, 2021 and 2020.

The second line of credit has a maximum availability of \$300,000, which bears interest at the prime rate plus 1.00% (4.25% at August 31, 2021). There was no outstanding balance on the line at August 31, 2021 and 2020.

The third line of credit has a maximum availability of \$500,000, which bears interest at the prime rate plus 0.50% (3.75% at August 31, 2021). There was no outstanding balance on the line at August 31, 2021 and 2020. 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cumulative appreciation of endowment assets held at the CFGB	\$ 2,970,923	1,702,791
Pledges received for future operational purposes	233,071	291,960
Montgomery assets held	760,819	661,660
Net assets held in trust by the Foundation	37,545,593	31,149,682
Endowment assets held at CFGB	<u>3,267,441</u>	<u>3,267,441</u>
	<u>\$ 44,777,847</u>	<u>37,073,534</u>

Pledges of \$113,500 and \$212,115 were released from net assets with donor restrictions to net assets without donor restrictions during the years ended August 31, 2021 and 2020, respectively.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(8) Net Assets With Donor Restrictions, Continued

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 CFGFB, 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) Paycheck Protection Program

In 2021 and 2020, the BPO received loans under the Paycheck Protection Program that were designed by the United States Small Business Administration (SBA) to provide direct incentive for small businesses to keep their workers on payroll due to COVID-19. The SBA would forgive the loans if all employee retention criteria are met, and the funds are used for eligible expenses. If the criteria are not met, the loans are to be paid in equal payments over a period as defined in their respective agreements, including interest at 1%. For the years ended August 31, 2021 and 2020, the BPO anticipated full forgiveness of both loans and recognized \$1,649,740 towards eligible expenses in each year. The consolidated statements of financial position at August 31, 2021 and 2020 reflects no amount due under the paycheck protection program.

(10) Employee Retention Credit

During the year ended August 31, 2021, 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 as of August 31, 2021. For the year ended August 31, 2021, the BPO recognized \$1,582,427 of revenue on the consolidated statements of activities. As of August 31, 2021, the BPO has a \$1,582,427 employee retention credit receivable balance recorded on the consolidated statements of financial position.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(11) 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:

- 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.

The BPO contributed to the following multiemployer plan for pension, health and welfare benefits for each of the years ended August 31, 2021 and 2020:

<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>2021</u>	<u>2020</u>
American Federation of Musicians and Employers Pension Fund	51-6120204	Red	Yes	No	\$ 316,386	325,892

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

(12) 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ <u>2,293</u>	<u>2,388</u>
Accounts payable	\$ <u>47,120</u>	<u>80,241</u>
Funds held on behalf of others	\$ <u>777,362</u>	<u>225,771</u>

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidating Statement of Financial Position
August 31, 2021

<u>Assets</u>	Buffalo Philharmonic Orchestra Society, Inc.	786 Delaware, LLC	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash	\$ 3,393,147	62,707	-	3,455,854
Investments	667,929	-	-	667,929
Pledges receivable	150,000	-	-	150,000
Grants and other receivables	1,687,944	4,600	-	1,692,544
Prepaid expenses and other current assets	218,609	-	-	218,609
Total current assets	6,117,629	67,307	-	6,184,936
Property and equipment, at cost	1,203,276	2,550,000	-	3,753,276
Less accumulated depreciation	(919,133)	(179,108)	-	(1,098,241)
Net property and equipment	284,143	2,370,892	-	2,655,035
Noncurrent portion of pledges receivable, net	107,069	-	-	107,069
Assets held in trust	43,783,957	-	-	43,783,957
Total assets	<u>\$ 50,292,798</u>	<u>2,438,199</u>	<u>-</u>	<u>52,730,997</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	244,035	9,375	-	253,410
Accrued expenses	322,781	-	-	322,781
Due to Buffalo Philharmonic Orchestra Foundation, Inc.	656,945	-	-	656,945
Funds held on behalf of others	777,362	-	-	777,362
Deferred revenue	2,107,021	-	-	2,107,021
Total current liabilities	4,108,144	9,375	-	4,117,519
Net assets:				
Without donor restrictions	1,406,807	2,428,824	-	3,835,631
With donor restrictions	44,777,847	-	-	44,777,847
Total net assets	46,184,654	2,428,824	-	48,613,478
Total liabilities and net assets	<u>\$ 50,292,798</u>	<u>2,438,199</u>	<u>-</u>	<u>52,730,997</u>

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidating Statement of Activities
Year ended August 31, 2021

	Buffalo Philharmonic Orchestra <u>Society, Inc.</u>	786 Delaware, <u>LLC</u>	<u>Eliminations</u>	<u>Total</u>
Changes in net assets without donor restrictions:				
Revenue and other support:				
Concert revenue	\$ 1,032,415	-	-	1,032,415
Private support	4,120,119	-	-	4,120,119
Public support	1,105,360	-	-	1,105,360
Grant revenue:				
Paycheck protection program	1,649,740	-	-	1,649,740
Employee retention credit	1,582,427	-	-	1,582,427
Endowment income	2,201,573	-	-	2,201,573
Other income	64,967	109,198	(90,788)	83,377
Net assets released from restrictions	<u>113,500</u>	<u>-</u>	<u>-</u>	<u>113,500</u>
Total revenue and other support	<u>11,870,101</u>	<u>109,198</u>	<u>(90,788)</u>	<u>11,888,511</u>
Expenses:				
Program services:				
Orchestra	5,877,980	-	-	5,877,980
Artistic	617,858	-	-	617,858
Production	<u>900,253</u>	<u>-</u>	<u>-</u>	<u>900,253</u>
Total program services	<u>7,396,091</u>	<u>-</u>	<u>-</u>	<u>7,396,091</u>
Supporting services:				
Marketing	755,605	-	-	755,605
General and administrative	1,173,680	158,678	(90,788)	1,241,570
Fundraising	<u>713,039</u>	<u>-</u>	<u>-</u>	<u>713,039</u>
Total supporting services	<u>2,642,324</u>	<u>158,678</u>	<u>(90,788)</u>	<u>2,710,214</u>
Total expenses	<u>10,038,415</u>	<u>158,678</u>	<u>(90,788)</u>	<u>10,106,305</u>
Change in net assets without donor restrictions	<u>1,831,686</u>	<u>(49,480)</u>	<u>-</u>	<u>1,782,206</u>
Change in net assets with donor restrictions:				
Contributions	79,610	-	-	79,610
Investment income, net	7,738,203	-	-	7,738,203
Net assets released from restrictions	<u>(113,500)</u>	<u>-</u>	<u>-</u>	<u>(113,500)</u>
Change in net assets with donor restrictions	<u>7,704,313</u>	<u>-</u>	<u>-</u>	<u>7,704,313</u>
Change in net assets	9,535,999	(49,480)	-	9,486,519
Net assets at beginning of year	<u>36,648,655</u>	<u>2,478,304</u>	<u>-</u>	<u>39,126,959</u>
Net assets at end of year	<u>\$ 46,184,654</u>	<u>2,428,824</u>	<u>-</u>	<u>48,613,478</u>