

**BUFFALO PHILHARMONIC ORCHESTRA
SOCIETY, INC. AND SUBSIDIARY**
Consolidated Financial Statements and
Supplemental Information
August 31, 2024 and 2023
(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, 2024 and 2023, 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, 2024 and 2023, 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 audits 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
January 22, 2025

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
August 31, 2024 and 2023

| <u>Assets</u> | <u>2024</u> | <u>2023</u> |
|--|----------------------|--------------------|
| Current assets: | | |
| Cash | \$ 2,597,779 | 2,923,454 |
| Investments | 846,562 | 725,126 |
| Pledges receivable | 103,711 | 175,500 |
| Grants and other receivables | 106,186 | 126,960 |
| Prepaid expenses and other current assets | <u>277,148</u> | <u>350,631</u> |
| Total current assets | <u>3,931,386</u> | <u>4,301,671</u> |
| Property and equipment, at cost | 3,991,891 | 3,940,638 |
| Less accumulated depreciation | <u>(1,504,928)</u> | <u>(1,365,924)</u> |
| Net property and equipment | <u>2,486,963</u> | <u>2,574,714</u> |
| Noncurrent portion of pledges receivable, net | - | 7,192 |
| Assets held in trust | <u>47,620,471</u> | <u>42,782,066</u> |
| Total assets | <u>\$ 54,038,820</u> | <u>49,665,643</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | 362,522 | 132,036 |
| Accrued expenses | 159,257 | 182,043 |
| Due to Buffalo Philharmonic Orchestra Foundation, Inc. | 26,418 | 21,456 |
| Funds held on behalf of others | 262,487 | 247,471 |
| Deferred revenue | <u>2,246,452</u> | <u>2,008,349</u> |
| Total current liabilities | <u>3,057,136</u> | <u>2,591,355</u> |
| Net assets: | | |
| Without donor restrictions | 2,382,392 | 3,456,901 |
| With donor restrictions | <u>48,599,292</u> | <u>43,617,387</u> |
| Total net assets | <u>50,981,684</u> | <u>47,074,288</u> |
| Total liabilities and net assets | <u>\$ 54,038,820</u> | <u>49,665,643</u> |

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statements of Activities
Years ended August 31, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|---|-----------------------------|--------------------------|
| Changes in net assets without donor restrictions: | | |
| Revenue and other support: | | |
| Concert revenue | \$ 4,312,678 | 4,170,081 |
| Private support | 4,830,360 | 5,138,919 |
| Public support | 1,189,769 | 1,274,295 |
| Endowment income | 2,449,158 | 2,308,672 |
| Other income | 165,324 | 382,899 |
| Net assets released from restrictions | <u>17,500</u> | <u>106,000</u> |
| Total revenue and other support | <u>12,964,789</u> | <u>13,380,866</u> |
| Expenses: | | |
| Program services: | | |
| Orchestra | 7,533,072 | 7,074,563 |
| Artistic | 1,276,546 | 1,599,144 |
| Production | <u>1,361,399</u> | <u>1,836,820</u> |
| Total program services | <u>10,171,017</u> | <u>10,510,527</u> |
| Supporting services: | | |
| Marketing | 1,513,864 | 1,473,732 |
| Management and general | 1,529,152 | 1,445,151 |
| Fundraising | <u>825,265</u> | <u>844,559</u> |
| Total supporting services | <u>3,868,281</u> | <u>3,763,442</u> |
| Total expenses | <u>14,039,298</u> | <u>14,273,969</u> |
| Change in net assets without donor restrictions | <u>(1,074,509)</u> | <u>(893,103)</u> |
| Changes in net assets with donor restrictions: | | |
| Contributions | 177,058 | 192,107 |
| Investment income, net | 4,822,347 | 2,215,950 |
| Net assets released from restrictions | <u>(17,500)</u> | <u>(106,000)</u> |
| Change in net assets with donor restrictions | <u>4,981,905</u> | <u>2,302,057</u> |
| Change in net assets | 3,907,396 | 1,408,954 |
| Net assets at beginning of year | <u>47,074,288</u> | <u>45,665,334</u> |
| Net assets at end of year | <u><u>\$ 50,981,684</u></u> | <u><u>47,074,288</u></u> |

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year ended August 31, 2024
with comparative totals for 2023

| | 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>2024</u> | <u>2023</u> |
| Wages | \$ 5,547,980 | 40,839 | 707,801 | 6,296,620 | 457,301 | 710,733 | 582,840 | 1,750,874 | 8,047,494 | 7,683,898 |
| Employee benefits | 1,430,536 | 13,757 | 69,242 | 1,513,535 | 63,611 | 101,242 | 34,933 | 199,786 | 1,713,321 | 1,538,574 |
| Guest artist/conductor expenses | - | 1,217,814 | - | 1,217,814 | - | - | - | - | 1,217,814 | 1,543,848 |
| Production expenses | - | - | 491,958 | 491,958 | - | - | - | - | 491,958 | 898,520 |
| Payroll taxes | 512,723 | 4,136 | 66,007 | 582,866 | 46,177 | 57,839 | 38,209 | 142,225 | 725,091 | 782,914 |
| Advertising | - | - | - | - | 423,954 | - | - | 423,954 | 423,954 | 429,403 |
| Office expenses | 11,665 | - | 17,285 | 28,950 | 7,012 | 110,688 | 4,153 | 121,853 | 150,803 | 118,478 |
| Marketing and promotion | - | - | - | - | 93,680 | - | 26,379 | 120,059 | 120,059 | 143,102 |
| Bank service fees | - | - | - | - | 161,945 | 12,005 | 17,226 | 191,176 | 191,176 | 152,886 |
| Special events | - | - | - | - | - | - | 65,813 | 65,813 | 65,813 | 51,293 |
| Depreciation | 784 | - | 3,135 | 3,919 | 5,878 | 126,464 | 2,743 | 135,085 | 139,004 | 132,022 |
| Repairs and maintenance | - | - | - | - | 23,410 | 24,717 | 22,950 | 71,077 | 71,077 | 60,700 |
| Insurance | - | - | - | - | - | 97,011 | - | 97,011 | 97,011 | 58,901 |
| Consultants | - | - | - | - | 58,669 | - | - | 58,669 | 58,669 | 91,759 |
| Travel | 1,030 | - | 5,797 | 6,827 | 18 | 1,096 | 128 | 1,242 | 8,069 | 60,985 |
| Interest | - | - | - | - | - | 2,911 | - | 2,911 | 2,911 | 9,394 |
| Gift shop inventory | - | - | - | - | - | 25,644 | - | 25,644 | 25,644 | 30,676 |
| Pre/post concert expenses | - | - | - | - | 57,688 | - | - | 57,688 | 57,688 | 42,250 |
| Professional fees | 9,510 | - | - | 9,510 | - | 21,000 | - | 21,000 | 30,510 | 21,580 |
| Building expenses | - | - | - | - | - | 154,924 | - | 154,924 | 154,924 | 103,051 |
| Meals and entertainment | 12,533 | - | 174 | 12,707 | 95 | 19,846 | - | 19,941 | 32,648 | 20,253 |
| Payroll processing fees | - | - | - | - | - | 26,172 | - | 26,172 | 26,172 | 25,334 |
| Dues and registration fees | - | - | - | - | - | 19,181 | 1,070 | 20,251 | 20,251 | 17,318 |
| Bad debt | - | - | - | - | - | - | 25,000 | 25,000 | 25,000 | 30,000 |
| Miscellaneous | 6,311 | - | - | 6,311 | 114,426 | 17,679 | 3,821 | 135,926 | 142,237 | 226,830 |
| Total expenses | <u>\$ 7,533,072</u> | <u>1,276,546</u> | <u>1,361,399</u> | <u>10,171,017</u> | <u>1,513,864</u> | <u>1,529,152</u> | <u>825,265</u> | <u>3,868,281</u> | <u>14,039,298</u> | <u>14,273,969</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

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

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years ended August 31, 2024 and 2023

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 3,907,396 | 1,408,954 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 139,004 | 132,022 |
| Net realized and unrealized gain on investments | (121,436) | (89,317) |
| Net appreciation of assets held in trust | (4,663,367) | (2,128,091) |
| Changes in present value of pledges receivable | (2,020) | (4,193) |
| Changes in: | | |
| Pledges receivable | 81,001 | 99,600 |
| Grants and other receivables | 20,774 | 2,315,662 |
| Prepaid expenses and other current assets | 73,483 | 14,399 |
| Accounts payable | 230,486 | (274,110) |
| Accrued expenses | (22,786) | (217,953) |
| Due to Buffalo Philharmonic Orchestra Foundation, Inc. | 4,962 | 94 |
| Funds held on behalf of others | 15,016 | (122,952) |
| Deferred revenue | <u>238,103</u> | <u>4,067</u> |
| Net cash provided by (used in) operating activities | <u>(99,384)</u> | <u>1,138,182</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (51,253) | (102,191) |
| Purchases of assets held in trust | <u>(175,038)</u> | <u>(187,914)</u> |
| Net cash used in investing activities | <u>(226,291)</u> | <u>(290,105)</u> |
| Net change in cash and equivalents | (325,675) | 848,077 |
| Cash and equivalents at beginning of year | <u>2,923,454</u> | <u>2,075,377</u> |
| Cash and equivalents at end of year | <u>\$ 2,597,779</u> | <u>2,923,454</u> |
| Supplemental schedules of cash flow information - cash paid for interest | <u>\$ 2,911</u> | <u>9,394</u> |

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

August 31, 2024 and 2023

(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.

(g) Concentration of Credit Risk

Financial instruments that potentially subject the BPO to concentration of credit risk consist principally of cash accounts in financial institutions. The BPO maintains financial instruments at financial institutions which periodically may exceed federally insured limits. At August 31, 2024 and 2023, the BPO had \$1,368,049 and \$2,764,630, respectively, in excess of federally insured limits.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Receivables and Bad Debts

The BPO's accounts receivable are primarily derived from concerts. At each statement of financial position date, the BPO recognizes an expected allowance for credit losses. This estimate is calculated on a pooled basis where similar characteristics exist and individually when there are no shared characteristics.

The allowance method is derived from a review of BPO's historical losses based on an aging of receivables. Historical losses have been consistent. This estimate is adjusted for management's assessment of current conditions, forecasts of future events, and other factors deemed relevant risk factors. As a result, management has determined that the allowance for credit losses is needed.

The BPO writes off receivables when there is information that indicates that there is no possibility of collection. If any recoveries are made from any accounts receivable previously written off, they will be recognized in revenue. There were no write-offs for the years ended August 31, 2024 and 2023.

(i) 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.

(j) 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.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Fair Value Measurements and Disclosures, Continued

- 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, 2024 and 2023.

(k) 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.

(l) 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>2024</u> | <u>2023</u> | <u>2022</u> |
|------------------|---------------------|------------------|------------------|
| Deferred revenue | \$ <u>393,061</u> | <u>1,745,501</u> | <u>1,753,043</u> |
| Concert revenue | \$ <u>4,312,678</u> | <u>4,170,081</u> | <u>3,476,878</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.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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

(1) Summary of Significant Accounting Policies, Continued

(r) New Accounting Policies

At the beginning of fiscal 2024, the BPO adopted Accounting Standards Codification 326, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Statements, as amended, which modifies the measurement of expected credit losses on certain financial instruments, including accounts receivable, and requires organizations to measure all expected credit losses for financial instruments based on historical experience, current conditions, and reasonable and supportive forecasts for collectability. The BPO adopted this new standard utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the BPO's consolidated financial statements.

(2) Liquidity

The BPO has \$3,654,238 of financial assets available within one year of the consolidated statement of financial position date consisting of \$2,597,779 in cash and equivalents, \$846,562 of investments, \$103,711 of pledges receivable and \$106,186 in grants and other receivables at August 31, 2024. 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 \$3,654,238 financial assets available within one year of the consolidated statement of financial position date above, \$1,041,110 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, 2024 and 2023, and indicates the fair value hierarchy of the valuation techniques the BPO utilized to determine such fair value:

| | <u>2024</u> | <u>2023</u> |
|--------------------------|-------------------|----------------|
| <u>Level 1</u> | | |
| Equities | \$ 555,306 | 450,692 |
| Exchange-traded products | <u>291,256</u> | <u>274,434</u> |
| Total | \$ <u>846,562</u> | <u>725,126</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, 2024 and 2023:

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(3) Investments, Continued

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|------------------|
| Net realized and unrealized gain on investments | \$ 121,436 | 89,317 |
| Dividends and interest, net of fees | 37,544 | (1,458) |
| Assets held in trust appreciation - | | |
| Community Foundation for Greater Buffalo | 633,123 | 485,259 |
| Assets held in trust appreciation - | | |
| Buffalo Philharmonic Orchestra Foundation, Inc. | 4,303,670 | 1,905,384 |
| | 5,095,773 | 2,478,502 |
| Less investment expenses of assets held in trust | <u>(273,426)</u> | <u>(262,552)</u> |
| | \$ <u>4,822,347</u> | <u>2,215,950</u> |

(4) Pledges Receivable

Pledges receivable are composed of the following at August 31, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-----------------|
| Gross unconditional promises to give | \$ 161,000 | 217,001 |
| Less unamortized discount | (2,289) | (4,309) |
| Less allowance for uncollectible pledges | <u>(55,000)</u> | <u>(30,000)</u> |
| | \$ <u>103,711</u> | <u>182,692</u> |
| Amounts due in: | | |
| Less than one year | 103,711 | 175,500 |
| One to five years | <u>57,289</u> | <u>41,501</u> |
| | \$ <u>161,000</u> | <u>217,001</u> |

Additionally, as of August 31, 2024 and 2023, the Society was notified of bequest intentions totaling \$15,840,177 and \$15,876,495, 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, 2024 and 2023) with the amortized discount over the life of the pledges.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(5) Property and Equipment

Property and equipment consisted of the following at August 31, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|-----------------------------------|---------------------|--------------------|
| Land | \$ 255,000 | 255,000 |
| Building | 2,167,500 | 2,167,500 |
| Computer software and equipment | 756,742 | 732,666 |
| Furniture, fixtures and equipment | 767,082 | 739,905 |
| Leasehold improvements | <u>45,567</u> | <u>45,567</u> |
| | 3,991,891 | 3,940,638 |
| Less accumulated depreciation | <u>(1,504,928)</u> | <u>(1,365,924)</u> |
| | \$ <u>2,486,963</u> | <u>2,574,714</u> |

Depreciation expense amounted to \$139,004 and \$132,022 for the years ended August 31, 2024 and 2023, respectively.

(6) Assets Held in Trust

Assets held in trust consisted of the following at August 31, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|-------------------|
| The Buffalo Philharmonic Orchestra Foundation, Inc. | \$ 41,192,102 | 36,888,432 |
| The Society's permanent endowment fund held at the Community Foundation for Greater Buffalo | <u>6,428,369</u> | <u>5,893,634</u> |
| | \$ <u>47,620,471</u> | <u>42,782,066</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, organizations that provide 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 \$1,754,311 and \$1,630,691 for the years ended August 31, 2024 and 2023, 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 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, 2024 and 2023 totaled \$264,532 and \$237,546, respectively, and are included in endowment income in the accompanying consolidated statements of activities.

The BPO is also a beneficiary of \$6,105,047 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 2024 and 2023, are included in endowment income in the accompanying consolidated statements of activities and totaled \$235,901 and \$246,275, 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, 2024 and 2023, amounted to \$194,414 and \$194,160, 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, 2024). There was no outstanding balance on the line at August 31, 2024 and 2023.

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, 2024). There was no outstanding balance on the line at August 31, 2024 and 2023.

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, 2024). There was no outstanding balance on the line at August 31, 2024 and 2023. The Foundation has guaranteed this line in the aggregate amount of \$500,000.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(8) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at August 31, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--|----------------------|-------------------|
| Cumulative appreciation of endowment assets held at the CFGB | \$ 3,160,928 | 2,626,193 |
| Pledges received for future operational purposes | 37,711 | 53,191 |
| Montgomery assets held | 941,110 | 782,130 |
| Net assets held in trust by the Foundation | 41,192,102 | 36,888,432 |
| Endowment assets held at CFGB | <u>3,267,441</u> | <u>3,267,441</u> |
| | \$ <u>48,599,292</u> | <u>43,617,387</u> |

Pledges of \$17,500 and \$106,000 were released from net assets with donor restrictions to net assets without donor restrictions during the years ended August 31, 2024 and 2023, 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) 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

(9) 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, 2024 and 2023:

| <u>Plan Name</u> | <u>EIN/Plan Number</u> | <u>Act Zone</u> | <u>Pending/</u> | <u>Surcharge</u> | <u>Total Contributions</u> | |
|--|------------------------|-----------------|--------------------|------------------|----------------------------|-------------|
| | | <u>Status</u> | <u>Implemented</u> | <u>Imposed</u> | <u>2024</u> | <u>2023</u> |
| American Federation of Musicians and Employers Pension Fund | 51-6120204 | Red | Yes | No | \$ 443,629 | 339,168 |

(10) 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, 2024 and 2023:

| | <u>2024</u> | <u>2023</u> |
|--------------------------------|-------------------|----------------|
| Accounts payable | \$ <u>23,253</u> | <u>53,084</u> |
| Funds held on behalf of others | \$ <u>262,487</u> | <u>247,471</u> |

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidating Schedule of Financial Position
August 31, 2024

| <u>Assets</u> | Buffalo Philharmonic Orchestra Society, Inc. | 786 Delaware, LLC | <u>Eliminations</u> | <u>Total</u> |
|---|---|----------------------|---------------------|-------------------|
| Current assets: | | | | |
| Cash | \$ 2,472,195 | 125,584 | - | 2,597,779 |
| Investments | 846,562 | - | - | 846,562 |
| Pledges receivable | 103,711 | - | - | 103,711 |
| Grants and other receivables | 104,119 | 2,067 | - | 106,186 |
| Prepaid expenses and other current assets | 277,148 | - | - | 277,148 |
| Total current assets | 3,803,735 | 127,651 | - | 3,931,386 |
| Property and equipment, at cost | 1,405,167 | 2,586,724 | - | 3,991,891 |
| Less accumulated depreciation | (1,121,335) | (383,593) | - | (1,504,928) |
| Net property and equipment | 283,832 | 2,203,131 | - | 2,486,963 |
| Assets held in trust | 47,620,471 | - | - | 47,620,471 |
| Total assets | <u>\$ 51,708,038</u> | <u>2,330,782</u> | <u>-</u> | <u>54,038,820</u> |
| <u>Liabilities and Net Assets</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | 338,684 | 23,838 | - | 362,522 |
| Accrued expenses | 159,257 | - | - | 159,257 |
| Due to Buffalo Philharmonic Orchestra Foundation, Inc. | 26,418 | - | - | 26,418 |
| Funds held on behalf of others | 262,487 | - | - | 262,487 |
| Deferred revenue | 2,246,452 | - | - | 2,246,452 |
| Total current liabilities | 3,033,298 | 23,838 | - | 3,057,136 |
| Net assets: | | | | |
| Without donor restrictions | 75,448 | 2,306,944 | - | 2,382,392 |
| With donor restrictions | 48,599,292 | - | - | 48,599,292 |
| Total net assets | 48,674,740 | 2,306,944 | - | 50,981,684 |
| Total liabilities and net assets | <u>\$ 51,708,038</u> | <u>2,330,782</u> | <u>-</u> | <u>54,038,820</u> |

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidating Schedule of Activities
Year ended August 31, 2024

| | Buffalo Philharmonic Orchestra Society, Inc. | 786 Delaware, LLC | Eliminations | Total |
|---|---|----------------------|-----------------|--------------------|
| Changes in net assets without donor restrictions: | | | | |
| Revenue and other support: | | | | |
| Concert revenue | \$ 4,312,678 | - | - | 4,312,678 |
| Private support | 4,830,360 | - | - | 4,830,360 |
| Public support | 1,189,769 | - | - | 1,189,769 |
| Endowment income | 2,449,158 | - | - | 2,449,158 |
| Other income | 101,750 | 154,850 | (91,276) | 165,324 |
| Net assets released from restrictions | 17,500 | - | - | 17,500 |
| Total revenue and other support | <u>12,901,215</u> | <u>154,850</u> | <u>(91,276)</u> | <u>12,964,789</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Orchestra | 7,533,072 | - | - | 7,533,072 |
| Artistic | 1,276,546 | - | - | 1,276,546 |
| Production | 1,361,399 | - | - | 1,361,399 |
| Total program services | <u>10,171,017</u> | <u>-</u> | <u>-</u> | <u>10,171,017</u> |
| Supporting services: | | | | |
| Marketing | 1,513,864 | - | - | 1,513,864 |
| General and administrative | 1,396,730 | 223,698 | (91,276) | 1,529,152 |
| Fundraising | 825,265 | - | - | 825,265 |
| Total supporting services | <u>3,735,859</u> | <u>223,698</u> | <u>(91,276)</u> | <u>3,868,281</u> |
| Total expenses | <u>13,906,876</u> | <u>223,698</u> | <u>(91,276)</u> | <u>14,039,298</u> |
| Change in net assets without donor restrictions | <u>(1,005,661)</u> | <u>(68,848)</u> | <u>-</u> | <u>(1,074,509)</u> |
| Change in net assets with donor restrictions: | | | | |
| Contributions | 177,058 | - | - | 177,058 |
| Investment income, net | 4,822,347 | - | - | 4,822,347 |
| Net assets released from restrictions | (17,500) | - | - | (17,500) |
| Change in net assets with donor restrictions | <u>4,981,905</u> | <u>-</u> | <u>-</u> | <u>4,981,905</u> |
| Change in net assets | 3,976,244 | (68,848) | - | 3,907,396 |
| Net assets at beginning of year | 44,698,496 | 2,375,792 | - | 47,074,288 |
| Net assets at end of year | <u>\$ 48,674,740</u> | <u>2,306,944</u> | <u>-</u> | <u>50,981,684</u> |