

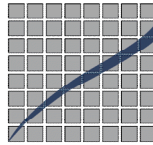


FINANCIAL STATEMENTS

JULY 31, 2024 AND 2023

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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 statements of financial position as of July 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023 and the changes in its net assets and its cash flows for the years 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 \$3,957,674, and the change in net assets would increase by \$563,659 as of and for the year ended July, 31, 2024. As of and for the year ended July 31, 2023, total assets and net assets would be increased by \$3,556,449, and the change in net assets would decrease by \$970,825.

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 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 US GAAP, 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
February 12, 2025

COLORADO SPRINGS PHILHARMONIC ORCHESTRA
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2024 AND 2023

	2024	2023
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 1,417,465	\$ 1,250,665
Grants receivable from the Foundation	62,140	-
Pledges receivable, net	370,561	475,056
Investments	1,898,581	2,008,355
Prepaid expenses and other current assets	144,508	97,283
Total current assets	3,893,255	3,831,359
Non-current assets:		
Pledges receivable, net of current portion	45,313	315,535
Property and equipment, net	39,478	46,015
Operating lease right-of-use asset	3,046	39,029
Total non-current assets	87,837	400,579
Total assets	\$ 3,981,092	\$ 4,231,938
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 177,031	\$ 141,898
Deferred revenue	1,251,440	1,095,079
Current portion of Economic Injury Disaster Loan	3,840	3,779
Current portion of operating lease liability	3,046	35,983
Total current liabilities	1,435,357	1,276,739
Non-current liabilities:		
Economic Injury Disaster Loan, net of current portion	137,984	141,781
Operating lease liability, net of current portion	-	3,046
Total liabilities	1,573,341	1,421,566
Net assets:		
Without donor restrictions:		
Operating	1,952,399	1,973,766
Equity in property and equipment, net	39,478	46,015
Total net assets without donor restrictions	1,991,877	2,019,781
With donor restrictions	415,874	790,591
Total net assets	2,407,751	2,810,372
Total liabilities and net assets	\$ 3,981,092	\$ 4,231,938

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, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Concert revenue	\$ 2,047,492	\$ -	\$ 2,047,492
Contributions and grants	1,016,898	600,373	1,617,271
Contributed nonfinancial assets	30,747	-	30,747
Investment income	106,480	-	106,480
Other income	31,049	-	31,049
Total support and revenue	3,232,666	600,373	3,833,039
<u>RECLASSIFICATIONS</u>			
Satisfaction of time restrictions	975,090	(975,090)	-
<u>EXPENSES</u>			
Program services	3,591,448	-	3,591,448
Supporting activities:			
General and administrative	492,430	-	492,430
Fundraising	151,782	-	151,782
Total supporting activities	644,212	-	644,212
Total expenses	4,235,660	-	4,235,660
Change in net assets	(27,904)	(374,717)	(402,621)
Net assets, beginning of year	2,019,781	790,591	2,810,372
Net assets, end of year	\$ 1,991,877	\$ 415,874	\$ 2,407,751

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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>OPERATING SUPPORT AND REVENUE</u>			
Concert revenue	\$ 1,975,120	\$ -	\$ 1,975,120
Contributions and grants	1,303,065	578,148	1,881,213
Contributed nonfinancial assets	34,979	-	34,979
Investment income	42,193	-	42,193
Other income	51,027	-	51,027
Support and revenue from operations	<u>3,406,384</u>	<u>578,148</u>	<u>3,984,532</u>
<u>RECLASSIFICATIONS</u>			
Satisfaction of time restrictions	<u>845,873</u>	<u>(845,873)</u>	<u>-</u>
<u>EXPENSES</u>			
Program services	<u>3,137,474</u>	<u>-</u>	<u>3,137,474</u>
Supporting activities:			
General and administrative	<u>632,295</u>	<u>-</u>	<u>632,295</u>
Fundraising	<u>280,715</u>	<u>-</u>	<u>280,715</u>
Total supporting activities	<u>913,010</u>	<u>-</u>	<u>913,010</u>
Total expenses	<u>4,050,484</u>	<u>-</u>	<u>4,050,484</u>
Change in net assets before distribution of assets to Foundation	<u>201,773</u>	<u>(267,725)</u>	<u>(65,952)</u>
Distribution of assets to Foundation	<u>(427,813)</u>	<u>-</u>	<u>(427,813)</u>
Change in net assets	<u>(226,040)</u>	<u>(267,725)</u>	<u>(493,765)</u>
Net assets, beginning of year	<u>2,245,821</u>	<u>1,058,316</u>	<u>3,304,137</u>
Net assets, end of year	<u>\$ 2,019,781</u>	<u>\$ 790,591</u>	<u>\$ 2,810,372</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, 2024

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bad debt	\$ -	\$ 6,853	\$ -	\$ 6,853
Concert production	536,003	1,614	-	537,617
Conferences and meetings	1,339	22,315	249	23,903
Depreciation	-	7,801	-	7,801
Information technology	3,070	31,072	8,346	42,488
Insurance	34,229	4,017	-	38,246
Interest	-	3,847	-	3,847
Occupancy	19,243	38,526	11,816	69,585
Office	10,483	73,974	1,480	85,937
Professional fees	93,109	78,464	-	171,573
Promotion and community outreach	407,758	2,019	44,115	453,892
Salaries, benefits, and taxes	2,444,318	221,613	85,776	2,751,707
Travel	41,896	315	-	42,211
Total expenses	\$ 3,591,448	\$ 492,430	\$ 151,782	\$ 4,235,660
Percentage of total expenses	<u>84%</u>	<u>12%</u>	<u>4%</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 FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Bad debt	\$ -	\$ -	\$ 59,763	\$ 59,763
Concert production	426,102	-	-	426,102
Conferences and meetings	2,701	10,950	215	13,866
Depreciation	6,692	3,347	3,347	13,386
Information technology	4,860	32,782	-	37,642
Insurance	34,038	3,277	-	37,315
Interest	-	4,057	-	4,057
Occupancy	36,657	18,329	18,329	73,315
Office	52,330	21,804	22,797	96,931
Professional fees	86,949	44,223	-	131,172
Promotion and community outreach	407,530	51,627	54,458	513,615
Salaries, benefits and taxes	1,991,786	440,852	121,806	2,554,444
Travel	87,829	1,047	-	88,876
Total expenses	\$ 3,137,474	\$ 632,295	\$ 280,715	\$ 4,050,484
Percentage of total expenses	<u>77%</u>	<u>16%</u>	<u>7%</u>	<u>100%</u>

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

COLORADO SPRINGS PHILHARMONIC ORCHESTRA
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (402,621)	\$ (493,765)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	7,801	13,386
Bad debt	6,853	59,763
Non-cash operating lease expense	35,983	34,956
Net realized and unrealized gains on investments	(38,941)	-
(Increase) decrease in assets:		
Pledges receivable	367,864	(116,503)
Employee Retention Credit Receivable	-	324,465
Grants receivable from Foundation	(62,140)	-
Prepaid expenses and other current assets	(47,225)	(17,181)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	35,133	(24,869)
Operating lease liability	(35,983)	(34,956)
Deferred revenue	156,361	58,261
Net cash flows from operating activities	<u>23,085</u>	<u>(196,443)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of certificates of deposit	(1,313,887)	-
Purchases of property and equipment	(1,264)	(2,516)
Purchases of investments	(204,017)	(5,345,063)
Proceeds from sale of investments	1,666,619	3,336,708
Net cash flows from investing activities	<u>147,451</u>	<u>(2,010,871)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on Economic Injury Disaster Loan	(3,736)	(4,440)
Net cash flows from financing activities	<u>(3,736)</u>	<u>(4,440)</u>
Net change in cash and equivalents	166,800	(2,211,754)
Cash and equivalents, beginning of year	<u>1,250,665</u>	<u>3,462,419</u>
Cash and equivalents, end of year	<u>\$ 1,417,465</u>	<u>\$ 1,250,665</u>
<u>SUPPLEMENTARY DISCLOSURE</u>		
Cash paid for interest	<u>\$ 3,847</u>	<u>\$ 4,057</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, 2024 AND 2023

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. The Organization broadcasts many concerts to radio listeners in southern Colorado and provides cultural and 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.

Cash and equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Included in cash equivalents are \$811,832 of certificates of deposit with original maturity dates of 90 days, plus accrued interest as of July 31, 2024.

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.

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024 AND 2023

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, 2024 and 2023. Amortization of the discount is included in contributions and grants in the accompanying statements of activities.

Pledges receivable were discounted using risk-free rates of approximately 3% as of July 31, 2024 and 2023. As of July 31, 2024 and 2023, the allowance for doubtful pledges totaled \$23,100 and \$50,000, respectively.

Investments

Investments having a readily determinable fair value are carried at fair value. Interest and dividends are recorded on the accrual basis. Gains and losses are recognized when incurred and included in the statements of activities. Donated investments are recognized at the estimated fair value on the date of the donation.

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

Leases

Management determines if an arrangement is a lease at inception of the arrangement. Operating leases are included in operating lease right-of-use assets and operating lease liabilities in the accompanying statement of financial position.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The right-of-use assets also include any lease payments made and exclude lease incentives. The Organization's lease terms may include options to extend or terminate the lease at management's discretion. Such options are included in the calculation of the right-of-use asset and lease liability, and are included in the future maturities of lease liabilities if management determines they are reasonably certain to exercise the options. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024 AND 2023

The Organization elected certain practical expedients permitted under the transition guidance that allowed the Organization not to reassess: (1) whether expired or previously existing contracts are or contain leases, (2) lease classification for expired or previously existing leases, and (3) initial direct costs for expired or previously existing leases.

For leases that do not state or imply an interest rate, the Organization elected a practical expedient to use a risk-free rate based on asset composition.

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.

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, 2024 and 2023, capitalized costs totaled \$64,597 and \$60,856, respectively, and are included in prepaid expenses and other current assets in the accompanying statements of financial position.

The timing of revenue recognition, billings, and cash collections results in deferred revenue, on a contract-by-contract basis. Contract liabilities consist of the following as of July 31,:

	2024	2023	2022
Deferred revenue	<u>\$ 1,251,440</u>	<u>\$ 1,095,079</u>	<u>\$ 1,036,818</u>

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024 AND 2023

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 statements of activities as net assets released from restrictions.

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. Advertising expense for the years ended July 31, 2024 and 2023 totaled \$453,892 and \$513,615, respectively.

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 Topic 450, *Contingencies*. No tax accrual for uncertain tax positions has been recorded as management believes there are no uncertain tax positions for the Organization.

Reclassifications

Certain prior year balances and amounts have been reclassified to conform to the current year presentation.

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.

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024 AND 2023

2. AFFILIATED ORGANIZATION

The Organization has 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 to 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 \$3,957,674, and the change in net assets would increase by \$563,659 as of and for the year ended July, 31, 2024. As of and for the year ended July, 31, 2023, total assets and net assets would be increased by \$3,556,449, and the change in net assets would decrease by \$970,825.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

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,:

	2024	2023
Financial assets at year end:		
Cash and equivalents	\$ 1,417,465	\$ 1,250,665
Grants receivable from the Foundation	62,140	-
Pledges receivable, net	393,661	475,056
Investments	1,898,581	2,008,355
Total financial assets	\$ 3,771,847	\$ 3,734,076

The pledges 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, 2024 AND 2023

4. PLEDGES RECEIVABLE

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

	2024	2023
Gross pledges receivable	\$ 444,011	\$ 860,628
Less: discount on pledges receivable	(5,037)	(20,037)
Less: allowance for uncollectable pledges	(23,100)	(50,000)
Pledges receivable, net	\$ 415,874	\$ 790,591

Amounts due in:

Within one year	\$ 393,661	\$ 475,056
One to five years	50,350	385,572
	\$ 444,011	\$ 860,628

5. INVESTMENTS AND FAIR VALUE MEASUREMENT

US GAAP defines fair value and establishes a framework for measuring fair value and disclosure regarding fair value measurements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the term "price" refers to the exit price as opposed to the entry price, which is the price paid to acquire the asset or received to assume the liability. US GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair

US 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

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities that are based on inputs not quoted in active markets that can be corroborated by observable market data

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024 AND 2023

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy:

The fair value of debt securities is based on their face value and the current interest rate environment.

Certificates of deposit are carried at amortized cost, which approximates market value.

Fair value of assets measured on a recurring basis is as follows as of July 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Debt securities	\$ 584,694	\$ -	\$ 584,694
Certificate of deposit	-	1,313,887	1,313,887
Total investments at fair value	<u>\$ 584,694</u>	<u>\$ 1,313,887</u>	<u>\$ 1,898,581</u>

Fair value of assets measured on a recurring basis is as follows as of July 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Debt securities	\$ 2,008,355	\$ -	\$ 2,008,355
Total investments at fair value	<u>\$ 2,008,355</u>	<u>\$ -</u>	<u>\$ 2,008,355</u>

Total investment income consists of the following for the years ended July 31,:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 67,539	\$ 42,193
Net realized and unrealized gains (losses)	38,941	-
	<u>\$ 106,480</u>	<u>\$ 42,193</u>

See independent auditor's report.

COLORADO SPRINGS PHILHARMONIC ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2024 AND 2023

6. PROPERTY AND EQUIPMENT

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

	2024	2023
Furniture and equipment	\$ 139,647	\$ 138,382
Leasehold improvements	54,688	54,688
	194,335	193,070
Accumulated depreciation	(154,857)	(147,055)
Property and equipment, net	\$ 39,478	\$ 46,015

Depreciation expense for the years ended July 31, 2024 and 2023 totaled \$7,801 and \$13,386, respectively.

7. 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, 2025.

As of July 31, 2024 and 2023, there was no balance outstanding on this line of credit.

Economic Injury Disaster Loan

On May 25, 2020, the Organization received an Economic Injury Disaster Loan ("EIDL") from the Small Business Administration in the amount of \$150,000; requiring month principal and interest payments of \$641; bearing interest at 2.75% per annum; and maturing on May 5, 2050. The loan is collateralized by all assets of the Organization.

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COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024 AND 2023

Estimated principal payments on the Economic Injury Disaster Loan are as follows for the years ending July 31,:

2025	\$	3,840
2026		4,036
2027		4,104
2028		4,218
2029		4,335
Thereafter		121,291
	\$	141,824

8. LEASES

The Organization leases office space under a long-term, non-cancelable operating lease from a company owned by a member of the board of directors, expiring on August 31, 2024. The lease agreement requires monthly payments of \$3,046.

Operating lease expense is included in occupancy expenses in the accompanying statements of functional expenses and for the years ended July 31, 2024 and 2023 totaled \$36,551.

Future maturities of lease liabilities are as follows for the year ending:

July 31,		
2025	\$	3,046
Present value of operating lease liabilities	\$	3,046

Other information with respect to leases is as follows as of and for the years ended July 31,:

	2024	2023
Weighted-average discount rate	2.90%	2.90%

9. NET ASSETS

As of July 31, 2024 and 2023, net assets with donor restrictions consist of pledges receivable, which are restricted due to the passage of time, and there were no purpose restrictions.

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024 AND 2023

Net assets with donor restrictions consist of the following as of July 31,:

	2024	2023
Pledges receivable	\$ 415,874	\$ 790,591

10. CONTRIBUTED NONFINANCIAL ASSETS

For the years ended July 31, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities included the following:

	2024	2023
Rent	\$ 30,289	\$ 30,289
Tickets	-	4,376
Other	458	314
	\$ 30,747	\$ 34,979

Contributed rent is valued based on the terms included in the lease agreement. Contributed tickets are valued using estimated U.S. wholesale prices of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed tickets are used in program services.

All contributed nonfinancial assets were received without donor restrictions.

11. COMMITMENTS

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 years ended July 31, 2024 and 2023 totaled \$41,367 and \$37,143, respectively.

The Organization has established a SIMPLE IRA plan for its employees. Employees are eligible to participate immediately upon hire. The Organization contributes up to 3% of the employees’ actual annual salaries as a matching contribution which cannot exceed each employee’s deferrals. Employer-paid contributions to the retirement plan for the years ended July 31, 2024 and 2023 totaled \$13,859 and \$73,637, respectively.

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COLORADO SPRINGS PHILHARMONIC ORCHESTRA

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2024 AND 2023

12. RELATED-PARTY TRANSACTIONS

The Organization leases office space from a company owned by a member of the board of directors (Note 8).

The Organization receives distributions from the Foundation. For the years ended July 31, 2024 and 2023, contributions from the Foundation totaled \$103,095 and \$62,140, respectively.

The Organization transferred funds to the Foundation during the year ended July 31, 2023, totaling \$427,813. This transfer was considered a non-operating expense.

The Organization receives musician services from members of the board of directors. For the years ended July 31, 2024 and 2023, the musician representative compensation totaled \$65,209 and \$141,970, respectively.

13. EMPLOYEE RETENTION CREDIT RECEIVABLE

The Organization claimed the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act totaling \$324,465 during the year ended July 31, 2022. The entire amount was collected as of July 31, 2024. 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.

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See independent auditor's report.