

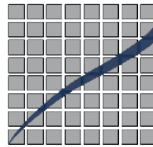


FINANCIAL STATEMENTS

JULY 31, 2022

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Colorado Springs Philharmonic Orchestra

Colorado Springs, Colorado

Qualified Opinion

We have audited the accompanying financial statements of Colorado Springs Philharmonic Orchestra ("Organization"), which comprise the statement of financial position as of July 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, except for the effects of not consolidating the financial statements of the Colorado Springs Philharmonic Foundation ("Foundation"), as described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of July 31, 2022, 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 ("US GAAP").

Basis for Qualified Opinion

As more fully described in Note 2 to the financial statements, the Organization is financially interrelated with the Foundation. In our opinion, accounting principles generally accepted in the United States of America require the Organization to consolidate the financial position of the Foundation and the changes in its net assets and its cash flows due to the Organization's control over and economic interest in the Foundation. If the financial statements of the Foundation had been consolidated with those of the Organization, total assets and net assets would be increased by \$2,235,830, and the change in net assets would decrease by \$178,312.

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 the report. We are required to be independent of the Organization 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 qualified audit opinion.

Correction of Error

As discussed in Note 13 to the financial statements, the Organization has restated its net assets without donor restrictions as of August 1, 2021, as previously reported. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with , 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 Organization'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 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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment 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 Organization'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

BiggsKofford, P.C.

Colorado Springs, Colorado

July 20, 2023

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

STATEMENT OF FINANCIAL POSITION

JULY 31, 2022

ASSETS

Current assets:

Cash and equivalents	\$ 3,462,419
Pledges receivable, net	325,114
Employee Retention Credit receivable	324,465
Prepaid expenses and other current assets	80,102

Total current assets	4,192,100
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Non-current assets:

Pledges receivable, net of current portion	408,737
Property and equipment, net	56,885

Total non-current assets	465,622
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Total assets	\$ 4,657,722
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 99,167
Accrued liabilities	67,600
Deferred revenue	1,036,818

Total current liabilities	1,203,585
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Non-current liabilities:

Economic Injury Disaster Loan	150,000
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Total liabilities	1,353,585
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Net assets:

Without donor restrictions:

Operating	1,864,471
Equity in property and equipment, net	56,885

Total net assets without donor restrictions	1,921,356
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With donor restrictions	1,382,781
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Total net assets	3,304,137
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Total liabilities and net assets	\$ 4,657,722
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The accompanying notes and independent auditor's report
should be read with these financial statements.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>OPERATING SUPPORT AND REVENUE</u>			
Contributions and grants	\$ 572,667	\$ 872,933	\$ 1,445,600
Concert revenue	1,602,466	-	1,602,466
Contributed nonfinancial assets	36,550	-	36,550
Other income	10,166	-	10,166
Support and revenue from operations	<u>2,221,849</u>	<u>872,933</u>	<u>3,094,782</u>
<u>RECLASSIFICATIONS</u>			
Satisfaction of time restrictions	<u>777,553</u>	<u>(777,553)</u>	<u>-</u>
<u>EXPENSES</u>			
Program services	<u>2,582,241</u>	<u>-</u>	<u>2,582,241</u>
Supporting activities:			
General and administrative	610,204	-	610,204
Fundraising	<u>169,793</u>	<u>-</u>	<u>169,793</u>
Total supporting activities	<u>779,997</u>	<u>-</u>	<u>779,997</u>
Total expenses	<u>3,362,238</u>	<u>-</u>	<u>3,362,238</u>
Change in net assets from operations	<u>(362,836)</u>	<u>95,380</u>	<u>(267,456)</u>
<u>NON-OPERATING SUPPORT AND REVENUE</u>			
Government grants	587,537	324,465	912,002
Paycheck Protection Program forgiveness	<u>272,020</u>	<u>-</u>	<u>272,020</u>
Non-operating support and revenue (Note 12)	<u>859,557</u>	<u>324,465</u>	<u>1,184,022</u>
Total change in net assets	496,721	419,845	916,566
Net assets, beginning of year (as restated)	<u>1,424,635</u>	<u>962,936</u>	<u>2,387,571</u>
Net assets, end of year	<u>\$ 1,921,356</u>	<u>\$ 1,382,781</u>	<u>\$ 3,304,137</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Bad debt	\$ -	\$ 59,901	\$ -	\$ 59,901
Concert production	309,616	-	545	310,161
Conferences and meetings	685	10,198	-	10,883
Depreciation	-	19,430	-	19,430
Information technology	3,600	29,031	-	32,631
Insurance	12,853	18,887	-	31,740
Interest expense	-	8,540	-	8,540
Occupancy	36,922	36,921	-	73,843
Office	34,293	58,829	-	93,122
Professional fees	98,778	163,964	-	262,742
Promotion and community outreach	396,356	-	-	396,356
Salaries, benefits and taxes	1,627,669	204,503	169,248	2,001,420
Travel	61,469	-	-	61,469
Total expenses	<u>\$ 2,582,241</u>	<u>\$ 610,204</u>	<u>\$ 169,793</u>	<u>\$ 3,362,238</u>
Percentage of total expenses	<u>77%</u>	<u>18%</u>	<u>5%</u>	<u>100%</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

STATEMENT OF CASH FLOWS

YEAR ENDED JULY 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (267,456)
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	19,430
Bad debt	59,901
Recognition of pledges for long-term purposes	(548,479)
(Increase) decrease in assets:	
Accounts receivable	22,752
Employee Retention Credit receivable	(324,465)
Prepaid expenses and other current assets	(65,180)
Increase (decrease) in liabilities:	
Accounts payable	(51,182)
Accrued liabilities	(250,021)
Deferred revenue	249,944
Net cash flows from operating activities	<u>(1,154,756)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(19,387)</u>
Net cash flows from investing activities	<u>(19,387)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Collections of pledges receivable	<u>717,663</u>
Net cash flows from financing activities	<u>717,663</u>
Net change in cash and equivalents	(456,480)
Cash and equivalents, beginning of year	<u>2,734,877</u>
Cash and equivalents, end of year	<u><u>\$ 2,278,397</u></u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Colorado Springs Philharmonic Orchestra ("Organization" or "Philharmonic") was formed in 2003 as a professional symphony orchestra organization. The Organization's musicians perform more than 50 concerts per year for the community of the Pikes Peak Region of Colorado. Its mission is to reflect the greatness of our community and the best of human potential through musical excellence, creative discovery, and civic leadership.

The Organization's programs include musical performances for audiences of all ages. It provides free admission to young families and caregivers, and educational performances are provided free of charge to disadvantaged elementary schools. It broadcasts many concerts to radio listeners in southern Colorado. It provides cultural/musical travel opportunities for patrons who wish to hear some of the world's finest performers and musical ensembles.

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from these estimates.

Accounting pronouncements adopted

On August 1, 2021, the Organization adopted ASU No. 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASC Topic 958") on a retrospective basis. These amendments increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this update also require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities.

Cash and equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2022

The Organization maintains its cash and equivalents in financial institutions that, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times during the year, cash may exceed the federally insured amount. The Organization does not anticipate nonperformance by these institutions.

Pledges receivable

Pledges receivable consist of unconditional promises-to-give and are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using estimated risk-free rates as of July 31, 2022. Amortization of the discount is included in contributions and grants in the accompanying statement of activities.

Pledges receivable were discounted using risk-free rates of approximately 3% as of July 31, 2022. The Organization also maintains an allowance for uncollectable pledges receivable. As of July 31, 2022, the allowance for doubtful pledges totaled \$12,000.

Property and equipment

All acquisitions of property and equipment in excess of \$2,000 that materially prolong the useful lives of assets are capitalized and recorded at cost, or fair value, if donated. Property and equipment are depreciated using the straight-line method over estimated useful lives as follows:

Furniture and equipment	5 years
Leasehold improvements	15 years

Deferred revenue

Deferred revenue consists of concert ticket and subscription proceeds collected in advance of concert performances. Revenue is recognized when the performance takes place.

Net assets

The financial statements present information regarding the financial position and statements of activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions consist of resources available for use in operations and those resources invested in property and equipment. Net assets with donor restrictions consist of resources restricted by donors as to purpose or by the passage of time.

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2022

Contributions and grants

In accordance with US GAAP, contributions and grants received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions, if applicable. Contributions and grants are recognized when cash is received, when unconditional promises are made, or when ownership of contributed assets is transferred to the Organization. When a donor restriction is satisfied, 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.

Revenue recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

The Organization capitalizes incremental costs of obtaining a contract with a customer, which are amortized on a straight-line basis over the life the contract. As of July 31, 2022, capitalized costs totaled \$55,412 and are included in prepaid expenses and other current assets in the accompanying statement of financial position.

Functional expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. These expenses require allocation on a reasonable basis that is consistently applied. Any costs that could be directly assigned to a specific function are allocated to that function. The expenses that are allocated include salaries, benefits and taxes, which are allocated based on an estimate of time and effort.

Advertising

The Organization expenses advertising costs as incurred.

Income taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("Code") and is not a private foundation under Section 509(a)(2) of the Code. The Organization evaluates the effect of uncertain tax positions, if any, and provides for those positions in accordance with the provisions of FASB ASC 450, *Contingencies*. No tax accrual for uncertain tax positions has been recorded as management believes there are no uncertain tax positions for the Organization.

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2022

Subsequent events

Management has evaluated subsequent events through the date of the attached independent auditor's report, the date on which the financial statements were available to be issued.

2. AFFILIATED ORGANIZATION

The Organization's board of directors has established a supporting organization, the Colorado Springs Philharmonic Foundation ("Foundation"). The Organization is the sole member of the Foundation and two members of the Organization's board of directors serve as trustees of the Foundation at all times. Additional members of the board of trustees of the Foundation are appointed by the Organization's board of directors. These powers, and others granted to the Organization in the Foundation's bylaws, give the Organization control of the Foundation. The bylaws of the Foundation require that income and net assets of the Foundation be used solely to benefit the Organization, with specific limits set on endowment distributions from the Foundation to the Organization. As a result of the Organization's control over the Foundation and economic interest in the Foundation, US GAAP requires the Organization to consolidate the financial statements of the Foundation. The Organization has elected not present consolidated financial statements because management believes separate statements are more useful to readers. If the financial statements of the Foundation had been consolidated with those of the Organization, total assets and net assets would be increased by \$2,235,830, and the change in net assets would decrease by \$178,312.

3. LIQUIDITY AND AVAILABILITY

Financial assets available to meet cash needs for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following as of July 31, 2022:

Financial assets at year end:	
Cash and equivalents	\$ 3,462,419
Employee Retention Credit receivable	324,465
Pledges receivable, net	<u>325,114</u>
 Total financial assets	 \$ <u><u>4,111,998</u></u>

The pledges receivable and Employee Retention Credit receivable are subject to time restrictions, but are expected to be collected within one year. As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2022

4. PLEDGES RECEIVABLE

Pledges receivable consist of the following as of July 31, 2022:

Gross pledges receivable	\$ 765,888
Less: discount on pledges receivable	(20,037)
Less: allowance for uncollectable pledges	<u>(12,000)</u>
Pledges receivable, net	<u><u>\$ 733,851</u></u>

Amounts due in:

One year	\$ 325,114
One to five years	<u>440,774</u>
	<u><u>\$ 765,888</u></u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of July 31, 2022:

Furniture and equipment	\$ 135,867
Leasehold improvements	<u>54,688</u>
	190,555
Accumulated depreciation	<u>(133,670)</u>
Property and equipment, net	<u><u>\$ 56,885</u></u>

Depreciation expense for the year ended July 31, 2022 totaled \$19,430.

6. DEBT

Line of credit

The Organization has a revolving line of credit with a financial institution in the amount of \$300,000. Balances drawn under the line of credit bear interest at the financial institution's prime rate. The line of credit is collateralized by receivables and property and equipment. The line of credit matures on February 19, 2024.

As of July 31, 2022, there was no balance outstanding on this line of credit.

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2022

Economic Injury Disaster Loan

On March 23, 2021, the Organization received an Economic Injury Disaster Loan ("EIDL") from the Small Business Administration in the amount of \$150,000; bearing interest at 2.75% per annum; and requiring monthly payments consisting of principal and interest to commence at a later date. The loan is collateralized by all assets of the Organization.

7. NET ASSETS

Net assets with donor restrictions total \$1,382,781 as of July 31, 2022, and consists of pledges receivable and Employee Retention Credits receivable, which are restricted due to the passage of time.

8. CONTRIBUTED NONFINANCIAL ASSETS

For the year ended July 31, 2022, contributed nonfinancial assets recognized within the statements of activities and functional expenses consisted of contributed rent totaling \$36,550. The Organization valued the contributed rent based on the terms included in the lease agreement.

9. COMMITMENTS

Operating lease

The Organization leases office space under a noncancelable operating lease from a company owned by a member of the board of directors, expiring in August 2024. The lease agreement requires the Organization to pay their percentage share of operating costs rather than a monthly base rent payment. For the year ended July 31, 2022, the landlord waived the Organization's requirement to pay their percentage share of operating costs. Future minimum commitments under this lease are not determinable.

Retirement plan

The Organization sponsors a defined contribution retirement plan ("Plan") covering all eligible employees. The Plan is administered by the American Federation of Musicians. The Organization contributes 4.6325% of each musician's performance compensation. The Organization's contribution to the Plan for the year ended July 31, 2022 totaled \$11,420.

10. RELATED-PARTY TRANSACTIONS

The Organization receives pledges from members of the board of directors. As of July 31, 2022, pledges receivable from board members totaled \$37,912.

The Organization leases office space from a company owned by a member of the board of directors (Note 9).

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2022

The Organization received grants from the Foundation during the year ended July 31, 2022 totaling approximately \$70,000.

The Organization receives musician services from members of the board of directors. For the year ended July 31, 2022, the musician representative compensation totaled \$157,395.

11. EMPLOYEE RETENTION CREDIT RECEIVABLE

The Organization claimed the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act totaling \$324,465. This amount has been included in government grants in the accompanying statement of activities for the year ended July 31, 2022. The entire amount was outstanding as of July 31, 2022 and included in Employee Retention Credit receivable in the accompanying statement of financial position as of July 31, 2022. While management believes the claims comply with the provisions of the CARES Act, such provisions are subject to varying interpretations and may be subject to retroactive review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the Employee Retention Credit, and it is not possible to determine the impact, if any, this would have on the Organization.

12. NON-OPERATING SUPPORT AND REVENUE

Management considers non-operating support and revenue to be the portion of the Organization's support that is non-recurring or infrequent in nature. For the year ended July 31, 2022, non-operating support and revenue consisted of government grants received as part of COVID-19 assistance and forgiveness of the Organization's Paycheck Protection Program loan.

13. CORRECTION OF ERROR IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Management determined that the financial statements as of and for the year ended July 31, 2021 contained an error related to the recognition of government grant revenues, and has corrected the error in the accompanying financial statements as follows:

Net assets without donor restrictions, August 1, 2021, as previously reported	\$ 944,730
Increase to government grant revenue prior to August 1, 2021	<u>479,905</u>
Net assets without donor restrictions, August 1, 2021, as restated	<u><u>\$ 1,424,635</u></u>

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See independent auditor's report.