

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION

ANNUAL FINANCIAL REPORT

YEAR ENDED MAY 31, 2024

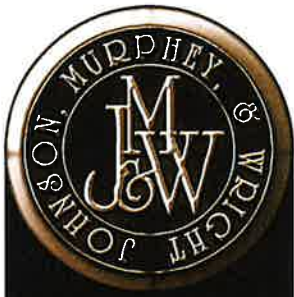
**JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE**

I. INTRODUCTORY SECTION

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
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May 31, 2024

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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

Opinion

We have audited the accompanying financial statements of the Chattanooga Symphony and Opera Association, which comprise the Statement of Financial Position as of May 31, 2024, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chattanooga Symphony and Opera Association as of May 31, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Chattanooga Symphony and Opera Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor’s 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chattanooga Symphony and Opera Association’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Chattanooga Symphony and Opera Association’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary 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, Murpley & Wright, P.C.

Chattanooga, Tennessee
August 9, 2024

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Statement of Financial Position
May 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets			
Cash	\$ 48,683	\$ -	\$ 48,683
Investments	688,547	75,000	763,547
Accounts receivable	29,232	-	29,232
Promises to give - net	-	22,500	22,500
Right of use asset	19,815	-	19,815
Total current assets	786,277	97,500	883,777
Non-current assets			
Promises to give - net	-	35,723	35,723
Right of use asset	77,813	-	77,813
Security deposit	3,700	-	3,700
Property and equipment - net	5,696	-	5,696
Total non-current assets	87,209	35,723	122,932
TOTAL ASSETS	\$ 873,486	\$ 133,223	\$ 1,006,709
 LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable	\$ 84,876	\$ -	\$ 84,876
Accrued liabilities	29,661	-	29,661
Unearned revenue	4,500	-	4,500
Line of credit	245,220	-	245,220
Lease liability	18,866	-	18,866
Total current liabilities	383,123	-	383,123
Non-current liabilities			
Lease liability	79,262	-	79,262
Total liabilities	462,385	-	462,385
Net assets			
Without donor restrictions:			
Undesignated - Operations	408,391	-	408,391
Undesignated - Youth Orchestra	2,710	-	2,710
With donor restrictions	-	133,223	133,223
Total net assets	411,101	133,223	544,324
TOTAL LIABILITIES AND NET ASSETS	\$ 873,486	\$ 133,223	\$ 1,006,709

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

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Statement of Activities
Year Ended May 31, 2024

	Without Donor Restrictions			With Donor Restrictions	Total
	Operations	Youth Orchestra	Total Without Donor Restrictions		
REVENUES, GAINS AND OTHER SUPPORT					
Admissions	\$ 566,628	\$ 8,735	\$ 575,363	\$ -	\$ 575,363
Concert fees	45,825	-	45,825	-	45,825
Youth orchestra tuition	-	35,987	35,987	-	35,987
Individual and corporate contributions	431,607	-	431,607	83,223	514,830
Foundation contributions	90,026	-	90,026	-	90,026
Government contributions	25,894	-	25,894	-	25,894
Grants	196,509	-	196,509	-	196,509
ArtsBuild allocation	90,250	-	90,250	-	90,250
Fundraising and special projects	7,800	-	7,800	-	7,800
Program advertising	11,449	-	11,449	-	11,449
Other income	223	668	891	-	891
Investment return designated for operations:					
CSO ArtsBuild investment return, net	151,353	-	151,353	-	151,353
Investment return, net	276,516	-	276,516	-	276,516
Net assets released from restrictions:					
Satisfaction of program restrictions	1,490,261	-	1,490,261	(1,490,261)	-
Total revenues, gains and other support	<u>3,384,341</u>	<u>45,390</u>	<u>3,429,731</u>	<u>(1,407,038)</u>	<u>2,022,693</u>
EXPENSES					
Program services					
Production	1,805,804	-	1,805,804	-	1,805,804
Youth orchestra	-	79,990	79,990	-	79,990
Sales and advertising	279,266	-	279,266	-	279,266
Education	97,713	-	97,713	-	97,713
Total program services	<u>2,182,783</u>	<u>79,990</u>	<u>2,262,773</u>	<u>-</u>	<u>2,262,773</u>
Supporting services					
Management and general	306,015	-	306,015	-	306,015
Fundraising	92,805	-	92,805	-	92,805
Total supporting services	<u>398,820</u>	<u>-</u>	<u>398,820</u>	<u>-</u>	<u>398,820</u>
Total expenses	<u>2,581,603</u>	<u>79,990</u>	<u>2,661,593</u>	<u>-</u>	<u>2,661,593</u>
Change in net assets	802,738	(34,600)	768,138	(1,407,038)	(638,900)
Net assets - beginning	<u>(394,347)</u>	<u>37,310</u>	<u>(357,037)</u>	<u>1,540,261</u>	<u>1,183,224</u>
Net assets - end	<u>\$ 408,391</u>	<u>\$ 2,710</u>	<u>\$ 411,101</u>	<u>\$ 133,223</u>	<u>\$ 544,324</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, 2024

	Program Services			Supporting Services			Total
	Production	Youth Orchestra	Sales and Advertising	Education	Management and General	Fund-Raising	
EXPENSES							
Salaries	\$ 1,098,256	\$ 60,979	\$ 140,239	\$ 66,143	\$ 118,678	\$ 76,845	\$ 1,561,140
Payroll taxes	87,129	4,284	11,361	5,920	7,396	6,060	122,150
Employee benefits	177,557	902	5,474	2,284	12,139	625	198,981
Conductor search	23,684	-	-	-	-	-	23,684
Credit card processing	-	-	22,327	-	-	-	22,327
Depreciation	-	984	-	-	853	-	1,837
Donor cultivation	-	-	-	-	-	6,799	6,799
Dues and subscriptions	-	-	-	-	8,003	-	8,003
Education	-	-	-	19,859	-	-	19,859
Equipment leases	-	1,039	-	-	8,158	-	9,197
Front of house	39,066	-	-	-	-	-	39,066
Fundraising	-	-	-	-	-	2,476	2,476
Guest artists	179,777	-	-	-	-	-	179,777
Insurance	480	-	-	-	27,612	-	28,092
Interest	-	-	-	-	23,246	-	23,246
Miscellaneous	-	1,846	6,193	-	4,246	-	12,285
Occupancy	-	-	-	-	46,919	-	46,919
Postage	-	-	7,000	-	3,149	-	10,149
Production	174,301	7,457	-	-	-	-	181,758
Professional development	-	-	-	3,507	500	-	4,007
Professional fees	-	-	-	-	25,212	-	25,212
Program awareness	-	-	57,285	-	-	-	57,285
Security	25,554	-	-	-	-	-	25,554
Storage	-	-	-	-	6,539	-	6,539
Supplies	-	2,499	-	-	3,212	-	5,711
Technology	-	-	29,387	-	4,770	-	34,157
Telephone	-	-	-	-	5,383	-	5,383
Total expenses	\$ 1,805,804	\$ 79,990	\$ 279,266	\$ 97,713	\$ 306,015	\$ 92,805	\$ 2,661,593

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

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION

Statement of Cash Flows

Year Ended May 31, 2024

Cash Flows from Operating Activities

Change in net assets	\$ (638,900)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,837
Net realized and unrealized (gains) losses on investments	(277,927)
Change in carrying amount of right of use asset and lease liability	500
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(29,232)
(Increase) decrease in promises to give - net	(58,223)
(Increase) decrease in security deposit	675
Increase (decrease) in accounts payable	(49,749)
Increase (decrease) in accrued liabilities	(15,120)
Increase (decrease) in unearned revenue	(135,437)
Net cash provided (used) by operating activities	<u>(1,201,576)</u>

Cash Flows from Investing Activities

Purchase of equipment	(3,267)
Purchase of investments	(126,472)
Proceeds from sales of investments	1,379,514
Net cash provided (used) by investing activities	<u>1,249,775</u>

Net increase (decrease) in cash 48,199

Cash - beginning 484

Cash - end \$ 48,683

Supplemental Disclosure

Interest paid \$ 23,246

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

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Notes to Financial Statements
May 31, 2024

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 (the Entity) operates as a nonprofit in Chattanooga, Tennessee. The Entity's mission is to provide a broad range of high-quality musical presentations and educational programs for the Chattanooga area. Admission fees and contributions are the Entity's primary revenue sources.

B. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, in accordance with the AICPA Audit and Accounting Guide, *Not-for-Profit Entities*, and FASB ASC 958-205-05-6.

C. 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 without donor restrictions and net assets with 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. At year-end, the Entity did not have any board-designated net assets.

Net assets with donor restrictions are contributions subject to donor or grantor restrictions. 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 reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

D. Revenue Recognition

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.

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.

E. Cash and Cash Equivalents

The Entity considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investments are carried at fair value, determined based on quoted market prices or estimated values provided by external investment managers or other sources. Donated investments are reflected as contributions at their market value at the date of receipt. Realized and unrealized gains and losses, less investment expenses, are reflected within investment return, net, in the Statement of Activities. 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.

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. At year-end, the Entity did not have any prepaid expenses.

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 in the Statement of Activities. The allowance for uncollectible promises to give is based on historical experience and an assessment of economic conditions. Promises to give are written off when deemed uncollectible. 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. Leases

The Entity follows Accounting Standards Update (ASU) No. 2016-02, *Leases*. Determination if an arrangement is or contains a lease occurs at the arrangement's inception. Leases are included in right of use assets and lease liabilities in the Statement of Financial Position and are initially recorded at the present value of the future minimum lease payments over the lease term. Short-term leases are not reported as right of use assets and lease liabilities. Instead, the lease payments of short-term leases are reported as lease expense on a straight-line basis over the lease term.

K. Property and Equipment

Property and equipment are valued at cost, if purchased, or fair value if contributed. The expenses for property and 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 any gain or loss 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

L. Compensated Absences

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. In-kind Contributions

Contributed nonfinancial assets, including donated professional services, donated equipment, and other in-kind contributions, are recorded at the fair value of the goods or services received. The Entity does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program and supporting services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year.

N. Functional Allocation of Expenses

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 their 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 and community impact programs.

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.

Fundraising

Provides the structure necessary to encourage and secure financial support from outside sources.

P. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Uncertain Tax Position

The Entity accounts for the effect of any uncertain tax position based on a more likely than not threshold of the recognition of the tax position being sustained based on the merits of the position under examination by the applicable taxing authority. If a tax position is deemed to be uncertain, the unrecognized tax benefit is estimated based on a probability assessment. Tax positions include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax. There were no uncertain tax positions requiring recognition in the financial statements at year-end.

R. Taxes

The Entity is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code. It is exempt from federal income taxes on related income pursuant to Section 501 of the Code. No federal excise tax or unrelated business income tax was due for the previous tax year.

S. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between May 31, 2024, and August 9, 2024, 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	\$ 48,683
Investments	763,547
Accounts receivable	29,232
Promises to give - net	<u>22,500</u>
Total financial assets	863,962
Less: net assets with donor restrictions	<u>(97,500)</u>
Total	<u>\$ 766,462</u>

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available for spending as its general expenditures, liabilities, and other obligations come due. Resources are maintained to meet any donor-imposed restrictions, which makes those resources unavailable for general expenditures. The promises to give are subject to implied time restrictions but are expected to be collected within one year. To help manage unanticipated liquidity needs, the Entity has a line of credit available to them. The maximum credit limit is \$250,000. At year-end, the Entity had borrowed \$245,220 against this line, leaving \$4,780 available to be borrowed.

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.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

Deposit concentration risk

Deposit concentration risk is managed by placing cash in a financial institution believed by the Entity to be creditworthy. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per insured bank. As of year-end, the Entity's entire deposit balance was insured by FDIC insurance limits.

Market risk

Investments are closely monitored by management. Although the fair values of investments are subject to fluctuation, management believes their investment choices are prudent for the long-term welfare of the Entity.

Receivables

Credit risk associated with accounts receivable and promises to give is considered to be low due to high historical collection rates and because of the nature of the receivables. The receivables are due from individuals and governmental agencies that are supportive of the Entity's mission.

NOTE 4 - CASH

At year-end, cash consisted of the following:

Cash on hand	\$ 484
Bank account	<u>48,199</u>
Total	<u>\$ 48,683</u>

NOTE 5 - INVESTMENTS

At year-end, investments consisted of the following:

Fixed income	\$ 52,200
Cash and money funds	13,159
Common stock	<u>698,188</u>
Total	<u>\$ 763,547</u>

NOTE 6 - FAIR VALUE MEASUREMENT

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets the Entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset. Management develops inputs using the best information available in the circumstances.

The Entity's Level 1 investments are comprised of fixed income, cash and money funds, and common stock with readily determinable fair values based on daily redemption values.

The Entity had no Level 2 or Level 3 investments.

The following table presents assets measured at fair value on a recurring basis as of year-end.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 763,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 763,547</u>

NOTE 7 - ACCOUNTS RECEIVABLE

Accounts receivable are considered to be collectable within one year and consist of the following:

Grant from Tennessee Arts Commission	<u>\$ 29,232</u>
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Based on subsequent collections and prior grants receivable collection history, an allowance for uncollectable receivables was not considered necessary.

NOTE 8 - PROMISES TO GIVE - NET

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

Within one year	\$ 25,000
In one to five years	<u>50,000</u>
Total	75,000
Less: discount to net present value at rates ranging from 17% to 20%	(9,277)
Less: allowance for uncollectable promises to give	<u>(7,500)</u>
Total	<u>\$ 58,223</u>

Promises to give are shown on the Statement of Financial Position as follows:

Current promises to give - net	\$ 22,500
Non-current promises to give - net	<u>35,723</u>
Total	<u>\$ 58,223</u>

NOTE 9 - PROPERTY AND EQUIPMENT - NET

Property and equipment consist of the following at year-end:

	Balance 05-31-23	Additions	Deletions	Balance 05-31-24
Office furniture and equipment	\$ 36,679	\$ 3,267	\$ -	\$ 39,946
Music and related items	<u>39,028</u>	<u>-</u>	<u>-</u>	<u>39,028</u>
	75,707	3,267	-	78,974
Accumulated depreciation	<u>(71,441)</u>	<u>(1,837)</u>	<u>-</u>	<u>(73,278)</u>
Total	<u>\$ 4,266</u>	<u>\$ 1,430</u>	<u>\$ -</u>	<u>\$ 5,696</u>

NOTE 10 - UNEARNED REVENUE

At year-end, unearned revenue consists of the following:

Contributions received but relating to the next fiscal year	<u>\$ 4,500</u>
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NOTE 11 - LINE OF CREDIT

The Entity has a line of credit with First Horizon Bank with a maximum credit line of \$250,000. Any amounts due are secured by equipment. As of year-end, there were borrowings under the line of credit totaling \$245,220. Amounts outstanding under the line of credit bear interest at 9.25% and such interest is required to be paid monthly. The line of credit is due upon demand. Interest paid on the line of credit for the year totaled \$23,246.

NOTE 12 - OPERATING LEASE

The Entity leases office space under a long-term non-cancelable operating lease agreement. The lease expires December 31, 2028. The lease does not provide an option to renew. The risk-free interest rate of 4.00% was used for the discount rate. For the year ended May 31, 2024, total operating lease cost was \$9,750 and the total cash paid for the operating lease was \$9,250. The operating lease cost was included in occupancy expense in the Statement of Functional Expenses.

Future maturities of lease liabilities are presented as follows:

Year ending	
<u>May 31,</u>	
2025	\$ 22,450
2026	23,050
2027	23,650
2028	24,250
2029	<u>14,351</u>
Total lease payments	107,751
Less: present value discount	<u>(9,623)</u>
Total present value of lease liabilities	<u>\$ 98,128</u>

Lease liabilities are shown on the Statement of Financial Position as follows:

Current lease liability	\$ 18,866
Non-current lease liability	<u>79,262</u>
Total	<u>\$ 98,128</u>

In addition to this operating lease, the Entity also has several short-term leases that are not required to be recorded on the Statement of Financial Position, but whose lease payments are reported as lease expenses on the Statement of Functional Expenses.

NOTE 13 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

Undesignated for operations	\$ 408,391
Undesignated for youth orchestra	<u>2,710</u>
Total	<u>\$ 411,101</u>

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

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

Kayoko Dan Music Director Fund for presenting underrepresented artists	\$ 25,000
Promises to give to benefit the Kayoko Dan Music Director Fund	58,223
John L. and Norman B. Anderson Fund to support the Assistant Flute/Piccolo Chair	<u>50,000</u>
Total	<u>\$ 133,223</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 \$3,513,325 as of May 31, 2024. From these ArtsBuild funds, the Chattanooga Symphony and Opera Association received \$276,516 in fiscal year ended May 31, 2024, classified as CSO ArtsBuild investment return in the Statement of Activities.

NOTE 16 - SATISFACTION OF PROGRAM RESTRICTIONS

Throughout the fiscal year, the Board of Directors closely monitored the Entity's net assets with donor restrictions. On May 30, 2024, the Board passed a resolution to release certain assets that may be impeding the flexibility and efficiency of the Entity. The Board acknowledged that the restrictions on the following net assets have been met in accordance with all applicable laws, regulations, and policies of the Entity. These funds are shown as a satisfaction of program restrictions on the Statement of Activities:

Gherkin Fund	\$ 30,795
Opera Fund	16,365
Bernhardt Fund	39,402
Endowment Fund	1,224,999
Fletcher Bright Fund for Strings Endowment	<u>178,700</u>
Total	<u>\$ 1,490,261</u>

NOTE 17 - ADVERTISING

Program awareness costs are expensed as incurred and totaled \$57,285 during the year ended May 31, 2024.

NOTE 18 - RETIREMENT PLAN

The Entity offers 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. During the year, the Entity's retirement plan expenses totaled \$64,264.

NOTE 19 - RELATED PARTY TRANSACTIONS

A company owned by a board member holds the Entity's investment funds. During the year, \$13,315 was paid for investment fees to this company.

A board member works for a law firm which billed the Entity \$310 for services rendered during the fiscal year.

NOTE 20 - RISK MANAGEMENT

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 liabilities. Any claims have not exceeded this commercial coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Comparative Schedule of Financial Position
May 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets		
Cash	\$ 48,683	\$ 484
Investments	763,547	1,738,662
Accounts receivable	29,232	-
Promises to give - net	22,500	-
Right of use asset	19,815	-
Total current assets	883,777	1,739,146
Non-current assets		
Promises to give - net	35,723	-
Right of use asset	77,813	-
Security deposit	3,700	4,375
Property and equipment - net	5,696	4,266
Total non-current assets	122,932	8,641
TOTAL ASSETS	\$ 1,006,709	\$ 1,747,787
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 84,876	\$ 134,625
Accrued liabilities	29,661	44,781
Unearned revenue	4,500	139,937
Line of credit	245,220	245,220
Lease liability	18,866	-
Total current liabilities	383,123	564,563
Non-current liabilities		
Lease liability	79,262	-
Total liabilities	462,385	564,563
Net assets		
Without donor restrictions:		
Undesignated - Operations	408,391	(394,347)
Undesignated - Youth Orchestra	2,710	37,310
With donor restrictions	133,223	1,540,261
Total net assets	544,324	1,183,224
TOTAL LIABILITIES AND NET ASSETS	\$ 1,006,709	\$ 1,747,787

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Comparative Schedule of Activities
Years Ended May 31, 2024 and 2023

	2024	2023
REVENUES, GAINS AND OTHER SUPPORT		
Admissions	\$ 575,363	\$ 494,525
Concert fees	45,825	12,850
Youth orchestra tuition	35,987	36,933
Individual and corporate contributions	514,830	695,666
Foundation contributions	90,026	56,000
Government contributions	25,894	-
Grants	196,509	152,034
ArtsBuild allocation	90,250	93,000
Fundraising and special projects	7,800	-
Program advertising	11,449	25,348
Other income	891	734
Investment return designated for operations:		
CSO ArtsBuild investment return, net	151,353	142,339
Investment return, net	276,516	(255,521)
 Total revenues, gains and other support	 2,022,693	 1,453,908
 EXPENSES		
Program services		
Production	1,805,804	1,759,345
Youth orchestra	79,990	97,872
Sales and advertising	279,266	308,666
Education	97,713	42,131
Total program services	2,262,773	2,208,014
Supporting services		
Management and general	306,015	345,560
Fundraising	92,805	114,174
Total supporting services	398,820	459,734
 Total expenses	 2,661,593	 2,667,748
 Change in net assets	 (638,900)	 (1,213,840)
 Net assets - beginning	 1,183,224	 2,397,064
 Net assets - end	 \$ 544,324	 \$ 1,183,224

CHATTANOOGA SYMPHONY AND OPERA ASSOCIATION
Comparative Schedule of Functional Expenses
Years Ended May 31, 2024 and 2023

	Program Services				Supporting Services			2023 Total	
	Production	Youth		Sales and Advertising	Education	Management and General	Fund- Raising		2024 Total
		Orchestra							
EXPENSES									
Salaries	\$ 1,098,256	\$ 60,979	\$ 140,239	\$ 66,143	\$ 118,678	\$ 76,845	\$ 1,561,140	\$ 1,581,156	
Payroll taxes	87,129	4,284	11,361	5,920	7,396	6,060	122,150	118,690	
Employee benefits	177,557	902	5,474	2,284	12,139	625	198,981	178,353	
Conductor search	23,684	-	-	-	-	-	23,684	-	
Credit card processing	-	-	22,327	-	-	-	22,327	19,326	
Depreciation	-	984	-	-	853	-	1,837	1,143	
Donor cultivation	-	-	-	-	-	6,799	6,799	6,514	
Dues and subscriptions	-	-	-	-	8,003	-	8,003	11,028	
Education	-	-	-	19,859	-	-	19,859	19,954	
Equipment leases	-	1,039	-	-	8,158	-	9,197	8,260	
Front of house	39,066	-	-	-	-	-	39,066	41,220	
Fundraising	-	-	-	-	-	2,476	2,476	2,966	
Guest artists	179,777	-	-	-	-	-	179,777	145,878	
Insurance	480	-	-	-	27,612	-	28,092	20,884	
Interest	-	-	-	-	23,246	-	23,246	17,937	
Miscellaneous	-	1,846	6,193	-	4,246	-	12,285	13,857	
Occupancy	-	-	-	-	46,919	-	46,919	54,753	
Postage	-	-	7,000	-	3,149	-	10,149	15,292	
Production	174,301	7,457	-	-	-	-	181,758	205,519	
Professional development	-	-	-	3,507	500	-	4,007	1,225	
Professional fees	-	-	-	-	25,212	-	25,212	29,388	
Program awareness	-	-	57,285	-	-	-	57,285	72,476	
Scholarships	-	-	-	-	-	-	-	1,383	
Security	25,554	-	-	-	-	-	25,554	18,502	
Storage	-	-	-	-	6,539	-	6,539	-	
Supplies	-	2,499	-	-	3,212	-	5,711	9,605	
Technology	-	-	29,387	-	4,770	-	34,157	66,462	
Telephone	-	-	-	-	5,383	-	5,383	5,977	
Total expenses	\$ 1,805,804	\$ 79,990	\$ 279,266	\$ 97,713	\$ 306,015	\$ 92,805	\$ 2,661,593	\$ 2,667,748	