

HILTON HEAD SYMPHONY ORCHESTRA, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors  
Hilton Head Symphony Orchestra, Inc.  
Hilton Head Island, South Carolina

**Opinion**

We have audited the accompanying financial statements of Hilton Head Symphony Orchestra, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hilton Head Symphony Orchestra, Inc. as of June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hilton Head Symphony Orchestra, Inc., 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hilton Head Symphony Orchestra, Inc.'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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 Hilton Head Symphony Orchestra, Inc.'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 Hilton Head Symphony Orchestra, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

### **Report on Summarized Comparative Information**

We have previously audited the Hilton Head Symphony Orchestra, Inc.'s financial statements for the year ended June 30, 2022 and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Carey & Company, P.A.  
July 24, 2023

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
STATEMENTS OF FINANCIAL POSITION  
As of June 30, 2023 and 2022

ASSETS		Summarized Information
	2023	2022
<b>Current Assets</b>		
Cash and equivalents	\$ 537,607	\$ 548,267
Pledge and other receivables	28,250	1,500
Prepaid expenses	11,801	13,482
<b>Total Current Assets</b>	<u>577,658</u>	<u>563,249</u>
<b>Property And Equipment</b>		
Furniture, fixtures and equipment	138,226	137,208
Leasehold improvements	841,252	841,252
Accumulated depreciation	(636,868)	(507,263)
<b>Total Property And Equipment</b>	<u>342,610</u>	<u>471,197</u>
<b>Other Assets</b>		
Foundation endowment fund	218,330	214,074
Investments:		
Board designated quasi-endowment fund	332,001	180,687
Donor restricted	622,393	515,768
<b>Total Investments</b>	<u>954,394</u>	<u>696,455</u>
Operating lease right-of-use-asset	201,917	-
Security deposits	17,790	17,790
<b>TOTAL ASSETS</b>	<u>\$ 2,312,699</u>	<u>\$ 1,962,765</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 13,392	\$ 17,944
Line of credit	50,000	-
Operating lease liability	131,521	-
Payroll taxes payable	10,683	13,230
Deferred ticket revenues	195,539	163,962
Deferred contribution and fundraising revenues	436,372	267,740
<b>Total Current Liabilities</b>	<u>837,507</u>	<u>462,876</u>
Operating lease liability, net of current portion	70,396	-
<b>TOTAL LIABILITIES</b>	<u>907,903</u>	<u>462,876</u>
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	232,062	589,362
Board designated	332,001	180,687
<b>Total Net Assets Without Donor Restrictions</b>	<u>564,063</u>	<u>770,049</u>
With donor restrictions	840,733	729,840
<b>Total Net Assets</b>	<u>1,404,796</u>	<u>1,499,889</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,312,699</u>	<u>\$ 1,962,765</u>

See accompanying notes and independent auditor's report.

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Years Ended June 30, 2023 and 2022

	2023			Summarized Information 2022
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT</b>				
Admissions	\$ 595,360	\$ -	\$ 595,360	\$ 538,343
PPP loan forgiveness	-	-	-	201,600
Contributions and grants	871,394	343,069	1,214,463	1,104,313
Government support	532,882	-	532,882	909,576
Fundraising and other support	169,727	30,060	199,787	252,074
Investment income (loss)	31,815	68,284	100,099	(119,705)
Restrictions satisfied by payments	330,520	(330,520)	-	-
Total Revenue and Support	<u>2,531,698</u>	<u>110,893</u>	<u>2,642,591</u>	<u>2,886,201</u>
<b>EXPENSES</b>				
Program	1,968,744	-	1,968,744	1,790,957
Management and general	671,119	-	671,119	648,133
Marketing and development	97,821	-	97,821	76,619
Total Expenses	<u>2,737,684</u>	<u>-</u>	<u>2,737,684</u>	<u>2,515,709</u>
INCREASE (DECREASE) IN NET ASSETS	(205,986)	110,893	(95,093)	370,492
NET ASSETS AT BEGINNING OF YEAR	<u>770,049</u>	<u>729,840</u>	<u>1,499,889</u>	<u>1,129,397</u>
NET ASSETS AT END OF YEAR	<u>\$ 564,063</u>	<u>\$ 840,733</u>	<u>\$ 1,404,796</u>	<u>\$ 1,499,889</u>

See accompanying notes and independent auditor's report.

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended June 30, 2023 and 2022

	2023				Summarized Information 2022
	Program Services	Management and General	Marketing and Development	Total	
Salaries and wages	\$ 710,359	\$ 324,371	\$ 36,563	\$ 1,071,293	\$ 966,358
Payroll taxes and related benefits	111,718	27,142	3,059	141,919	129,763
Total payroll and benefits	822,077	351,513	39,622	1,213,212	1,096,121
Facilities cost	274,949	67,533	-	342,482	343,272
Contract services	306,738	16,024	-	322,762	293,946
Marketing and advertising	74,689	74,689	-	149,378	130,609
Performance production costs	129,920	-	-	129,920	154,277
Travel and lodging	156,297	-	-	156,297	61,965
Prizes, judges and awards	63,489	-	-	63,489	87,832
Fundraising	-	-	55,364	55,364	64,134
Office	8,504	36,575	2,835	47,914	45,041
Bank fees	-	16,851	-	16,851	15,605
Depreciation	90,723	38,881	-	129,604	129,449
Other	41,358	69,053	-	110,411	93,458
Total expenses	<u>\$ 1,968,744</u>	<u>\$ 671,119</u>	<u>\$ 97,821</u>	<u>\$ 2,737,684</u>	<u>\$ 2,515,709</u>

See accompanying notes and independent auditor's report.

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
 STATEMENTS OF CASH FLOWS  
 Years Ended June 30, 2023 and 2022

	2023	Summarized Information 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (95,093)	\$ 370,492
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Investment (income) loss	(100,099)	119,705
Noncash contribution of property and equipment	-	(5,353)
Depreciation expense	129,605	129,449
Operating lease amortization	(201,917)	-
Proceeds from Paycheck Protection Program	-	(201,600)
Increase (decrease) in assets		
Pledge and other receivables	(26,750)	28,455
Prepaid expenses and security deposits	1,682	(13,482)
Increase (decrease) in liabilities:		
Accounts payable	(4,552)	(49,572)
Operating lease liability	201,917	-
Payroll taxes payable	(2,547)	4,647
Deferred revenues	200,209	324,245
Net Cash Provided By Operating Activities	102,455	706,986
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,018)	-
Net change in investments	(172,348)	(264,174)
Cash released from foundation endowment fund	10,251	9,856
Net Cash Used By Investing Activities	(163,115)	(254,318)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from line of credit	50,000	-
Net Cash Provided By Financing Activities	50,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,660)	452,668
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	548,267	95,599
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 537,607	\$ 548,267
<b>SUPPLEMENTAL DISCLOSURES - cash payments for:</b>		
Interest	\$ 199	\$ -
Income taxes	\$ -	\$ -

See accompanying notes and independent auditor's report.



HILTON HEAD SYMPHONY ORCHESTRA, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Hilton Head Symphony Orchestra, Inc. (the "Orchestra") is located on Hilton Head Island, South Carolina and is a nonprofit organization dedicated to presenting annual seasons of symphonic subscription concerts, as well as special concerts and educational and community engagement programs.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements of the Orchestra have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly the Orchestra reports information regarding its financial position and activities according to the following net asset classifications:

Net Assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Orchestra's management and the board of directors.

Net Assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Orchestra or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions received are recorded as increases in net assets without or with donor restrictions depending on the existence and/or nature of the donor restrictions. Donor restricted contributions reported as increases in net assets with donor restrictions represent contributions for specific activities (youth and outreach programs, piano competition program, etc) and are released as support during either the current year or subsequent years depending on the nature of the restrictions.

Revenue from ticket sales and donations related to concert seasons are recognized as revenue in the applicable concert season, which is held from October to May. Accordingly deferred revenue represents ticket sales and donations received in advance of the applicable concert season. For the years ended June 30, 2023 and 2022, ticket sales of \$195,539 and \$163,962 from previous fiscal year deferred revenue were recognized, respectively.

Leases

Effective for the year beginning July 1, 2022, or if adopted earlier, the Financial Accounting Standards Board (FASB) issued Accounting Standards Code 842 (ASC 842) which requires presenting Right of Use Assets (ROU) on the balance sheet. ASC 842 supersedes the guidance applied under ASC 840, which was the method in place for the year ended June 30, 2022. The Orchestra determines if an arrangement is a lease at inception. Operating leases are included in ROU lease assets, which represent the Orchestra's right to use an underlying asset for the lease term, and lease obligations represent the Orchestra's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. Lease expense for lease payments is recognized on straight-line basis over the lease of the term.

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include money market accounts and highly liquid debt instruments with an original maturity of three months or less.

Investments

Investments in marketable securities and debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of changes in net assets.

Fair Value Measurement

Fair value as defined under generally accepted accounting principles is an exit price, representing 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. Generally accepted accounting principles require a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Those tiers include:

Level 1 - Observable inputs such as quoted prices in active markets.

Level 2 - Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3 - Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Promises to Give

The Orchestra conducts an annual giving campaign during which it solicits pledges from local businesses which are featured in the annual program. These pledges do not meet the criteria for income recognition under generally accepted accounting principles, and are not reflected in the statement of activities until they are collected.

Contributions that are restricted by the donor are classified as increases to net assets with restrictions. When the restrictions expire, restricted net assets are reclassified to net assets without restrictions.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives. Contributed property, plant and equipment are recorded at their fair value on the date of the gift as unrestricted support.

Contributed Services

The Orchestra receives a substantial amount of services donated by its members in carrying out the Orchestra's mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

The Orchestra is a not-for-profit corporation that is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expense

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of functional activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited using reasonable ratios determined by management.

NOTE B - FOUNDATION ENDOWMENT FUND

The Community Foundation of the Lowcountry, Inc. (the "Community Foundation") acts in an agency capacity for the Orchestra in order to provide permanent stewardship, management and oversight of certain Orchestra investments. The fund is invested by the Community Foundation in a pool of marketable securities and reported at fair value, which is the closing price reported on the active market on which the individual securities are traded. Fair value of the fund is determined based upon the Orchestra's allocated share of the Community Foundation's investment pool. Fair value for the fund is categorized as Level 1 under the fair value measurement hierarchy and was \$218,330 and \$214,074 at June 30, 2023 and 2022, respectively. The annual withdrawal amount is limited to 4.5% of the average fair market value of the account and totaled \$10,251 and \$9,856 for the years ended June 30, 2023 and 2022, respectively. Net investment income (loss) was \$14,507 and (\$48,787) for the years ended June 30, 2023 and 2022, respectively.

In addition, the Community Foundation maintains a fund established by a donor which is designated for the benefit of the Orchestra as long as the Orchestra, or its purpose, continues to serve the public interest. Under generally accepted accounting principles the Orchestra can not recognize these funds as contributions until the right to receive is unconditional or the amounts are received. At June 30, 2023 and 2022, the fair market value of this fund was \$183,708 and \$180,100, and respectively. The annual withdrawal amount from this fund is limited to 4.5% of the average fair market value of the account and totaled \$8,267 and \$8,291 for the years ended June 30, 2023 and 2022, respectively.

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets as of June 30 are as follows:

	2023	2022
Cash and equivalents	\$ 537,607	\$ 548,267
Foundation endowment fund	218,330	214,074
Investments	954,394	696,455
Total Financial Assets	<u>\$ 1,710,331</u>	<u>\$ 1,458,796</u>

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2023 and 2022

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS - CONTINUED

At June 30, 2023 and 2022, financial assets of approximately \$1,490,000 and \$1,240,000, respectively, were available to meet general expenditures over the next twelve months. Amounts not available for general expenditure over the next twelve months include an amount in the Community Foundations endowment fund which is not available for distribution.

The Orchestra maintains funds in banks to maximize liquidity, minimize risk and aligned to meet short term requirements.

NOTE D - INVESTMENTS

Cost and market values as of June 30 are summarized as follows:

	2023	
	Cost	Fair Value
<u>Investments:</u>		
Marketable securities	\$ 814,807	\$ 937,272
Cash	17,122	17,122
Total Other Investments	<u>\$ 831,929</u>	<u>\$ 954,394</u>
	2022	
	Cost	Fair Value
<u>Investments:</u>		
Marketable securities	\$ 491,535	\$ 598,517
Cash	97,930	97,938
Total Other Investments	<u>\$ 589,465</u>	<u>\$ 696,455</u>

Investments in marketable securities are reported at fair market value based upon quoted prices in active markets and are categorized as Level 1 under the fair value measurement hierarchy. Investment return for the years ended June 30, 2023 and 2022, including the Foundation Endowment Fund disclosed in Note B, are summarized as follows:

	2023	2022
Investment earnings	\$ 63,899	\$ 25,947
Investment expenses	(10,580)	(5,667)
Unrealized investment gain (loss)	32,273	(91,198)
Foundation Endowment Fund	14,507	(48,787)
Total investment return (loss)	<u>\$ 100,099</u>	<u>\$ (119,705)</u>

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2023 and 2022

NOTE E - BOARD DESIGNATED QUASI ENDOWMENT FUND

In 2022, the Orchestra's Board of Directors established and initially funded an Endowment Fund for the purpose of increasing the Orchestra's restricted fund base. The investments of the Endowment Fund can be used for specific defined purposes only with the approval of the Board of Directors.

A summary of the Endowment Fund at June 30, is as follows:

	2023	2022
Beginning balance	\$ 180,687	\$ -
Contributions	543,374	196,346
Withdrawals	(415,069)	-
Investment earnings	12,546	1,901
Investment expenses	(4,925)	(25)
Unrealized investment gain (loss)	15,388	(17,535)
Total Other Investments	<u>\$ 332,001</u>	<u>\$ 180,687</u>

The Endowment Fund investments are professionally managed by a wealth management firm subject to the guidance and oversight of the Orchestra's Board of Directors.

NOTE F - CONCENTRATION OF CREDIT RISK

The Orchestra maintains its cash balances at several financial institutions. The FDIC covers \$250,000 for substantially all depository accounts. At June 30, 2023 and 2022, the Orchestra has uninsured balances of \$240,178 and \$260,628, respectively.

Cash balances at brokerage firms are insured by SIPC up to \$250,000 and marketable securities at up to \$500,000. Private insurance provided by the brokerage firm covered balances in excess of these limits.

NOTE G - FINANCING ARRANGEMENTS

The Orchestra has a \$50,000 line of credit with its bank that is renewed annually on January 1. Borrowings under the line of credit bear interest at 9.25% and are uncollateralized. At June 30, 2023 and 2022, the balance was \$50,000 and \$0, respectively. On July 3, 2023, subsequent to year end, the balance of the line of credit was paid in full.

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2023 and 2022

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 841,252	\$ 841,252
Computer equipment	17,800	17,800
Office furniture and equipment	37,744	36,726
Performance equipment	<u>82,682</u>	<u>82,682</u>
Total property and equipment	979,478	978,460
Accumulated depreciation	<u>(636,868)</u>	<u>(507,263)</u>
Net property and equipment	<u>\$ 342,610</u>	<u>\$ 471,197</u>

Depreciation expense for the year ended June 30, 2023 and 2022 was \$129,604 and \$129,449, respectively.

NOTE I - REAL PROPERTY LEASE AGREEMENTS

On March 1, 2022, the Orchestra entered into a lease for offices and performance center located in Hilton Head, South Carolina. The lease has a term of three years that expires in 2025, with an option to extend for an additional three years. Under the lease, the Orchestra is required to make monthly payments of basic rent and an additional amount for taxes, insurance and common area maintenance. Annual office lease expense was \$181,734 and \$195,771 for the years ended June 30, 2023 and 2022, respectively.

Leases (ASC) 842

Future minimum annual lease payments due over the term of the lease as of June 30, 2023:

2024	\$ 131,521
2025	<u>90,347</u>
Total undiscounted minimum lease payments	221,868
Less Discounts to present value	<u>(19,951)</u>
Total operating lease liability	<u>\$ 201,917</u>

As of June 30, 2023, the weighted-average remaining lease term for the operating leases is 1.8 years. The Orchestra utilized its incremental borrowing rate as the risk-free rate. The risk-free rate associated with the operating leases as of June 30, 2023 was 4%.

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2023 and 2022

NOTE I - REAL PROPERTY LEASE AGREEMENTS - CONTINUED

Leases (ASC) 840

Future minimum annual lease payments due over the term of the lease as of June 30, 2022:

2023	\$	131,314
2024		131,521
2025		90,347
Total lease payments	\$	<u>353,182</u>

Concert and rehearsal locations are leased on a seasonal basis primarily at First Presbyterian Church of Hilton Head, SC. Annual concert and rehearsal lease expense for all such facilities was \$73,472 and \$89,629 for the years ended June 30, 2023 and 2022, respectively.

NOTE J - PAYCHECK PROTECTION PROGRAM

During the year ended June 30, 2021, the Orchestra received \$201,600 in proceeds from a Paycheck Protection Program loan ("PPP") from the Small Business Administration ("SBA"). On September 10, 2021, the principal amount of the loan and related interest was forgiven. The \$201,600 was recognized as revenue in the year ended June 30, 2022.

NOTE K - EMPLOYEE RETENTION CREDIT

The Organization applied for COVID-19 relief from the Employee Retention Credit (ERC) program during the years ended June 30, 2023 and 2022. The ERC, which allows an eligible employer for qualifying wages a credit against certain payroll taxes, was established by the CARES Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). Under the program, the Organization determined it was eligible for a \$14,576 and \$42,679 credit for calendar years 2020 and 2021, respectively. The credits have been recognized as revenue in the year in which received.

NOTE L - COMMITMENTS

The Orchestra has an independent contractor agreement in place with its Music Director which provides for annual increases in compensation plus additional amounts for performances if required beyond those scheduled in the agreement. The previous agreement expired June 30, 2022, and the new agreement was executed for the period of July 1, 2022 through June 30, 2025.

The Orchestra musicians are employed pursuant to the terms and conditions of a three-year wage scale and pension plan contract with the American Federation of Musicians Local 447-704. The agreement to end June 30, 2025, was ratified on October 11, 2022.

NOTE M - ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Orchestra evaluated all tax positions that could have a significant effect on the financial statements and determined that there are no uncertain tax positions at June 30, 2023.

HILTON HEAD SYMPHONY ORCHESTRA, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2023 and 2022

NOTE N - NET ASSETS

Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2023</u>	<u>2022</u>
International Piano Competition	\$ 26,270	\$ 24,865
Youth programs	596,133	490,901
Permanent endowment fund	<u>218,330</u>	<u>214,074</u>
Total net assets	<u>\$ 840,733</u>	<u>\$ 729,840</u>

NOTE O - RELATED PARTY TRANSACTIONS

The Orchestra used a consultant for Orchestra related administration, which a Board member's wife is the owner. Additionally, another board member was paid for performance fees. The consulting services and performance fee expenses for June 30, 2023 and 2022 were \$7,700 and \$11,850, respectively.

NOTE P - SUBSEQUENT EVENTS

The Orchestra has evaluated subsequent events through July 24, 2023, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.