

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION

ANNUAL FINANCIAL REPORT

YEAR ENDED MAY 31, 2021

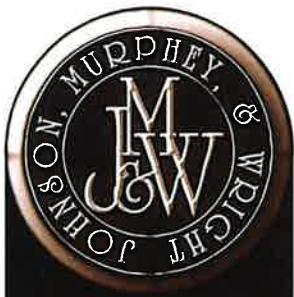
**JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE**

I. INTRODUCTORY SECTION

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
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II. FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chattanooga Symphony and Opera Association

We have audited the accompanying financial statements of Chattanooga Symphony and Opera Association, which comprise the Statement of Financial Position as of May 31, 2021, and the related Statements of Activities, Cash Flows and Functional Expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Chattanooga Symphony and Opera Association as of May 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Johnson, Murphy & Wright, P.C.

Chattanooga, Tennessee
August 13, 2021

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Statement of Financial Position
May 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets			
Cash	\$ 26,698	\$ -	\$ 26,698
Investments	944,819	1,665,262	2,610,081
Accounts receivable	15,000	-	15,000
Promises to give - net	2,800	-	2,800
Total current assets	<u>989,317</u>	<u>1,665,262</u>	<u>2,654,579</u>
Non-current assets			
Security deposit	4,375	-	4,375
Property and equipment - net	2,124	-	2,124
Total non-current assets	<u>6,499</u>	<u>-</u>	<u>6,499</u>
TOTAL ASSETS	<u>\$ 995,816</u>	<u>\$ 1,665,262</u>	<u>\$ 2,661,078</u>
 LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 37,992	\$ -	\$ 37,992
Unearned revenue	99,412	-	99,412
Line of credit	196,543	-	196,543
Note payable	522,765	-	522,765
Total current liabilities	<u>856,712</u>	<u>-</u>	<u>856,712</u>
Net assets			
Without donor restrictions:			
Undesignated - Operations	(72,431)	-	(72,431)
Undesignated - Youth Orchestra	102,368	-	102,368
Board-designated - Endowment	109,167	-	109,167
With donor restrictions	<u>-</u>	<u>1,665,262</u>	<u>1,665,262</u>
Total net assets	<u>139,104</u>	<u>1,665,262</u>	<u>1,804,366</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 995,816</u>	<u>\$ 1,665,262</u>	<u>\$ 2,661,078</u>

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

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION

Statement of Activities Year Ended May 31, 2021

	Without Donor Restrictions			
	Operations	Youth Orchestra	Board Designated Endowment	Total Without Donor Restrictions
REVENUES, GAINS AND OTHER SUPPORT				
Admissions	\$ 127,951	\$ 4,900	\$ -	\$ 132,851
ArtsBuild allocation	95,932	-	-	95,932
Individual and corporate contributions	431,545	295	-	431,840
Fundraising and special projects	13,778	-	-	13,778
Youth orchestra tuition	-	37,710	-	37,710
Grants	89,600	-	-	89,600
Foundation contributions	217,563	-	-	217,563
Program advertising	2,325	600	-	2,925
Other income	2,019	2,160	-	4,179
Investment return designated for operations:				
CSO ArtsBuild investment return, net	136,783	-	-	136,783
Investment return, net	-	-	814,652	814,652
Net assets released from restrictions:				
Satisfaction of program restrictions	705,485	-	(705,485)	-
 Total revenues, gains and other support	<u>1,822,981</u>	<u>45,665</u>	<u>109,167</u>	<u>1,977,813</u>
 EXPENSES				
Program services				
Production	809,326	-	-	809,326
Youth orchestra	-	70,505	-	70,505
Sales and advertising	134,705	-	-	134,705
Education	41,941	-	-	41,941
Total program services	<u>985,972</u>	<u>70,505</u>	<u>-</u>	<u>1,056,477</u>
Supporting services				
Management and general	224,856	-	-	224,856
Fundraising	69,439	-	-	69,439
Total supporting services	<u>294,295</u>	<u>-</u>	<u>-</u>	<u>294,295</u>
 Total expenses	<u>1,280,267</u>	<u>70,505</u>	<u>-</u>	<u>1,350,772</u>
 Change in net assets	542,714	(24,840)	109,167	627,041
 Net assets - beginning	<u>(615,145)</u>	<u>127,208</u>	<u>-</u>	<u>(487,937)</u>
 Net assets - end	<u>\$ (72,431)</u>	<u>\$ 102,368</u>	<u>\$ 109,167</u>	<u>\$ 139,104</u>

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

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Statement of Activities
Year Ended May 31, 2021

With Donor Restrictions					
Gherkin	Opera	Bernhardt	Endowment	Total With Donor Restrictions	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,851
-	-	-	-	-	95,932
-	-	-	-	-	431,840
-	-	-	-	-	13,778
-	-	-	-	-	37,710
-	-	-	-	-	89,600
-	-	-	-	-	217,563
-	-	-	-	-	2,925
-	-	-	-	-	4,179
-	-	-	-	-	136,783
-	-	-	-	-	814,652
-	-	-	-	-	-
-	-	-	-	-	1,977,813
-	-	-	-	-	809,326
-	-	-	-	-	70,505
-	-	-	-	-	134,705
-	-	-	-	-	41,941
-	-	-	-	-	1,056,477
-	-	-	-	-	224,856
-	-	-	-	-	69,439
-	-	-	-	-	294,295
-	-	-	-	-	1,350,772
-	-	-	-	-	627,041
<u>30,795</u>	<u>16,365</u>	<u>39,402</u>	<u>1,578,700</u>	<u>1,665,262</u>	<u>1,177,325</u>
<u>\$ 30,795</u>	<u>\$ 16,365</u>	<u>\$ 39,402</u>	<u>\$ 1,578,700</u>	<u>\$ 1,665,262</u>	<u>\$ 1,804,366</u>

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

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Statement of Functional Expenses
Year Ended May 31, 2021

	Program Services			Supporting Services		
	Production	Youth Orchestra	Sales and Advertising	Education	Management and General	Fund-Raising
EXPENSES						Total
Salaries	\$ 628,426	\$ 46,134	\$ 71,148	\$ 31,764	\$ 86,337	\$ 58,643
Payroll taxes	49,441	3,524	5,250	2,287	5,927	3,293
Employee benefits	82,361	799	6,289	4,099	10,061	1,999
Audition	-	960	-	-	-	-
Credit card processing	-	-	5,296	-	-	-
Depreciation	-	-	-	-	651	-
Dues and subscriptions	-	-	-	-	1,594	-
Education	-	-	-	3,791	-	-
Fundraising	-	-	-	-	-	5,504
Insurance	7,773	-	-	-	9,694	-
Interest	-	-	-	-	9,157	-
Miscellaneous	-	2,062	-	-	3,567	-
Moving expenses	-	-	-	-	7,690	-
Occupancy	-	-	-	-	44,434	-
Production	41,325	-	-	-	-	-
Professional development	-	-	-	-	599	-
Professional fees	-	-	-	-	25,329	-
Program awareness	-	-	16,070	-	-	-
Scholarships	-	2,875	-	-	-	-
Supplies	-	13,341	-	-	14,245	-
Technology	-	-	25,842	-	-	-
Telephone	-	-	-	-	4,795	-
Tickets	-	-	4,810	-	-	-
Travel	-	-	-	-	776	-
Youth concert	-	810	-	-	-	-
Total expenses	\$ 809,326	\$ 70,505	\$ 134,705	\$ 41,941	\$ 224,856	\$ 69,439
						\$ 1,350,772

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

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION

Statement of Cash Flows

Year Ended May 31, 2021

Cash Flows from Operating Activities

Increase (decrease) in net assets	\$ 627,041
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:	
Depreciation	651
Net realized and unrealized (gains) losses on investments	(814,652)
Change in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(15,000)
(Increase) decrease in promises to give - net	25,200
(Increase) decrease in prepaid expenses	6,385
(Increase) decrease in security deposit	(4,375)
Increase (decrease) in accounts payable and accrued expenses	(12,881)
Increase (decrease) in unearned revenue	(79,377)
Total adjustments	(894,049)
Net cash provided (used) by operating activities	(267,008)

Cash Flows from Non-capital Financing Activities

Additions to notes payable	272,765
Net proceeds (repayment) from line of credit	(52,492)
Net cash provided (used) by non-capital financing activities	220,273

Cash Flows from Investing Activities

Purchase of investments	(205,759)
Proceeds from sales of investments	215,696
Net cash provided (used) by investing activities	9,937

Net increase (decrease) in cash	(36,798)
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Cash - beginning	63,496
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Cash - end	\$ 26,698
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Supplemental Disclosure

Interest paid	\$ 9,157
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The accompanying notes are an integral part of the financial statements.

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Notes to Financial Statements
May 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Nature of Activities

The Chattanooga Symphony and Opera Association is a non-profit entity. The Entity's mission is to provide a broad range of high-quality musical presentations and educational programs for the Chattanooga area. The Entity's primary sources of revenue are from admissions fees and contributions.

B. Basis of Presentation - Net Asset Accounting

The Entity follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets without donor restrictions are available for use in general operations and are not subject to donor or grantor restrictions. The Board of Directors can designate, from net assets without donor restrictions, net assets for a specific purpose. The Entity reports contributions restricted by donors, including property and equipment, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

C. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in accordance with the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, and Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Entity follows FASB ASC Topic 606, *Revenue from Contracts with Customers*, which establishes a contract and control-based revenue recognition model, a basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Entity considers all unrestricted highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

Investments are carried at fair value, determined based on quoted market prices or estimated values provided by external investment managers or other sources. Realized and unrealized gains and losses are reflected within investment return, net, in the Statement of Activities. Donated investments are reflected as contributions at their market value at the date of receipt. In accordance with FASB 958-225-45-6, investment gains and income whose restrictions are met in the same reporting period are reported as support in net assets without donor restrictions.

F. Fair Value Measurement

The Entity adopted the provisions of ASC 820-10-50 applicable to financial assets and liabilities, as well as for other non-financial assets and liabilities that are carried at fair value on a recurring basis. Adoption of the provisions of ASC 820-10-50 did not have an impact on the measurement of the Entity's financial assets and liabilities but did result in additional disclosure contained in the footnotes herein.

G. Prepayment of Expenses

Expenses extending over more than one accounting period are allocated between accounting periods and reported as an expense of the period in which they relate.

H. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

I. Inventory

Supplies are expensed when they are purchased, therefore, no inventory is maintained.

J. Furniture, Equipment and Music

Property and equipment are valued at cost, if purchased, or fair value if contributed. The expenses for equipment in excess of \$1,000 are capitalized. Minor repairs and maintenance are expensed as incurred and additions and improvements that significantly extend the life of assets are depreciated over the remaining useful lives of the related fixed asset. At the time that assets are retired or disposed of, costs and accumulated depreciation are eliminated from the related accounts and gain or loss, if any, is credited or charged to income. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Office furniture and equipment	5 - 10 years
Music and related items	4 - 10 years

K. Compensated Absences

Any unused vacation or sick leave expires at year-end, therefore, there is no accrual of a liability for future benefits.

L. Unearned Revenues

Unearned revenues consist of advance ticket sales and sponsorships received prior to year-end for the following year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Valuation of Donated Services

The Entity depends upon the services donated by its board members to carry out many of its internal operations. The Entity follows the recommendations of FASB ASC 958-605-25-16 in reporting contributed services. Contributions of services are recognized as revenue and expenses if the services received create or enhance non-financial assets, require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other contributed services that do not meet the above criteria are not recognized. The services donated do not meet the criteria, which would require recognition of their value in the financial statements.

The Entity elected not to follow a portion of FASB ASC 958-605-25-16. In accordance with ASC 958-605-25-16, the Entity should recognize a contribution and expense for the same amount for the value of the use of the building it occupies. Since the contribution and expense would be the same, total support and expenses would both increase by the same amount with no effect on net assets.

N. Methods Used for Allocation of Expenses Among Functions

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

O. Description of Program and Supporting Services

Production

Dedicated to the production of performances and its related expenses, i.e., conductors, musicians, technical staff, guest artists.

Youth Orchestra

Dedicated to the production of performances of the youth orchestra and its related expenses.

Sales and advertising

Dedicated to the advertising of performances through newspapers, radio, mailings, brochures, etc. and to printing of tickets and payment processing for performances.

Education

Dedicated to music education.

Management and General

Includes the functions necessary to ensure an adequate working environment; provide coordination and articulation of the Entity's programs; and manage the functioning of the Board of Directors and financial and budgetary responsibilities.

Fund-raising

Provides the structure necessary to encourage and secure financial support from individuals, foundations and corporations.

P. Advertising

Advertising costs are expensed as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Estimates

The preparation of financial statements in conformity 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 these estimates.

R. Uncertain Tax Position

The Entity accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefits are estimated based on the cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Entity include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax. Based on its evaluation, the Entity has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Entity's evaluation was performed for the tax years ended May 31, 2018 through May 31, 2021, for Federal income tax, the years that remain subject to examination by major jurisdictions as of May 31, 2021.

S. Non-profit Entity

The Entity is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 of the Code.

T. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between May 31, 2021, and August 13, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Entity's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 26,698
Investments	2,610,081
Accounts receivable	15,000
Promises to give - net	<u>2,800</u>
Total financial assets	2,654,579
Less: net assets with donor restrictions	(1,665,262)
Less: board-designed funds	<u>(109,169)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 880,148</u>

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Entity maintains resources to meet any donor-imposed restrictions, which makes those resources unavailable for general expenditures. In addition, the Entity invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Entity has a committed line of credit of \$250,000 which it can draw upon. At year-end, the Entity has borrowed \$196,543 against this line. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The Entity's endowment funds consists of a donor-restricted endowment. Income from the donor-restricted endowment is restricted for a specific purpose and therefore, is not available for general expenditure.

Although the Entity does not intend to spend its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

The Entity may receive contributions and promises to give that are restricted by donors, and considers contributions restricted for programs that are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Entity manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Entity has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days of operating expenses. The Entity has a policy to target a year-end balance of reserves without donor-imposed restrictions to meet 15 to 30 days of expected expenditures. To achieve these targets, the Entity forecasts its future cash flows, monitors its liquidity quarterly and monitors its reserves annually. During the year, the level of liquidity and reserves was managed within the policy requirements.

NOTE 3 - CASH AND CASH CREDIT RISK

At May 31, 2021, the carrying amount of cash was \$26,698, and the bank balance was \$38,298. The entire bank balance is covered by federal depository insurance.

Petty cash	\$ 281
Checking accounts	<u>26,417</u>
Total	<u>\$ 26,698</u>

NOTE 4 - INVESTMENTS

Investments at May 31, 2021, are subject to market risks and are stated at fair value as follows:

	Cost	Fair Value	Net Unrealized Appreciation (Loss)
Exchange traded fund	*	\$ 343,428	\$ -
Fixed income	*	227,525	\$ -
Cash and money funds	*	155,767	\$ -
Common stock	*	<u>1,883,361</u>	\$ -
Total investments		<u>\$ 2,610,081</u>	

*Cost information not available.

NOTE 5 - FAIR VALUE MEASUREMENT

ASC 820-10-50 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the assets or liability or, in the absence of a principal market the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Fund has the ability to access.
- 2) Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- 3) Level 3 are unobservable inputs for the assets or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Entity's own data.)

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of May 31, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 2,610,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,610,081</u>

NOTE 6 - PROMISES TO GIVE - NET

Promises to give are estimated to be collected as follows at year-end:

Within one year	<u>\$ 2,800</u>
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NOTE 7 - PROPERTY AND EQUIPMENT - NET

Changes in the fixed assets for the year ended were as follows:

	<u>Balance</u> <u>05-31-20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>05-31-21</u>
Office furniture and equipment	\$ 76,980	\$ -	\$ (39,180)	\$ 37,800
Music and related items	40,550	-	-	40,550
	117,530	-	(39,180)	78,350
Accumulated depreciation	(114,755)	(651)	39,180	(76,226)
Total	<u>\$ 2,775</u>	<u>\$ (651)</u>	<u>\$ -</u>	<u>\$ 2,124</u>

Depreciation expense as of May 31, 2021, amounted to \$651.

NOTE 8 - LINE OF CREDIT

The Entity has a line of credit agreement with First Horizon Bank. As of May 31, 2021, there were borrowings under the line of credit totaling \$196,543. Amounts outstanding under the line of credit bear interest at 4% and such interest is required to be paid monthly. The line of credit is due upon demand. Current year interest expenses totaled \$9,157.

NOTE 9 - NOTE PAYABLE

During the year, the Entity received a Paycheck Protection Program loan for \$522,765. This loan is expected to be forgiven in the next fiscal year.

NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

Undesignated for operations	\$ (73,230)
Undesignated for youth orchestra	103,167
Board-designated for endowment	<u>109,167</u>
Total	<u>\$ 139,104</u>

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to the following purpose restrictions:

Gherkin Fund	<u>\$ 30,795</u>
Opera Fund	<u>16,365</u>
Bernhardt Fund	<u>39,402</u>
Endowment:	
Endowment Fund	1,350,000
Fletcher Bright Fund for Strings	178,700
John L. and Norman B. Anderson Fund in support of the Assistant	
Flute/Piccolo Chair	<u>50,000</u>
Total endowment	<u>1,578,700</u>
Total	<u>\$ 1,665,262</u>

NOTE 12 - INSURANCE

It is the policy of the Entity to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers' compensation, and directors and officers. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 13 - PENSION PLANS

The Entity has an employer defined contribution plan and an employee directed contribution plan, both administered by TIAA CREF. Full-time employees are eligible for the employer defined contribution plan and the Entity contributes 4% of eligible employee's salaries. The Entity does not match employee's contributions in either plan. Pension plan expenses totaled \$39,144 for the current year.

NOTE 14 - ENDOWMENT

The Entity's endowment consists of funds established for a variety of purposes. Its endowment includes donor restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Entity is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Entity has interpreted the UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Entity considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Entity has interpreted the UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the UPMIFA, the Entity considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the fund,
- (2) the purposes of the organization and the donor-restricted endowment fund,
- (3) general economic conditions,
- (4) the possible effect of inflation and deflation,
- (5) the expected total return from income and the appreciation of investments,
- (6) other resources of the organization and
- (7) the investment policies of the Entity.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Entity to retain as a fund of perpetual duration. Deficiencies of this nature did not exist during the year.

NOTE 14 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The Entity has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The investment manager is to pursue a conservative investment management philosophy in the handling of this portfolio. Both fixed income securities and common stocks are appropriate for inclusion in the portfolio. The asset mix will seek to achieve an approximate balance between fixed income investments and growth investments. Over a full market cycle this mix of assets should result in an investment return of 5% per year. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Entity relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Entity targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Funds held for donor restricted endowment purposes are monitored and directed by the Investment Committee of the Board. The Board has adopted a policy of contributing a percentage of the endowment funds to the operating budget. This percentage is currently 5% of the total average calendar year-end portfolio value of the endowment funds for the prior three calendar years. Any amount over 5% during any calendar year must be approved by two-thirds of the Board prior to any funds being committed or disbursed. Reasonable efforts to control risk shall be made and should be evaluated regularly to ensure that the risk assumed is commensurate with the given instrument style and objectives. The investment goal is to meet or exceed one of the following:

- 1) the rate of inflation by 5% or
- 2) the return of a balanced market index comprised of 60% Russell 3,000, 30% Lehman Brothers Government/Corporate bond index and 10% Treasury Bills by 1 to 2%.

Endowment Net Asset Composition by Type of Fund

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 109,167	\$ -	\$ 109,167
Donor-restricted endowment funds	-	1,578,700	1,578,700
Total funds	\$ 109,167	\$ 1,578,700	\$ 1,687,867

NOTE 14 - ENDOWMENT (Continued)**Reconciliation of the Beginning and Ending Balances of the Endowment in Total and by Net Asset Class**

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,578,700	\$ 1,578,700
Investment return, net	814,652	-	814,652
Contributions	-	-	-
Appropriation of endowment assets	(705,485)	-	(705,485)
Other changes	-	-	-
Endowment net assets, end of year	<u>\$ 109,167</u>	<u>\$ 1,578,700</u>	<u>\$ 1,687,867</u>

Description of Amounts Classified as Net Assets with Donor Restrictions (Endowment Only)

Original donor-restricted endowment gift amount and amounts required to be retained by donor	\$ 1,578,700
Term endowment funds	-
Accumulated investment gains on endowment funds:	
Without purpose restrictions	-
With purpose restrictions	-
Total endowment funds classified as net assets with donor restrictions	<u>\$ 1,578,700</u>

NOTE 15 - CSO ARTSBUILD INVESTMENT RETURN

According to ArtsBuild, the value of the portion of the ArtsBuild investment portfolio that was donated to ArtsBuild, to support the Chattanooga Symphony and Opera Association was \$3,340,792 as of May 31, 2021. From these ArtsBuild funds, the Chattanooga Symphony and Opera Association received \$136,783 in fiscal year ended May 31, 2021, classified as CSO ArtsBuild investment return in the Statement of Activities.

NOTE 16 - RELATED PARTY TRANSACTIONS

A company owned by a board member holds the Entity's endowment funds. During the year, \$18,163 was paid for investment fees to this company.

A board member works for a law firm which billed the Entity \$4,902 for services rendered during the fiscal year.

NOTE 17 - LEASE

The Entity leases its office space through the Dome Building Realty Partners, LLC. Monthly payments are due through December 31, 2023. Future minimum payments are as follows:

<u>Year Ending</u> <u>May 31,</u>	<u>Minimum</u> <u>Payment</u>
2022	\$ 53,156
2023	54,753
2024	<u>32,493</u>
Total	<u>\$ 140,402</u>

Current year lease expenses totaled \$44,434.

SUPPLEMENTARY INFORMATION

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Comparative Schedule of Financial Position
May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash	\$ 26,698	\$ 63,496
Investments	2,610,081	1,805,366
Accounts receivable	15,000	-
Promises to give - net	2,800	28,000
Prepaid expenses	-	6,385
Total current assets	<u>2,654,579</u>	<u>1,903,247</u>
Non-current assets		
Security deposit	4,375	-
Property and equipment - net	<u>2,124</u>	<u>2,775</u>
Total non-current assets	<u>6,499</u>	<u>2,775</u>
TOTAL ASSETS	<u>\$ 2,661,078</u>	<u>\$ 1,906,022</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 37,992	\$ 50,873
Unearned revenue	99,412	178,789
Line of credit	196,543	249,035
Note payable	<u>522,765</u>	<u>250,000</u>
Total current liabilities	<u>856,712</u>	<u>728,697</u>
Net assets		
Without donor restrictions:		
Undesignated - Operations	(72,431)	(615,145)
Undesignated - Youth Orchestra	102,368	127,208
Board-designated - Endowment	109,167	-
With donor restrictions	<u>1,665,262</u>	<u>1,665,262</u>
Total net assets	<u>1,804,366</u>	<u>1,177,325</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,661,078</u>	<u>\$ 1,906,022</u>

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Comparative Schedule of Activities
Years Ended May 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES, GAINS AND OTHER SUPPORT		
Admissions	\$ 132,851	\$ 606,470
Concert fees	-	62,880
ArtsBuild allocation	95,932	96,896
Individual and corporate contributions	431,840	668,415
Bequests	-	105,000
Fundraising and special projects	13,778	8,584
Youth orchestra tuition	37,710	46,910
Grants	89,600	92,200
Foundation contributions	217,563	58,250
Program advertising	2,925	38,171
Other income	4,179	1,635
Investment return designated for operations:		
CSO ArtsBuild investment return, net	136,783	136,228
Investment return, net	<u>814,652</u>	<u>(433,024)</u>
 Total revenues, gains and other support	 <u>1,977,813</u>	 <u>1,488,615</u>
 EXPENSES		
Program services		
Production	809,326	1,471,375
Youth orchestra	70,505	70,006
Sales and advertising	134,705	208,032
Education	<u>41,941</u>	<u>14,345</u>
Total program services	<u>1,056,477</u>	<u>1,763,758</u>
Supporting services		
Management and general	224,856	525,517
Fundraising	<u>69,439</u>	<u>16,672</u>
Total supporting services	<u>294,295</u>	<u>542,189</u>
 Total expenses	 <u>1,350,772</u>	 <u>2,305,947</u>
 Change in net assets	 627,041	 (817,332)
 Net assets - beginning	 <u>1,177,325</u>	 <u>1,994,657</u>
 Net assets - end	 <u>\$ 1,804,366</u>	 <u>\$ 1,177,325</u>

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Comparative Schedule of Functional Expenses
Years Ended May 31, 2021 and 2020

	Program Services			Supporting Services			2021 Total	2020 Total
	Production	Youth Orchestra	Sales and Advertising	Education	Management and General	Fund- Raising		
EXPENSES								
Salaries	\$ 628,426	\$ 46,134	\$ 71,148	\$ 31,764	\$ 86,337	\$ 58,643	\$ 922,452	\$ 1,360,495
Payroll taxes	49,441	3,524	5,250	2,287	5,927	3,293	69,722	103,618
Employee benefits	82,361	799	6,289	4,099	10,061	1,999	105,608	166,866
Audition	-	960	-	-	-	-	960	3,536
Board meetings	-	-	-	-	-	-	-	519
Credit card processing	-	-	5,296	-	-	-	5,296	17,585
Depreciation	-	-	-	-	651	-	651	651
Dues and subscriptions	-	-	-	-	1,594	-	1,594	1,999
Education	-	-	-	3,791	-	-	3,791	14,345
Fundraising	-	-	-	-	-	5,504	5,504	16,672
Guest artists	-	-	-	-	-	-	-	130,541
Insurance	7,773	-	-	-	9,694	-	17,467	25,611
Interest	-	-	-	-	9,157	-	9,157	10,576
Miscellaneous	-	2,062	-	-	3,567	-	5,629	8,638
Moving expenses	-	-	-	-	7,690	-	7,690	-
Occupancy	-	-	-	-	44,434	-	44,434	31,937
Production	41,325	-	-	-	-	-	41,325	146,364
Professional development	-	-	-	-	599	-	599	4,518
Professional fees	-	-	-	-	25,329	-	25,329	28,585
Program awareness	-	-	16,070	-	-	-	16,070	156,200
Scholarships	-	2,875	-	-	-	-	2,875	1,050
Supplies	-	13,341	-	-	14,245	-	27,586	34,737
Technology	-	-	25,842	-	-	-	25,842	25,935
Telephone	-	-	-	-	4,795	-	4,795	4,344
Tickets	-	-	4,810	-	-	-	4,810	7,662
Travel	-	-	-	-	776	-	776	1,111
Youth concert	-	810	-	-	-	-	810	1,852
Total expenses	\$ 809,326	\$ 70,505	\$ 134,705	\$ 41,941	\$ 224,856	\$ 69,439	\$ 1,350,772	\$ 2,305,947