

Fort Worth Symphony Orchestra Association

Consolidated Financial Statements

July 31, 2024 and 2023



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Worth Symphony Orchestra Association

Opinion

We have audited the accompanying consolidated financial statements of Fort Worth Symphony Orchestra Association (a Texas nonprofit corporation), which comprise the consolidated statements of financial position as of July 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 the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fort Worth Symphony Orchestra Association as of July 31, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fort Worth Symphony Orchestra Association 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 Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Fort Worth Symphony Orchestra Association's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, 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, including omissions, 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 audit.
- 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 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 Fort Worth Symphony Orchestra 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fort Worth Symphony Orchestra 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.



Dallas, Texas

May 9, 2025

Fort Worth Symphony Orchestra Association
Consolidated Statements of Financial Position
July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Restricted cash	\$ 79,927	\$ 76,659
Accounts receivable	-	42,788
Instrument Fund receivable	6,459	10,526
Contributions receivable	5,596,281	2,630,525
Prepaid expenses and other assets	676,278	565,253
Beneficial interests in trusts	1,524,804	1,451,017
Property and equipment, net	495,721	450,677
Right-of-use asset	255,752	491,442
Cash held for endowment	2,900	-
Investments held for endowment	<u>30,873,752</u>	<u>29,391,128</u>
Total assets	<u>\$ 39,511,874</u>	<u>\$ 35,110,015</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable and accrued liabilities	\$ 894,891	\$ 959,103
Deferred revenue	1,319,010	1,255,230
Line of credit	2,395,000	150,000
Lease liabilities	<u>266,747</u>	<u>502,378</u>
Total liabilities	<u>4,875,648</u>	<u>2,866,711</u>
Net assets (deficit)		
Without donor restrictions	(2,966,221)	(812,203)
With donor restrictions	<u>37,602,447</u>	<u>33,055,507</u>
Total net assets (deficit)	<u>34,636,226</u>	<u>32,243,304</u>
Total liabilities and net assets (deficit)	<u>\$ 39,511,874</u>	<u>\$ 35,110,015</u>

The accompanying notes are an integral part of these consolidated financial statements.

Fort Worth Symphony Orchestra Association
Consolidated Statement of Activities
For the Year Ended July 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Earned income			
Subscription ticket sales	\$ 1,126,758	\$ -	\$ 1,126,758
Single ticket sales	1,875,604	-	1,875,604
Education, engagement and other fees	<u>535,680</u>	<u>-</u>	<u>535,680</u>
Total earned income	3,538,042	-	3,538,042
Contributions to operations	4,840,284	4,309,605	9,149,889
Contributions to endowment	-	2,900	2,900
Special events, net	830,141	-	830,141
Net realized and unrealized gains on investments	-	3,074,760	3,074,760
Interest and dividends, net	-	507,864	507,864
Net assets released from restriction pursuant to endowment spending-rate distribution formula	2,100,000	(2,100,000)	-
Net assets released from restriction	<u>1,321,976</u>	<u>(1,321,976)</u>	<u>-</u>
Total revenues, gains, and other support	<u>12,630,443</u>	<u>4,473,153</u>	<u>17,103,596</u>
Functional expenses			
Program - artistic operations	12,214,972	-	12,214,972
Management and general	1,849,504	-	1,849,504
Fundraising	<u>719,985</u>	<u>-</u>	<u>719,985</u>
Total functional expenses	<u>14,784,461</u>	<u>-</u>	<u>14,784,461</u>
Change in net assets from operations	<u>(2,154,018)</u>	<u>4,473,153</u>	<u>2,319,135</u>
Other income			
Change in value of beneficial interests in trusts	<u>-</u>	<u>73,787</u>	<u>73,787</u>
Total other income	<u>-</u>	<u>73,787</u>	<u>73,787</u>
Change in net assets	(2,154,018)	4,546,940	2,392,922
Net assets (deficit), beginning of year	<u>(812,203)</u>	<u>33,055,507</u>	<u>32,243,304</u>
Net assets (deficit), end of year	<u><u>\$ (2,966,221)</u></u>	<u><u>\$ 37,602,447</u></u>	<u><u>\$ 34,636,226</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Fort Worth Symphony Orchestra Association
Consolidated Statement of Activities
For the Year Ended July 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Earned income			
Subscription ticket sales	\$ 1,160,250	\$ -	\$ 1,160,250
Single ticket sales	2,444,628	-	2,444,628
Education, engagement and other fees	785,720	-	785,720
Total earned income	4,390,598	-	4,390,598
Contributions to operations	5,427,222	2,177,530	7,604,752
Contributions to endowment	-	2,100	2,100
Special events, net	878,914	-	878,914
Net realized and unrealized gains on investments	-	1,541,124	1,541,124
Interest and dividends, net	46,959	551,895	598,854
Net assets released from restriction pursuant to endowment spending-rate distribution formula	1,662,000	(1,662,000)	-
Net assets released from restriction	847,417	(847,417)	-
Total revenues, gains, and other support	13,253,110	1,763,232	15,016,342
Functional expenses			
Program - artistic operations	12,800,695	-	12,800,695
Management and general	1,849,415	-	1,849,415
Fundraising	597,483	-	597,483
Total functional expenses	15,247,593	-	15,247,593
Change in net assets from operations	(1,994,483)	1,763,232	(231,251)
Other expense			
Change in value of beneficial interests in trusts	-	(19,791)	(19,791)
Total other expense	-	(19,791)	(19,791)
Change in net assets	(1,994,483)	1,743,441	(251,042)
Net assets, beginning of year	1,182,280	31,312,066	32,494,346
Net assets (deficit), end of year	\$ (812,203)	\$ 33,055,507	\$ 32,243,304

The accompanying notes are an integral part of these consolidated financial statements.

Fort Worth Symphony Orchestra Association
Consolidated Statement of Functional Expenses
For the Year Ended July 31, 2024

	Program - Artistic Operations	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Personnel expenses					
Salaries and wages	\$ 7,356,557	\$ 1,194,760	\$ 415,568	\$ -	\$ 8,966,885
Employee benefits	294,635	125,508	43,655	-	463,798
Total personnel expenses	<u>7,651,192</u>	<u>1,320,268</u>	<u>459,223</u>	<u>-</u>	<u>9,430,683</u>
Non-personnel expenses					
Occupancy	557,643	105,129	36,567	-	699,339
Professional services	325,581	60,588	21,349	-	407,518
Advertising and promotions	290,029	290,028	-	-	580,057
Box office	234,484	-	-	-	234,484
Development	-	-	191,503	-	191,503
Guest artist and conductors	1,823,735	-	-	-	1,823,735
Performance expense	566,825	-	-	-	566,825
Special events	-	-	-	200,994	200,994
Hall rental, front of the house	633,374	-	-	-	633,374
Depreciation and amortization	122,612	23,115	8,040	-	153,767
Interest	9,497	50,376	3,303	-	63,176
Total non-personnel expenses	<u>4,563,780</u>	<u>529,236</u>	<u>260,762</u>	<u>200,994</u>	<u>5,554,772</u>
Less: expenses included with revenues on the statement of activities					
Special events	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,994)</u>	<u>(200,994)</u>
	<u>\$ 12,214,972</u>	<u>\$ 1,849,504</u>	<u>\$ 719,985</u>	<u>\$ -</u>	<u>\$ 14,784,461</u>

The accompanying notes are an integral part of these consolidated financial statements.

Fort Worth Symphony Orchestra Association
Consolidated Statement of Functional Expenses
For the Year Ended July 31, 2023

	Program - Artistic Operations	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Personnel expenses					
Salaries and wages	\$ 6,941,030	\$ 1,248,134	\$ 349,478	\$ -	\$ 8,538,642
Employee benefits	395,101	131,364	36,782	-	563,247
Total personnel expenses	<u>7,336,131</u>	<u>1,379,498</u>	<u>386,260</u>	<u>-</u>	<u>9,101,889</u>
Non-personnel expenses					
Occupancy	524,159	106,536	29,831	-	660,526
Professional services	305,246	62,042	17,371	-	384,659
Advertising and promotions	278,609	278,608	-	-	557,217
Box office	289,188	-	-	-	289,188
Development	-	-	157,838	-	157,838
Guest artist and conductors	1,699,886	-	-	-	1,699,886
Performance expense	1,601,869	-	-	-	1,601,869
Special events	-	-	-	304,560	304,560
Hall rental, front of the house	657,627	-	-	-	657,627
Depreciation and amortization	107,814	21,913	6,136	-	135,863
Interest	166	818	47	-	1,031
Total non-personnel expenses	<u>5,464,564</u>	<u>469,917</u>	<u>211,223</u>	<u>304,560</u>	<u>6,450,264</u>
Less: expenses included with revenues on the statement of activities					
Special events	<u>-</u>	<u>-</u>	<u>-</u>	<u>(304,560)</u>	<u>(304,560)</u>
	<u>\$ 12,800,695</u>	<u>\$ 1,849,415</u>	<u>\$ 597,483</u>	<u>\$ -</u>	<u>\$ 15,247,593</u>

The accompanying notes are an integral part of these consolidated financial statements.

Fort Worth Symphony Orchestra Association
Consolidated Statements of Cash Flows
For the Years Ended July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 2,392,922	\$ (251,042)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	153,767	135,863
Net realized and unrealized gains on investments	(3,074,760)	(1,541,124)
Change in value of beneficial interests in trusts	(73,787)	19,791
Contribution revenue restricted for endowment	(2,900)	(2,100)
Changes in operating assets and liabilities		
Accounts receivable	42,788	(24,288)
Instrument Fund receivable	4,067	(3,193)
Contribution receivable	(2,965,756)	(2,332,025)
Employee retention credit receivable	-	388,398
Prepaid expenses and other assets	(111,025)	(192,806)
Right-of-use asset	235,690	229,865
Accounts payable and accrued liabilities	(64,212)	468,889
Deferred revenue	63,780	(203,565)
Lease liabilities	(235,631)	(218,929)
Net cash used in operating activities	<u>(3,635,057)</u>	<u>(3,526,266)</u>
Cash flows from investing activities		
Purchases of property and equipment	(198,811)	(288,314)
Purchases of investments	(507,864)	(553,995)
Proceeds from sales of investments	2,100,000	1,662,000
Net cash provided by investing activities	<u>1,393,325</u>	<u>819,691</u>
Cash flows from financing activities		
Cash collected on contributions restricted for endowment	2,900	2,100
Draws on line of credit	3,988,000	150,000
Payments on line of credit	(1,743,000)	-
Net cash provided by financing activities	<u>2,247,900</u>	<u>152,100</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	6,168	(2,554,475)
Cash, cash equivalents and restricted cash, beginning of year	<u>76,659</u>	<u>2,631,134</u>
Cash, cash equivalents and restricted cash, end of year	<u><u>\$ 82,827</u></u>	<u><u>\$ 76,659</u></u>
Cash, cash equivalents and restricted cash consisted of the following:		
Restricted cash	\$ 79,927	\$ 76,659
Cash held for endowment	2,900	-
	<u><u>\$ 82,827</u></u>	<u><u>\$ 76,659</u></u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 63,176	\$ 1,031
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Supplemental schedule of noncash investing and financing activities

Operating lease right-of-use asset obtained in exchange for operating lease liability	\$ -	\$ 721,307
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The accompanying notes are an integral part of these consolidated financial statements.

Fort Worth Symphony Orchestra Association
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

1. NATURE OF OPERATIONS

The Fort Worth Symphony Orchestra Association (the "Association") is a Texas nonprofit corporation chartered in 1929. Its purpose is to perform symphonic music at the highest level of artistic excellence to educate, entertain and enhance cultural life. The Symphony's purpose includes to present engaging music education programs for young people to foster early interest in and inspire lifelong enjoyment of music and to achieve ever-greater levels of artistic accomplishment and leadership in Fort Worth and across the nation. The Association is primarily supported by proceeds from performances and contributions from the general public and foundations.

The accompanying consolidated financial statements include the accounts of the Association and the Fort Worth Symphony Orchestra Association General Endowment Trust (the "Endowment Fund"). The Endowment Fund is a separate 501(c)(3) organization established by the Association to act on behalf of the Association in an investment capacity, in order to maximize returns for the benefit of, perform the functions of, and carry out the purposes of the Association. The Endowment Fund is consolidated with the Association due to the Association having both an economic interest in the Endowment Fund and control over the Endowment Fund's Board of Directors. All significant intercompany transactions have been eliminated. The Association and the Endowment Fund are collectively referred to herein as the "Symphony".

2. GOING CONCERN CONSIDERATIONS

The Symphony's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Symphony has sustained negative changes in net assets without donor restrictions from operations of \$2,154,018 and \$1,994,483 for the years ended July 31, 2024 and 2023, respectively. As well as net deficits without donor restrictions of \$2,966,221 and \$812,203 as at July 31, 2024 and 2023. Net cash flows used in operations were \$3,635,057 and \$3,526,266 for the years ended July 31, 2024 and 2023, respectively. The Symphony has reviewed the relevant conditions and events surrounding its ability to continue as a going concern including among others; historical losses, projected future results, cash requirements for the upcoming year, funding capacity and without donor restrictions net assets. The Symphony has and will continue to streamline its operations by reducing or postponing certain more costly performances and increasing the number of more profitable performances. In addition, it has secured multi-year pledges. Also, as disclosed in Note 3, it has obtained a \$3,000,000 revolving promissory note from the Endowment Fund to help fund operations. As of July 31, 2024 the Company had approximately \$569,258 of unrestricted cash. The Company believes that, as a result, it currently has sufficient cash and financing commitments to meet its funding requirements over the next year.

Fort Worth Symphony Orchestra Association
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

2. GOING CONCERN CONSIDERATIONS (continued)

Management acknowledges that times are different post-covid for arts based non-profits and uncertainty remains for many institutions to fund its operations; however, based on the factors above, management believes it can generate positive cash flows from its operating activities and achieve break-even during the next 12 months from the report date. Management believes that its efforts to mitigate these matters will be sufficient to enable the Symphony to continue as a going concern for at least one year from the date the consolidated financial statements are available to be issued. The consolidated financial statements do not include any adjustments that might be necessary if the Symphony is unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The consolidated financial statements of the Symphony have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor restrictions. The Symphony's governing Board of Directors (the "Board") may designate net assets without donor restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment funds that are not required to be maintained in perpetuity, until such funds are appropriated for expenditure by the Symphony. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions. Contributions with donor-imposed restrictions whose restriction are satisfied in the same reporting period as received are reported as net assets without donor restrictions.

Fort Worth Symphony Orchestra Association
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, cash equivalents and restricted cash

The Symphony maintains cash and cash equivalents with major financial institutions. The Symphony considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents, except for such assets included as amounts held in perpetuity for endowment. Restricted cash is cash held for instrument loans and the Instrument Fund. See Note 11.

Beneficial interests in trusts

The Symphony has been named as an irrevocable beneficiary of perpetual trusts held and administered by an independent trustee. Perpetual trusts provide for the distribution of the trust's net income to the Symphony, however, the Symphony has not received the assets of the trust. At the date the Symphony receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Investments

Investments are recorded at fair value. Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law.

All investment gains and losses are included in the accompanying statements of activities. Interest and dividend income is presented net of investment management fees.

Fair value measurements

The Symphony applies the U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. U.S. GAAP describes three levels of inputs that may be used to measure fair value:

- *Level 1* - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - Significant other observable inputs (other than Level 1 prices) such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Fort Worth Symphony Orchestra Association
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 3* - Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities and reflect management's assumptions and best estimates based on available data.

The underlying assets of the beneficial interests in trusts are all actively traded as of July 31, 2024 and 2023. However, the Symphony does not control the underlying assets, and the interest in the trusts are not directly traded in the market. Therefore, the beneficial interests in trusts are reported using level 3 investments.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

Property and equipment

The Symphony capitalizes all expenditures for property and equipment in excess of \$1,000 with an estimated useful life greater than one year. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property, buildings and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Symphony reports expirations of donor restrictions when the donated or acquired assets are placed in service. Minor repairs and maintenance are expensed as incurred. Major repairs and maintenance that extend the useful life of the respective asset are capitalized.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture and fixtures	3-7 Years
Acoustical equipment	3-7 Years
Computer software	3-5 Years
Leasehold improvements	3-5 Years

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Symphony, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. The Symphony will record impairment losses when determined. No indicators of impairment existed at July 31, 2024 and 2023.

Fort Worth Symphony Orchestra Association
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition and deferred revenue

Revenue is recognized when earned. Ticket sales and concerts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Special events are recognized as revenue when the event is held and are recorded net of direct benefits to donors.

Contributions and promises to give

Contributions received are reported as net assets with or without donor restrictions, depending upon the presence or absence of any donor restrictions.

Contributions, including unconditional promises to give, are recognized as support in the period the unconditional promise is received. Contributions that are promised in one year but are not expected to be collected until after the end of the fiscal year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based on management's judgment including factors such as prior collection history, type of contribution and current aging of contributions receivable. Management believes that all outstanding amounts are fully collectible. As such there is no allowance for doubtful accounts at July 31, 2024 and 2023.

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. As of July 31, 2024 and 2023, there were no conditional promises to give. The Symphony has been notified that it has been included in various wills. A receivable has not been recorded as the amounts from the estates are not known as of the date of the consolidated financial statements.

Contributed goods and services

Contributed materials and equipment are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values at the date of receipt. The Symphony received contributed materials for the annual gala of \$66,140 and \$63,890 for the years ended July 31, 2024 and 2023, respectively, from items contributed and monetized through an auction. The contributed items are reflected at the monetized amount within fundraising events in the accompanying statement of activities. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No amounts have been recognized in the accompanying statements of activities because the criteria for the recognition of such volunteer efforts as contributed services have not been satisfied.

Fort Worth Symphony Orchestra Association
Notes to Consolidated Financial Statements
July 31, 2024 and 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Expenses, such as salaries and wages, employee benefits, occupancy, professional services, and depreciation and amortization, have been allocated among program services and supporting services based upon employee headcount.

Advertising costs

The Symphony expenses advertising cost in the year which the related production is performed. Advertising expense of \$580,057 and \$557,217 for the years ended July 31, 2024 and 2023, respectively, are recorded in the accompanying statements of functional expenses within the advertising and promotions.

Leases

The Symphony leases office space under operating leases. The Symphony determines if an arrangement is a lease at inception. Operating leases are included in right-of-use assets and lease liabilities on the statement of financial position. Right-of-use assets represent the Symphony's right to use an underlying asset for the lease term and lease liabilities represent the Symphony's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Symphony's leases do not provide an implicit rate, the Symphony uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Symphony's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Income tax status

The Symphony is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. The Symphony's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Symphony uses a more likely than not threshold for consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. To the extent that the Symphony's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Symphony reports tax-related interest and penalties, if applicable, as a component of income tax expense, as incurred. As of July 31, 2024 and 2023, no uncertain tax positions have been identified by management and, therefore, no amounts have been recognized in the accompanying consolidated financial statements.

Fort Worth Symphony Orchestra Association
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of 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 the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Uses of estimates include, but are not limited to, the estimated useful lives for property and equipment, allocation of expenses by function, and the fair value of investments measured at net asset value as a practical expedient. Actual results could differ from those estimates.

New accounting pronouncement

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326)*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of expected credit losses for the remaining estimated life of the financial asset using historical experience, current conditions and reasonable and supportable forecasts.

The Symphony adopted the standard effective August 1, 2023. The adoption of this standard had no impact on the Symphony's consolidated financial statements.

Subsequent events

The Symphony has evaluated subsequent events through May 9, 2025, the date the consolidated financial statements were available to be issued.

On October 15, 2024, the Symphony entered into a revolving promissory note with their endowment with a maximum draw of \$3,000,000 with a maturity date of July 31, 2035 and interest rate of the variable prime rate as quoted by the Wall Street Journal minus 0.50%. As of May 9, 2025, the revolving promissory note had a balance outstanding of \$850,000.

On April 21, 2025, the Symphony renewed their line of credit agreement with a financial institution extending the maturity date to April 20, 2026.

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4. LIQUIDITY AND FUNDS AVAILABLE

As part of the Symphony's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

In the event of an unanticipated liquidity need, the Symphony could draw up to an additional \$3,005,000 on its line of credit, as discussed in Notes 3 and 16.

The following is a quantitative disclosure which describes financial assets that are available within one year of July 31, 2024 to fund general expenditures and other obligations as they become due:

Financial assets	
Restricted cash	\$ 79,927
Instrument Fund receivable	6,459
Contributions receivable	5,596,281
Beneficial interests in trusts	1,524,804
Cash held for endowment	2,900
Investments held for endowment	<u>30,873,752</u>
	<u>38,084,123</u>
Less: amounts unavailable for general expenditures within one year	
Restricted cash	(79,927)
Instrument Fund receivable	(6,459)
Time restricted contributions receivable due beyond one year	(3,750,000)
Beneficial interests in trusts	(1,524,804)
Donor-restricted investments held for endowment	(30,876,652)
Purpose restricted net assets	<u>(105,000)</u>
	<u>(36,342,842)</u>
	<u>\$ 1,741,281</u>

5. CONTRIBUTIONS RECEIVABLE

A summary of contributions receivables as of July 31 is as follows:

	<u>2024</u>	<u>2023</u>
Receivables due in less than one year	\$ 1,846,281	\$ 1,380,525
Receivables due in one to five years	<u>3,750,000</u>	<u>1,250,000</u>
	<u>\$ 5,596,281</u>	<u>\$ 2,630,525</u>

Fort Worth Symphony Orchestra Association
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6. INVESTMENTS

Investments consisted of the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,918,954	\$ 2,550,265
Equity securities	22,273,750	20,049,059
Fixed income securities	<u>6,681,048</u>	<u>6,791,804</u>
	<u>\$ 30,873,752</u>	<u>\$ 29,391,128</u>

7. BENEFICIAL INTERESTS IN TRUSTS

The Symphony has four beneficial interests in trusts for which separate third parties are the trustees. The change in fair value of the beneficial interest in trusts resulted in unrealized gains and losses of \$73,787 and (\$19,791) for the years ended July 31, 2024 and 2023, respectively, on the accompanying statements of activities. The underlying assets of the agreements are invested in cash and equivalents, fixed income, and equities.

8. FAIR VALUE MEASUREMENT

The following table sets forth by level, within the fair value hierarchy, the Symphony's assets at fair value as of July 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,918,954	\$ -	\$ -	\$ 1,918,954
Equity securities	22,273,750	-	-	22,273,750
Fixed income securities	6,681,048	-	-	6,681,048
Beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>1,524,804</u>	<u>1,524,804</u>
	<u>\$ 30,873,752</u>	<u>\$ -</u>	<u>\$ 1,524,804</u>	<u>\$ 32,398,556</u>

The following table sets forth by level, within the fair value hierarchy, the Symphony's assets at fair value as of July 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 2,550,265	\$ -	\$ -	\$ 2,550,265
Equity securities	20,049,059	-	-	20,049,059
Fixed income securities	6,791,804	-	-	6,791,804
Beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>1,451,017</u>	<u>1,451,017</u>
	<u>\$ 29,391,128</u>	<u>\$ -</u>	<u>\$ 1,451,017</u>	<u>\$ 30,842,145</u>

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8. FAIR VALUE MEASUREMENT (continued)

As of July 31, 2024 and 2023, there were no purchases or sales on the Symphony's Level 3 investments.

As of July 31, 2024 and 2023, there were no restrictions on redemptions or unfunded commitments for any of the major types of assets.

9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of July 31:

	<u>2024</u>	<u>2023</u>
Furniture and fixtures	\$ 400,129	\$ 986,032
Acoustical equipment	837,954	709,805
Computer software	186,252	311,867
Leasehold improvements	16,138	16,138
Vehicles	<u>43,656</u>	<u>43,656</u>
	1,484,129	2,067,498
Less: accumulated depreciation and amortization	<u>(988,408)</u>	<u>(1,616,821)</u>
	<u><u>\$ 495,721</u></u>	<u><u>\$ 450,677</u></u>

Depreciation and amortization expense was \$153,767 and \$135,863 for the years ended July 31, 2024 and 2023, respectively.

10. ENDOWMENT

The Symphony's endowments consist of donor-restricted funds established to support the operations of the Symphony. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Symphony's Board has interpreted Texas Uniform Prudent Management of Institutional Funds Act ("Texas UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Symphony classifies as net assets with donor restrictions (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 the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not restricted in perpetuity is also classified within net assets with donor restrictions until those amounts are appropriated for expenditure by the Symphony in a manner consistent with the standard of prudence prescribed by Texas UPMIFA.

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10. ENDOWMENT (continued)

Interpretation of relevant law (continued)

In accordance with Texas UPMIFA, the Symphony 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 Symphony 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 Symphony, and
- (7) The investment policies of the Symphony.

Return objectives and risk parameters

The Symphony 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 Symphony must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the Symphony diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Symphony 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 Symphony targets a diversified asset allocation that places a greater emphasis on equity and fixed income-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Symphony has a policy of appropriating for distribution each year up to 6% of the average fair value of endowment assets for the 3-years preceding the fiscal year in which the distribution is planned. In establishing this policy, the Symphony considered the long-term expected return on its endowment. Accordingly, over the long term, the Symphony expects the current spending policy to allow its endowment to grow at an annual rate equal to or greater than the consumer price index. This is consistent with the Symphony's objective to maintain purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

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10. ENDOWMENT (continued)

Funds with deficiencies

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 Texas UPMIFA requires the Symphony to retain as a fund of perpetual duration. No deficiencies of this nature exist in donor-restricted endowment funds as of July 31, 2024 and 2023.

During the year ended July 31, 2024, the Symphony took an early distribution from the endowment in the amount of \$360,000, representing an advance on the Board-approved appropriation for the fiscal year ending July 31, 2025. This early distribution was made to support operations due to cash flow constraints and was authorized by the Board of Directors in accordance with the Symphony's spending policy and endowment management practices.

Endowment composition

Endowment net asset composition by type of fund as of July 31, 2024 is as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 25,586,015
Accumulated endowment earnings	5,290,637
	<u>\$ 30,876,652</u>

Endowment net asset composition by type of fund as of July 31, 2023 is as follows:

	<u>With Donor Restrictions</u>
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 25,583,115
Accumulated endowment earnings	3,808,013
	<u>\$ 29,391,128</u>

Fort Worth Symphony Orchestra Association
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10. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal years ended July 31, 2024 and 2023 is as follows:

	<u>With Donor Restrictions</u>
Balance, July 31, 2022	\$ 28,958,009
Net realized and unrealized gains	1,541,124
Interest and dividends, net	551,895
Contributions	2,100
Appropriation of endowment earnings for expenditure	<u>(1,662,000)</u>
	<u>433,119</u>
Balance, July 31, 2023	\$ 29,391,128
Net realized and unrealized gains	3,074,760
Interest and dividends, net	507,864
Contributions	2,900
Appropriation of endowment earnings for expenditure	<u>(2,100,000)</u>
	<u>1,485,524</u>
Balance, July 31, 2024	\$ 30,876,652

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11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Instrument Fund	\$ 79,927	\$ 5,589
Instrument Fund receivable	6,459	10,526
Musician and staff salaries	-	375,000
2024 Annual Gala	-	200,000
Recordings	-	50,000
Artistic initiatives fund	-	250,000
Newly commissioned work	<u>105,000</u>	<u>55,000</u>
	<u>191,386</u>	<u>946,115</u>
Subject to the passage of time:		
Subscription contributions for 2025 performance year	99,574	-
Subscription contributions for 2024 performance year	-	51,247
Beneficial interests in trusts	1,338,621	1,272,694
Time restricted for specific use in future years	<u>4,910,031</u>	<u>1,216,000</u>
	<u>6,348,226</u>	<u>2,539,941</u>
Subject to perpetuity:		
Beneficial interests in trusts	<u>186,183</u>	<u>178,323</u>
	<u>186,183</u>	<u>178,323</u>
Subject to spending policy and appropriations:		
Endowments invested in perpetuity (including amounts above original gift amount of \$25,586,015 and \$25,583,115 for the years ended July 31, 2024 and 2023), the income from which is expendable to support		
General endowment fund	<u>30,876,652</u>	<u>29,391,128</u>
	<u>30,876,652</u>	<u>29,391,128</u>
	<u>\$ 37,602,447</u>	<u>\$ 33,055,507</u>

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2024</u>	<u>2023</u>
Appropriation of endowment earnings	\$ 2,100,000	\$ 1,662,000
Purpose restriction accomplished and/or time restriction expired	<u>1,321,976</u>	<u>847,417</u>
	<u>\$ 3,421,976</u>	<u>\$ 2,509,417</u>

Fort Worth Symphony Orchestra Association
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12. COMMITMENTS AND CONTINGENCIES

As of July 31, 2024, the Symphony has three lease agreements for offices, a warehouse, and a recital hall. The remaining lease terms range from 1 to 5 years.

Rent expense amounted to approximately \$240,000 and \$245,000 for the years ended July 31, 2024 and 2023, respectively, and is included in occupancy expense on the schedule of functional expenses.

The weighted-average for the remaining lease terms is 3.25 years using a weighted-average lease discount rate of 2.57%.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending July 31,</u>	
2025	\$ 240,302
2026	<u>30,706</u>
	271,008
Less: imputed interest	<u>(4,261)</u>
	<u><u>\$ 266,747</u></u>

13. CREDIT RISKS, CONCENTRATIONS, AND UNCERTAINTIES

At times, the Symphony may maintain cash and cash equivalents balances in financial institutions in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Symphony invests with financial institutions with strong credit ratings and has not experienced any such losses. Management believes the Symphony is not exposed to any significant credit risk related to cash and cash equivalent balances.

The Symphony has investments in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Symphony's account balances and the amounts reported in the statements of financial position.

Contributions and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. For the year ended July 31, 2024, contributions from one donor represent approximately 56% of total contribution revenue. For the year ended July 31, 2023, contributions from three donors represent approximately 50% of total contribution revenue. At July 31, 2024, approximately 85% of contributions receivable is due from three donors. At July 31, 2023, approximately 94% of contributions receivable is due from four donors.

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14. EMPLOYEE BENEFIT PLAN

The Symphony sponsors a defined contribution retirement plan (the "Plan"). This 401(k) plan is available to all qualified employees who are age twenty-one or older at the first day of employment. The Symphony contributes a discretionary match to all eligible employees who have met certain length of service requirements. The Symphony did not make any contributions to the Plan for the years ended July 31, 2024 and 2023.

The Symphony participates in the Volume Submitter Profit Sharing/401(k) Plan of Fort Worth Symphony Orchestra 401(k) Plan & Trust ("the Profit Sharing Plan"), identified as Plan 001 and Employer Identification Number 75-6004761. The Profit Sharing Plan is a multi-employer pension plan for union-represented employees of the Symphony. The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Symphony chooses to stop participating in some of its multi-employer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Symphony is required to make minimum contributions according to the actuarial requirements pursuant to a collective bargaining agreement.

The Symphony made contributions of \$294,635 and \$369,589 to these plans during the years ended July 31, 2024 and 2023, respectively.

15. RELATED PARTIES

The Symphony received contributions totaling approximately \$6,361,000 and \$2,640,000 from employees and members of the Board for the years ended July 31, 2024 and 2023, respectively. As of July 31, 2024 and 2023, contributions receivables from these related parties totaled approximately \$4,631,000 and \$635,000, respectively.

A member of the Board is an owner at an investment management company where the Symphony holds their investments.

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16. LINE OF CREDIT

During the year ended July 31, 2024, the Symphony has a line of credit (LOC) agreement with a financial institution. The LOC had a maximum of \$2,400,000 with a variable prime rate as quoted by the Wall Street Journal (8.50% at July 31, 2024 and 2023). The LOC was scheduled to mature on March 26, 2025, and at July 31, 2024, the LOC had a balance outstanding of \$2,395,000.

As discussed in Note 3, the Symphony extended the term under the line of credit agreement to April 20, 2026 with the same terms.