

ROCHESTER PHILHARMONIC ORCHESTRA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2025

ROCHESTER PHILHARMONIC ORCHESTRA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Rochester Philharmonic Orchestra, Inc.
Rochester, New York

Opinion

We have audited the accompanying financial statements of the Rochester Philharmonic Orchestra, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rochester Philharmonic Orchestra, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and 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 Rochester Philharmonic 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 the Rochester Philharmonic 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 the Rochester Philharmonic 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 the Rochester Philharmonic 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.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
December 9, 2025

Rochester Philharmonic Orchestra, Inc.
Statements of Financial Position
June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Assets | | |
| Cash and cash equivalents | \$ 58,488 | \$ 231,162 |
| Restricted cash and cash equivalents | 68,714 | 2,943 |
| Pledges receivable, net | 6,339,486 | 6,677,838 |
| Grants receivable | 198,453 | 308,956 |
| Other receivables, net | 377,688 | 168,775 |
| Prepaid expenses and other assets | 467,014 | 386,311 |
| Investments | 2,653,406 | 2,616,303 |
| Interest in net assets of RPO Fund, Inc. | 17,154,993 | 14,425,467 |
| Property and equipment, net | 211,764 | 242,283 |
| Right-of-use asset, net | 123,494 | 150,671 |
| | <u>\$ 27,653,500</u> | <u>\$ 25,210,709</u> |
| Total Assets | | |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Line of credit | \$ 1,494,980 | \$ 1,744,980 |
| Notes payable | 482,279 | 494,983 |
| Accounts payable | 1,399,057 | 1,244,826 |
| Accrued expenses | 162,223 | 271,200 |
| Advance receipts | 1,694,877 | 1,794,220 |
| Deferred grant revenue | 109,000 | 159,500 |
| Lease liability | 123,494 | 150,671 |
| Total liabilities | <u>5,465,910</u> | <u>5,860,380</u> |
| Net Assets | | |
| Net assets without donor restriction | (6,097,416) | (6,438,252) |
| Net assets with donor restriction | 28,285,006 | 25,788,581 |
| Total net assets | <u>22,187,590</u> | <u>19,350,329</u> |
| | <u>\$ 27,653,500</u> | <u>\$ 25,210,709</u> |
| Total Liabilities and Net Assets | | |

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

Rochester Philharmonic Orchestra, Inc.
Statements of Activities
For the Year Ended June 30, 2025
(With Comparative Totals for the Year Ended June 30, 2024)

| | <u>2025</u> | | | <u>2024</u> |
|--|--------------------------------------|-----------------------------------|----------------------|----------------------|
| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> | <u>Total</u> |
| Operating, Support, and Revenue | | | | |
| Memberships and contributions | \$ 3,926,242 | \$ 1,198,672 | \$ 5,124,914 | \$ 4,766,086 |
| Annual campaign contributions | 1,979,063 | 755,654 | 2,734,717 | 3,491,810 |
| Ticket sales and concert fees | 3,580,363 | - | 3,580,363 | 4,041,733 |
| Government grants | 393,500 | - | 393,500 | 510,000 |
| Rochester Philharmonic Youth Orchestra | 120,428 | - | 120,428 | 106,662 |
| Endowment draw from the RPO Fund, Inc. | 615,300 | - | 615,300 | 573,133 |
| Allocation of funds based on endowment spending policy | - | 286,449 | 286,449 | 261,651 |
| Other | 100,296 | - | 100,296 | 81,117 |
| Net assets released from restrictions | <u>2,187,427</u> | <u>(2,187,427)</u> | <u>-</u> | <u>-</u> |
| Total operating, support, and revenue | <u>12,902,619</u> | <u>53,348</u> | <u>12,955,967</u> | <u>13,832,192</u> |
| Operating Expenses | | | | |
| Program Services | 10,235,218 | - | 10,235,218 | 10,539,282 |
| Administration | 1,915,739 | - | 1,915,739 | 1,879,631 |
| Fundraising | 774,575 | - | 774,575 | 1,000,258 |
| Total operating expenses | <u>12,925,532</u> | <u>-</u> | <u>12,925,532</u> | <u>13,419,171</u> |
| Change in net assets from operating activities | <u>(22,913)</u> | <u>53,348</u> | <u>30,435</u> | <u>413,021</u> |
| Non-Operating Activities | | | | |
| Investment income, net | 363,749 | - | 363,749 | 494,897 |
| Allocation of funds based on endowment spending policy | - | (286,449) | (286,449) | (261,651) |
| Change in interest in net assets of the RPO Fund, Inc. | - | 2,729,526 | 2,729,526 | 1,638,214 |
| Change in net assets from non-operating activities | <u>363,749</u> | <u>2,443,077</u> | <u>2,806,826</u> | <u>1,871,460</u> |
| Changes in Net Assets | 340,836 | 2,496,425 | 2,837,261 | 2,284,481 |
| Net Assets - Beginning | <u>(6,438,252)</u> | <u>25,788,581</u> | <u>19,350,329</u> | <u>17,065,848</u> |
| Net Assets - Ending | <u>\$ (6,097,416)</u> | <u>\$ 28,285,006</u> | <u>\$ 22,187,590</u> | <u>\$ 19,350,329</u> |

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

Rochester Philharmonic Orchestra, Inc.
Statements of Activities
For the Year Ended June 30, 2024

| | <u>Without Donor Restriction</u> | <u>With Donor Restriction</u> | <u>Total</u> |
|--|--------------------------------------|-----------------------------------|----------------------|
| Operating, Support, and Revenue | | | |
| Memberships and contributions | \$ 3,292,332 | \$ 1,473,754 | \$ 4,766,086 |
| Annual campaign contributions | 2,010,240 | 1,481,570 | 3,491,810 |
| Ticket sales and concert fees | 4,041,733 | - | 4,041,733 |
| Government grants | 510,000 | - | 510,000 |
| Rochester Philharmonic Youth Orchestra | 106,662 | - | 106,662 |
| Endowment draw from the RPO Fund, Inc. | 573,133 | - | 573,133 |
| Allocation of funds based on endowment spending policy | - | 261,651 | 261,651 |
| Other | 81,117 | - | 81,117 |
| Net assets released from restrictions | <u>2,107,966</u> | <u>(2,107,966)</u> | <u>-</u> |
| Total operating, support, and revenue | <u>12,723,183</u> | <u>1,109,009</u> | <u>13,832,192</u> |
| Operating Expenses | | | |
| Program Services | 10,539,282 | - | 10,539,282 |
| Administration | 1,879,631 | - | 1,879,631 |
| Fundraising | <u>1,000,258</u> | <u>-</u> | <u>1,000,258</u> |
| Total operating expenses | <u>13,419,171</u> | <u>-</u> | <u>13,419,171</u> |
| Change in net assets from operating activities | <u>(695,988)</u> | <u>1,109,009</u> | <u>413,021</u> |
| Non-Operating Activities | | | |
| Investment income, net | 494,897 | - | 494,897 |
| Allocation of funds based on endowment spending policy | - | (261,651) | (261,651) |
| Change in interest in net assets of the RPO Fund, Inc. | <u>-</u> | <u>1,638,214</u> | <u>1,638,214</u> |
| Change in net assets from non-operating activities | <u>494,897</u> | <u>1,376,563</u> | <u>1,871,460</u> |
| Changes in Net Assets | (201,091) | 2,485,572 | 2,284,481 |
| Net Assets - Beginning | <u>(6,237,161)</u> | <u>23,303,009</u> | <u>17,065,848</u> |
| Net Assets - Ending | <u>\$ (6,438,252)</u> | <u>\$ 25,788,581</u> | <u>\$ 19,350,329</u> |

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

Rochester Philharmonic Orchestra, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Changes in net assets | \$ 2,837,261 | \$ 2,284,481 |
| Adjustments | | |
| Contributions to be maintained in perpetuity | 1,198,672 | 1,473,754 |
| Change in discount on pledges receivable | 179,916 | 2,360 |
| Provision (credit) for uncollectible pledges | (63,666) | 57,201 |
| Realized and unrealized gain on investments, net | (238,326) | (330,017) |
| Change in interest in net assets of RPO Fund, Inc. | (2,729,526) | (1,638,214) |
| Depreciation | 41,494 | 37,297 |
| Changes in assets and liabilities | | |
| Pledges receivable | (976,570) | (1,755,006) |
| Grants receivable | 110,503 | 511,812 |
| Other receivables | (208,913) | (73,097) |
| Prepaid expenses and other assets | (80,703) | (61,206) |
| Accounts payable | 154,231 | (355,963) |
| Accrued expenses | (108,977) | 23,261 |
| Advance receipts | (99,343) | (41,944) |
| Deferred grant revenue | (50,500) | 47,000 |
| Net cash flows from operating activities | <u>(34,447)</u> | <u>181,719</u> |
| Cash Flows from Investing Activities | | |
| Sale of investments | 978,210 | 370,181 |
| Purchase of investments | (776,987) | (634,765) |
| Purchase of property and equipment | (10,975) | (41,549) |
| Net cash flows from investing activities | <u>190,248</u> | <u>(306,133)</u> |
| Cash Flows from Financing Activities | | |
| Borrowings on line of credit | 400,000 | 1,850,000 |
| Repayment of line of credit | (650,000) | (1,850,020) |
| Repayment of notes payable | (12,704) | (5,017) |
| Net cash flow from financing activities | <u>(262,704)</u> | <u>(5,037)</u> |
| Net Change in Cash and Cash Equivalents | (106,903) | (129,451) |
| Cash and Cash Equivalents - Beginning | <u>234,105</u> | <u>363,556</u> |
| Cash and Cash Equivalents - Ending | <u>\$ 127,202</u> | <u>\$ 234,105</u> |
| Reported on Statement of Financial Position as Follows | | |
| Cash and cash equivalents | \$ 58,488 | \$ 231,162 |
| Restricted cash and cash equivalents | 68,714 | 2,943 |
| Total cash and cash equivalents | <u>\$ 127,202</u> | <u>\$ 234,105</u> |
| Cash Paid for Amounts Included in Measurement of Lease Liabilities | | |
| Operating lease principal payments | <u>\$ 27,177</u> | <u>\$ 26,295</u> |

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

Rochester Philharmonic Orchestra, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2025
(With Comparative Totals for the Year Ended June 30, 2024)

| | <u>Total Functional Expenses</u> | | | | |
|--|----------------------------------|-----------------------|--------------------|----------------------|----------------------|
| | <u>Services</u> | <u>Administration</u> | <u>Fundraising</u> | <u>2025</u> | <u>2024</u> |
| Expenses | | | | | |
| Salaries and wages | \$ 5,676,415 | \$ 604,106 | \$ 475,612 | \$ 6,756,133 | \$ 6,681,244 |
| Payroll taxes and benefits | 1,361,046 | 531,111 | 2,984 | 1,895,141 | 1,829,318 |
| Guest Conductors and artists | 868,546 | - | - | 868,546 | 1,166,281 |
| Pension | 106,425 | 51,094 | - | 157,519 | 105,952 |
| Sub-Total | <u>8,012,432</u> | <u>1,186,311</u> | <u>478,596</u> | <u>9,677,339</u> | <u>9,782,795</u> |
| Advertising, publicity, and printing | 877,446 | 1,127 | 123,498 | 1,002,071 | 1,028,130 |
| Rentals | 466,180 | 44,306 | 9,274 | 519,760 | 653,019 |
| Outside services | 485,418 | 62,520 | 21,733 | 569,671 | 518,530 |
| Maintenance | 2,880 | 70,480 | - | 73,360 | 79,709 |
| Transportation, travel, and entertainment | 106,453 | 42,750 | 69,417 | 218,620 | 240,815 |
| Supplies and postage | 91,126 | 87,934 | 15,632 | 194,692 | 294,850 |
| Credit card fees | 119,371 | 4,615 | 816 | 124,802 | 140,527 |
| Provision (credit) for uncollectible pledges | - | - | (63,666) | (63,666) | 57,201 |
| Permits | 36,096 | 7,450 | - | 43,546 | 1,241 |
| Interest | - | 172,767 | - | 172,767 | 171,878 |
| Depreciation | - | 41,494 | - | 41,494 | 37,297 |
| Insurance | 3,234 | 39,779 | - | 43,013 | 46,545 |
| Legal and professional fees | - | 78,862 | - | 78,862 | 44,065 |
| Telephone and utilities | 4,686 | 16,723 | - | 21,409 | 21,159 |
| Special events | - | - | 102,506 | 102,506 | 129,221 |
| Other | 29,896 | 58,621 | 16,769 | 105,286 | 172,189 |
| Sub-Total | <u>2,222,786</u> | <u>729,428</u> | <u>295,979</u> | <u>3,248,193</u> | <u>3,636,376</u> |
| Total Functional Expenses | <u>\$ 10,235,218</u> | <u>\$ 1,915,739</u> | <u>\$ 774,575</u> | <u>\$ 12,925,532</u> | <u>\$ 13,419,171</u> |

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

Rochester Philharmonic Orchestra, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2024

| | <u>Program Services</u> | <u>Administration</u> | <u>Fundraising</u> | <u>Total Functional Expenses</u> |
|---|-----------------------------|-----------------------|---------------------|--|
| Expenses | | | | |
| Salaries and wages | \$ 5,634,838 | \$ 584,556 | \$ 461,850 | \$ 6,681,244 |
| Payroll taxes and benefits | 1,285,246 | 544,072 | - | 1,829,318 |
| Guest Conductors and artists | 1,163,481 | - | 2,800 | 1,166,281 |
| Pension | 84,526 | 21,426 | - | 105,952 |
| Sub-Total | 8,168,091 | 1,150,054 | 464,650 | 9,782,795 |
| | | | | |
| Advertising, publicity, and printing | 881,002 | 2,744 | 144,384 | 1,028,130 |
| Rentals | 613,668 | 39,241 | 110 | 653,019 |
| Outside services | 454,024 | 36,931 | 27,575 | 518,530 |
| Maintenance | 6,095 | 73,614 | - | 79,709 |
| Transportation, travel, and entertainment | 92,978 | 42,081 | 105,756 | 240,815 |
| Supplies and postage | 115,166 | 165,838 | 13,846 | 294,850 |
| Credit card fees | 109,485 | 7,892 | 23,150 | 140,527 |
| Provision for uncollectible pledges | 23,155 | - | 34,046 | 57,201 |
| Permits | 1,241 | - | - | 1,241 |
| Interest | - | 171,878 | - | 171,878 |
| Depreciation | - | 37,297 | - | 37,297 |
| Insurance | 6,896 | 39,649 | - | 46,545 |
| Legal and professional fees | - | 44,065 | - | 44,065 |
| Telephone and utilities | 6,759 | 14,400 | - | 21,159 |
| Special events | - | - | 129,221 | 129,221 |
| Other | 60,722 | 53,947 | 57,520 | 172,189 |
| Sub-Total | 2,371,191 | 729,577 | 535,608 | 3,636,376 |
| | | | | |
| Total Functional Expenses | \$ 10,539,282 | \$ 1,879,631 | \$ 1,000,258 | \$ 13,419,171 |

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

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies and Nature of Operations

Nature of Operations - Rochester Philharmonic Orchestra, Inc. (the Orchestra) provides symphonic entertainment through a variety of product lines and outreach programs designed to enrich, educate, inspire, and continue the heritage of orchestral music for the residents of Rochester, New York and the surrounding area.

Method of Accounting - The Orchestra maintains its books and prepares its financial statements on the accrual basis of accounting.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation - The Orchestra's financial statements are presented in accordance with the provisions of ASU 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statement of Not-for-Profit Entities." As a result, the Orchestra reports information regarding its net assets and changes therein in the following categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for general support of the Orchestra's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Orchestra or are required to be held in perpetuity.

Cash and Cash Equivalents - For the purpose of the statements of financial position and statements of cash flows, cash and cash equivalents include deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. The Orchestra maintains cash and cash equivalents at financial institutions which periodically may exceed federally insured limits. At June 30, 2025 and 2024, the Orchestra had \$97,780 and \$-, respectively, in excess of the federally insured limits.

Contributions and Pledges - All contributions are considered to be available for use without donor restrictions, unless specifically restricted by the donor. All donor restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions.

The Orchestra records pledges receivable and contribution revenue in the period the pledge is received. Pledges are recorded at their estimated net present value, based on anticipated future cash flow, discounted at an interest rate of 1% to reflect the time value of money. The difference between the total pledges outstanding and their net present value is recorded as an offset to pledges receivable and will be recognized as contribution revenue over the term of the pledge. An allowance for uncollectible pledges is provided for amounts estimated to be uncollectible based on historical collection experience and review of outstanding accounts. The allowance for uncollectible pledges was \$76,158 and \$103,381 for the years ended June 30, 2025 and 2024, respectively.

Grants Receivable - At June 30, 2025 and 2024, no allowance for credit losses has been established for grants receivable as it is management's opinion that losses, if incurred, would not materially affect the financial statements.

Other Receivables - Other receivables are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the outstanding balances, management has concluded that realization losses on balances outstanding at year end will be immaterial.

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Investments - Investments are presented in the statements of financial position at fair market value as determined by the related professional managers. The net increase or decrease in the fair market value of non-current investments is reflected as an increase or decrease in the appropriate statements of activities. The fair value of investments is disclosed in Note 4 to the financial statements.

Property and Equipment - Property and equipment purchased in excess of \$2,500 is capitalized and recorded at cost. Donated property and equipment are recorded at fair market value. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Property and equipment have depreciable lives ranging from three to twenty years.

Campaign Pledges and Contributions - The Orchestra accounts for grant revenue in accordance with ASU 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made," which provides clarification for determining if grants and contracts should be considered contributions or exchange transactions as well as guidance for determining if a contribution is conditional.

In accordance with ASU 2018-08, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Revenues in which donor restrictions are met within the same period are classified as without donor restrictions. Donated services are recognized as contributions in accordance with ASC 958-605 if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Orchestra.

Right-of-Use Asset and Lease Liability - The Orchestra adopted ASC 842 "Leases". ASC 842 establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

Impairment of Long-Lived Assets - The Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is present when the sum of undiscounted estimated future cash flows expected to result from the use of the assets is less than carrying value. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. During the years ended June 30, 2025 and 2024 there was no impairment loss recognized for long-lived assets.

Donated Services - Donated services are recognized as contributions in accordance with accounting guidance if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Orchestra. Volunteers also provided many services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under accounting guidance were not met.

Functional Expenses - Expenses are charged to each program based on direct expenditures incurred. Certain categories of expenses are attributable to one or more program or supporting function and, as a result, it is necessary to allocate these expenses amongst the functional categories.

The Orchestra's allocation methods used for salaries and wages and payroll taxes and benefits are based on an estimate of employees' time and efforts that are shared between multiple functional categories. The Orchestra's allocation method used for depreciation is based on an analysis of the underlying assets. The Orchestra's allocation method used for interest is based on operating expenses funded through financial instruments. All remaining expenses are directly charged to the appropriate functional category on a transactional basis.

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Operating and Non-Operating Activities - The Orchestra presents support, revenue, and expenses associated with the production and performance of its concerts and educational activities as operating activities. These activities also include contribution revenue related to the Orchestra's membership and annual campaign, investment income allocated to operations under the Orchestra's endowment spending policy, and contributions from the Rochester Philharmonic Orchestra Fund, Inc. (RPO Fund) made under the RPO Fund's endowment spending policy.

The Orchestra's non-operating activities include net investment income, contributions from (to) the RPO Fund, and the change in interest in net assets of the RPO Fund.

Revenue Recognition - The Orchestra adopted ASU 2014-09, "Revenue from Contracts with Customers", which provides guidance for revenue recognition. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Orchestra expects to be entitled in exchange for these goods or services. The Orchestra has analyzed the provisions of the ASU 2014-09 and has concluded that no changes are necessary to conform with the new standard. The Orchestra utilizes a five-step framework as identified in ASU 2014-09. The Orchestra derives its contract revenues from grants, ticket sales, and concert fees which are recognized at a point in time.

Grants receivables, other receivables, advanced receipts, and deferred grants revenue, from contracts with customers were as follows at June 30:

| | <u>2025</u> | <u>2024</u> | <u>2023</u> |
|------------------------|---------------------|---------------------|---------------------|
| Grants receivable | \$ 198,453 | \$ 308,956 | \$ 820,768 |
| Other receivables | <u>\$ 377,688</u> | <u>\$ 168,775</u> | <u>\$ 95,678</u> |
| Advanced receipts | <u>\$ 1,694,877</u> | <u>\$ 1,794,220</u> | <u>\$ 1,836,164</u> |
| Deferred grant revenue | <u>\$ 109,000</u> | <u>\$ 159,500</u> | <u>\$ 112,500</u> |

Advertising - The Orchestra expenses all advertising costs as they are incurred.

Income Taxes - The Orchestra is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Orchestra's tax-exempt purpose is subject to taxation as unrelated business income.

In accordance with accounting guidance, the Orchestra recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities. Management believes that the Orchestra is currently operating in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no liability for unrecognized tax benefits has been included on the Orchestra's financial statements.

Subsequent Events - The Orchestra's management has evaluated subsequent events through the date of the report which is the date these financial statements were available to be issued.

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Note 2. Liquidity

The Orchestra's financial assets available within one year of the statement of financial position date for general expenditure, including distribution to partner agencies, are as follows at June 30:

| | <u>2025</u> | <u>2024</u> |
|--|--------------|--------------|
| Cash and cash equivalents | \$ 127,202 | \$ 234,105 |
| Pledges receivable, net | 6,339,486 | 6,677,838 |
| Grants receivable | 198,453 | 308,956 |
| Other receivables | 377,688 | 168,775 |
| Investments | 2,653,406 | 2,616,303 |
| Total financial assets available within one year | 9,696,235 | 10,005,977 |
| | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Restricted cash | (68,714) | (2,943) |
| Pledges receivable with donor restrictions | (5,705,620) | (5,623,355) |
| Endowment investments, net of next year's spending policy withdrawal | (2,365,538) | (2,329,854) |
| Total amounts unavailable for general expenditures within one year | (8,139,872) | (7,956,152) |
| Total financial assets available to management for general expenditure within one year | \$ 1,556,363 | \$ 2,049,825 |

The Orchestra is substantially supported by revenue generated through contributions, ticket sales and concert fees, investment income, endowment draws, and contributions from the RPO Fund. The Orchestra's policy is to regularly monitor liquidity required to meet their operating needs and other contractual commitments. To address unanticipated liquidity needs, the Orchestra has available lines of credit in the aggregate amount of \$1,745,000 which can be drawn upon in the event of an unanticipated liquidity need. At June 30, 2025 and 2024, amounts outstanding under these lines of credit agreements was \$1,494,980 and \$1,744,980 respectively.

Note 3. Pledges Receivable

Pledges receivable and the related allowance for uncollectible pledges consisted of the following at June 30:

| | <u>2025</u> | <u>2024</u> |
|---|--------------|--------------|
| Gross pledges receivable | \$ 6,845,333 | \$ 7,363,600 |
| Less, allowance for uncollectible pledges | (76,158) | (103,381) |
| Less, discount on pledge receivable | (429,689) | (582,381) |
| Pledges receivable - net | \$ 6,339,486 | \$ 6,677,838 |

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Note 4. Investments

The Orchestra measures its investments at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in any orderly transaction between market participants at the measurement date.

ASC 820-10 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Orchestra are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Orchestra are deemed to be actively traded. (Level 1)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Orchestra believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounting Standards Codification (ASC) Section 820 defines fair value 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. The Orchestra utilized the net asset value (NAV) reported by the TIFF Multi-Asset (the TIFF Fund), as a practical expedient for measuring and reporting its fair value in the accompanying financial statements. The TIFF Fund may include certain private instruments that do not trade in public markets and, therefore, may be subject to greater liquidity risk. As of June 30, 2025, the Orchestra had no specific plans or intentions to sell investments at amounts different than NAV.

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Investments consisted of the following at June 30:

| | Quoted Prices in Active Markets <u>Level 1</u> | Significant Other Inputs <u>Level 2</u> | Significant Unobservable Inputs <u>Level 3</u> | Total <u>2025</u> |
|--|---|--|---|------------------------------|
| Mutual funds, at fair value | \$ 1,715,528 | \$ - | \$ - | \$ 1,715,528 |
| Investments valued using NAV as a practical expedient | | | | <u>937,878</u> |
| Total Investments | | | | <u>\$ 2,653,406</u> |

| | Quoted Prices in Active Markets <u>Level 1</u> | Significant Other Inputs <u>Level 2</u> | Significant Unobservable Inputs <u>Level 3</u> | Total <u>2024</u> |
|--|---|--|---|------------------------------|
| Mutual funds, at fair value | \$ 1,819,400 | \$ - | \$ - | \$ 1,819,400 |
| Investments valued using NAV as a practical expedient | | | | <u>796,903</u> |
| Total Investments | | | | <u>\$ 2,616,303</u> |

TIFF multi-asset funds are valued using NAV as a practical expedient and consists of ownership interests in a private equity fund. The private equity funds valued by the fund managers based on a review of the fair values of the underlying holdings in the TIFF Fund. The underlying holdings of the TIFF Fund consists of both exchange traded and non-exchange traded securities. The TIFF Fund's performance objective is to attain a growing stream of current income and appreciation of principal that at least offsets inflation. Redemptions from the TIFF Fund are allowed on any business day upon a request made by phone or facsimile. Notification of redemption provided by any other means that phone or facsimile may not be accepted. At June, 30, 2025 and 2024, the Orchestra did not have any unfunded commitments to the TIFF Fund.

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30:

| | <u>2025</u> | <u>2024</u> |
|----------------------------------|--------------------------|--------------------------|
| Data processing equipment | \$ 235,483 | \$ 224,507 |
| Furniture, and fixtures | 394,282 | 394,282 |
| Musical and production equipment | 400,782 | 400,782 |
| Vehicles | 17,500 | 17,500 |
| Sub-total | <u>1,048,047</u> | <u>1,037,071</u> |
| Less, accumulated depreciation | (836,283) | (794,788) |
| Property and equipment - net | <u>\$ 211,764</u> | <u>\$ 242,283</u> |

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Note 6. Endowment Fund

At June 30, 2025 and 2024 the Orchestra's endowment consists entirely of funds with donor restrictions.

The investment objectives of the Orchestra's endowment are as follows, listed in order of priority: achievement of long-term growth, preservation of the investment, and generation of returns that exceed the long-term rate of inflation.

The Orchestra has interpreted the New York Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Orchestra classifies as net assets with donor restriction (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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.

In accordance with NYPMIFA, the Orchestra considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Orchestra, (7) alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives have on the Orchestra, and (8) the Orchestra's investment policies.

The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2025 and 2024, are as follows:

| | <u>With Donor Restriction</u> |
|--|--|
| Endowment Net Assets, June 30, 2023 | \$ 2,021,702 |
| Contributions | 676,962 |
| Loan allocated to operations | (220,000) |
| Investment income, net | 399,290 |
| Investment income allocated to operations | <u>(261,651)</u> |
| Endowment Net Assets, June 30, 2024 | 2,616,303 |
| Contributions | 119,316 |
| Loan allocated to operations | (159,513) |
| Investment income, net | 363,749 |
| Investment income allocated to operations | <u>(286,449)</u> |
| Endowment Net Assets, June 30, 2025 | <u>\$ 2,653,406</u> |

Spending Policy

For the years ended June 30, 2025 and 2024, the Orchestra's Board of Directors, in accordance with all NYPMIFA guidelines, authorized appropriations from its endowment of up to 5% and 7%, respectively, of the average valuation of the endowment fund over the previous five fiscal years. The Orchestra permits spending from underwater endowment funds, unless specifically prohibited by the donor or relevant laws and regulations. There were no such funds with deficiencies at June 30, 2025 and 2024. Additionally, in accordance with applicable NYPMIFA guidelines, during the years ended June 30, 2025 and 2024, the Orchestra appropriated \$286,449 and \$261,651, respectively, of the endowment to support operations.

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Endowment Borrowing

The Orchestra's Board of Directors approved borrowings from the endowment to fund operations starting in the year ended June 30, 2019 in the amount of \$1,113,104. Additional borrowings were approved in subsequent years totaling \$3,032,883. There are no specific repayment terms established with this borrowing. However, it is the Orchestra's intention to repay the endowment with future gifts received without donor restrictions. The amounts outstanding at June 30, 2025 and 2024 were \$3,032,883 and \$2,581,862, respectively, and are recorded as interfund receivables and payables.

Note 7. Lines of Credit

The Orchestra has a line of credit with a bank with available borrowings up to \$500,000. Amounts borrowed are collateralized by the general business assets of the Orchestra and bear interest at the bank's prime rate plus 1.00% (8.50% and 9.50% at June 30, 2025 and 2024, respectively). The RPO Fund has guaranteed \$125,000 of any amount outstanding under the terms of this line of credit. Amounts outstanding under this line of credit were \$250,000 and \$500,000 at June 30, 2025 and 2024, respectively.

The Orchestra has a separate bank line of credit agreement that had with available borrowings up to \$500,000 in 2021. During 2022 the amount of available borrowings was increased to \$1,245,000. Amounts borrowed are collateralized by funds held in the Orchestra's endowment and bear interest at the bank's prime rate plus 1.49% (8.99% and 9.99% at June 30, 2025 and 2024, respectively). Amounts outstanding under this line of credit were \$1,244,980 at both June 30, 2025 and 2024.

The prime rate as of June 30, 2025 and 2024 was 7.50% and 8.50%, respectively.

Note 8. Economic Injury Disaster Loan Payable

In June 2020, the Orchestra received an Economic Injury Disaster Loan (EIDL) with the United States Small Business Administration ("SBA") in the amount of \$150,000. Amounts borrowed bear interest at 2.75% and are collateralized by property of the Orchestra. In May of 2022, the amount of the loan was increased to \$500,000 and the required payments were increased to \$2,190 starting December 2022.

Notes payable consisted of the following at June 30:

| | <u>2025</u> | <u>2024</u> |
|--|-------------------|-------------------|
| Note payable - Economic Injury Disaster Loan (EIDL) requiring monthly payment of \$2,190, including principal and interest at a rate of 2.75% through June 2050. Payments commenced in December 2022 with application first to any accrued interest, and the balance, if any, applied to principal. The remaining balance of unpaid principal is payable at maturity. The note payable is secured by the Company's assets. | \$ 482,279 | \$ 494,983 |
| Less - current portion | (13,757) | (12,815) |
| Notes payable - net of current portion | <u>\$ 468,522</u> | <u>\$ 482,168</u> |

Scheduled repayment of these obligations is currently estimated as follows:

| | |
|------------|-------------------|
| 2026 | \$ 13,757 |
| 2027 | 13,566 |
| 2028 | 13,944 |
| 2029 | 14,332 |
| 2030 | 14,731 |
| Thereafter | 411,949 |
| Total | <u>\$ 482,279</u> |

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Note 9. Retirement Plans

The Rochester Philharmonic Orchestra, Inc. Retirement Plan is a defined contribution plan available to all employees of the Orchestra who meet certain eligibility requirements. Different classes of employees have different eligibility requirements. Total contribution expense related to the plan for the years ended June 30, 2025 and 2024 was \$157,519 and \$105,952, respectively.

The Orchestra also maintains a 403(b) tax deferred retirement plan covering substantially all employees, subject to age and service eligibility requirements. Employees may elect to participate in the plan immediately upon employment. The Orchestra does not contribute to this plan.

Note 10. Leases

The Orchestra leases office space under an operating lease and has elected the practical expedient not to separate lease and non-lease components for all of lease transactions. The original lease provided monthly payments of \$2,645 and expires in August 2029. The lease asset and liability was calculated using the risk-free discount rate at the later of lease inception or period of adoption, unless explicitly stated, in accordance with the Orchestra's accounting policies. Additional information about the Orchestra's leases are as follows:

| | <u>2025</u> | <u>2024</u> |
|----------------------------|-------------------|-------------------|
| Lease expense: | | |
| Operating lease: | | |
| Administrative and general | \$ 31,740 | \$ 31,740 |
| Weighted Averages: | | |
| Remaining lease terms: | | |
| Operating lease | 4 years | 5 years |
| Discount Rate: | | |
| Operating lease | 3.30% | 3.30% |
| | <u>2025</u> | <u>2024</u> |
| Lease liability: | | |
| Operating Lease: | \$ 28,087 | \$ 27,177 |
| Current installments | | |
| Noncurrent installments | 95,407 | 123,494 |
| Total lease liability | <u>\$ 123,494</u> | <u>\$ 150,671</u> |

The aggregate maturity of the lease payments under ASC 842 for the five years following June 30, 2025 and thereafter is as follows:

| | | |
|----------------------------|--|-------------------|
| 2026 | | \$ 31,740 |
| 2027 | | 31,740 |
| 2028 | | 31,740 |
| 2029 | | 31,740 |
| 2030 | | <u>5,290</u> |
| Total | | 132,250 |
| Less: unamortized discount | | <u>(8,756)</u> |
| Total lease liability | | <u>\$ 123,494</u> |

The Orchestra also leases a copier that expires during October 2030 and a truck that expires during February 2030. The Orchestra has reviewed the requirements of ASC 842 related to these leases and determined that adoption of ASC 842 would be immaterial in total. Accordingly, for the two leases, the Orchestra has presented leases in the accompanying financial statements in accordance with the prior guidance (ASC 840).

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Note 11. Net Assets

The Orchestra's statement of financial position presents net assets with donor restrictions due to a variety of donor-imposed restrictions, as follows:

- The Orchestra has recorded its interest in the net assets of the Rochester Philharmonic Orchestra Fund, Inc.
- The Orchestra receives contributions in support of the following concert season.
- The Ernie Reveal Cash Reserve Fund was created by donors to provide short-term loans for the Orchestra's unrestricted use in-lieu of a bank line of credit. A requirement exists that amounts borrowed by the Orchestra for operating purposes be repaid in full at least once each year for a period of at least 30 days. Income earned by the fund is unrestricted. At June 30, 2025 and 2024, the Orchestra had borrowed approximately \$411,000 from this fund for its operating use.
- The Orchestra previously received a \$10,000 bequest to establish an Instrument Loan Fund restricted for the purchase of instruments by the Orchestra's musicians. This fund provides for a 12-month interest-free loan for an amount not to exceed \$2,000 to each musician.

The Orchestra's net assets with donor restriction consisted of the following as of June 30:

| | <u>2025</u> | <u>2024</u> |
|--|---------------|---------------|
| Interest in net assets of RPO fund | \$ 17,154,993 | \$ 14,425,468 |
| Ernie reveal cash reserve fund | 411,398 | 411,398 |
| Future programs | 5,703,744 | 5,730,396 |
| Instrument loan fund | 125 | 1,140 |
| Endowment funds restricted in perpetuity | 2,653,406 | 2,616,303 |
| Other amounts restricted in perpetuity | 2,361,340 | 2,603,876 |
| Total net assets with donor restriction | \$ 28,285,006 | \$ 25,788,581 |

The Orchestra's net assets with donor restriction were released as follows during the year ended June 30:

| | <u>2025</u> | <u>2024</u> |
|--|--------------|--------------|
| Future programs | \$ 1,900,978 | \$ 1,846,315 |
| Endowment funds - spending policy allocation | 286,449 | 261,651 |
| Total net assets with donor restriction | \$ 2,187,427 | \$ 2,107,966 |

Note 12. Funds Held by Rochester Area Community Foundation

The Orchestra is the income beneficiary of endowment funds with donor restrictions established with the Rochester Area Community Foundation (RACF). The funds' fair value was \$2,262,627 and \$2,131,707 at June 30, 2025 and 2024, respectively. These endowment funds are considered assets of RACF and, therefore, are not included in the Orchestra's financial statements. The RACF distributes a portion of interest earned on these endowment funds to the Orchestra annually. These distributions were \$106,035 and \$82,287 for the years ended June 30, 2025 and 2024, respectively, and are included in contribution revenue in the accompanying statement of activities and changes in net assets.

ROCHESTER PHILHARMONIC ORCHESTRA, INC.
Notes to Financial Statements

Note 13. Rochester Philharmonic Orchestra Fund, Inc.

Rochester Philharmonic Orchestra Fund, Inc. is a separate New York not-for-profit corporation organized to support live symphonic music in Rochester, New York and the surrounding area. Certain members of the Orchestra's Board of Directors are also members of RPO Fund's Board of Trustees. A portion of the income earned on RPO Fund's investments is currently provided to the Orchestra. Substantially all administrative and fundraising functions of RPO Fund are contributed by the Orchestra. The cost of these services is not considered significant in relation to the overall administrative and fundraising costs of the Orchestra.

The Orchestra records a beneficial interest in the net assets of RPO Fund.

For the years ended June 30, 2025 and 2024, RPO Fund made contributions under the terms of their endowment spending policy in the amount of \$615,300 and \$573,133, respectively.

In addition, RPO Fund has guaranteed \$125,000 of any amount outstanding under one of the bank lines of credit for both years ended June 30, 2025 and 2024.

Note 14. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended June 30, 2024. These reclassifications are for comparative purposes only and have no effect on the change in net assets as originally reported.

Note 15. Subsequent Events

Subsequent to June 30, 2025, the Organization settled an outstanding accounts payable balance with a vendor by issuing a promissory note for \$91,398, payable over 12 months at 8% interest.