

MEMPHIS SYMPHONY ORCHESTRA, INC.

FINANCIAL STATEMENTS

June 30, 2023 and 2022



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MEMPHIS SYMPHONY ORCHESTRA, INC.

ROSTER OF OFFICIALS

For the Year Ended June 30, 2023

Management Officials

Peter Abell, President
Leslie Bouldin, CFO
Brandon Knisley, VP of Patron Engagement

Board of Directors

Jason Farmer, Chairman
Ashley Moore Remmers, Immediate Past Chair
Stephen Agar
Louise Barden
Dr. Paul Brezina
Mark Crosby
Dr. Andre Dyanchenko
Dr. David Ellison
Dr. Suzanne Gronemeyer
Pam Guinn
Scott Heppel
Dr. Carol Johnson-Dean
Dr. Udo Lange
Michelle Robinson McKissack
Montgomery Martin
Elisa Marus
Ramon A. Marus, Jr., Treasurer
Dr. Lisa Lucks Mendel
Irma W. Merrill, Secretary
Robert Moody
Sonya Porter
Nick Sarraf
Luke Yancy

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Memphis Symphony Orchestra, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Memphis Symphony Orchestra, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 Memphis Symphony Orchestra, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Memphis 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 opinions.

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 Memphis 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 and *Government 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 and *Government 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 Memphis 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 Memphis 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the roster of officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023, on our consideration of Memphis Symphony Orchestra, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Memphis Symphony Orchestra, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Memphis Symphony Orchestra, Inc.'s internal control over financial reporting and compliance.

Watkins Mikusall, PLLC

Memphis, Tennessee
December 19, 2023

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>Assets</u>	
	2023	2022
Cash and cash equivalents	\$ 1,526,486	\$ 3,022,564
Accounts receivable	82,113	28,448
Promises to give, net of allowance	237,518	50,440
Prepaid expenses	16,272	14,750
Investments	1,276,523	14,911
Beneficial interest in assets held by others	3,032,952	2,717,827
Property and equipment, net	457,602	424,257
Other assets	1,600	1,600
Operating lease right-of-use assets	177,462	-
Total assets	\$ 6,808,528	\$ 6,274,797
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 10,711	\$ 18,153
Accrued compensation	36,496	22,584
Operating lease liability	180,114	-
Deferred revenue	180,336	262,740
Total liabilities	407,657	303,477
Net Assets		
Without donor restrictions	3,268,791	3,155,100
With donor restrictions	3,132,080	2,816,220
Total net assets	6,400,871	5,971,320
Total liabilities and net assets	\$ 6,808,528	\$ 6,274,797

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

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Contributions and sponsorships	\$ 892,168	\$ 99,500	\$ 991,668
Grants	1,728,063	-	1,728,063
Endowment distributions	849,010	-	849,010
Concert tickets and subscription sales	1,043,149	-	1,043,149
In-kind contributions	28,434	-	28,434
Other fundraising income	1,488	-	1,488
Net investment return	38,060	-	38,060
Other income	31,218	-	31,218
Net assets released from restrictions	247,038	(247,038)	-
Total revenue, support, and gains	<u>4,858,628</u>	<u>(147,538)</u>	<u>4,711,090</u>
Expenses			
Program Services			
Artistic engagement	3,587,937	-	3,587,937
Marketing	498,127	-	498,127
Total program services	<u>4,086,064</u>	<u>-</u>	<u>4,086,064</u>
Support Services			
General and administrative	214,977	-	214,977
Fundraising	447,896	-	447,896
Total support services	<u>662,873</u>	<u>-</u>	<u>662,873</u>
Total expenses	<u>4,748,937</u>	<u>-</u>	<u>4,748,937</u>
Change in net assets from operations	109,691	(147,538)	(37,847)
Change in value of beneficial interest in assets held by others	<u>4,000</u>	<u>463,398</u>	<u>467,398</u>
Change in net assets	113,691	315,860	429,551
Net assets, beginning of year	<u>3,155,100</u>	<u>2,816,220</u>	<u>5,971,320</u>
Net assets, end of year	<u>\$ 3,268,791</u>	<u>\$ 3,132,080</u>	<u>\$ 6,400,871</u>

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

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Contributions and sponsorships	\$ 914,025	\$ 73,010	\$ 987,035
Grants	1,425,341	-	1,425,341
Endowment distributions	850,173	-	850,173
Concert tickets and subscription sales	582,891	-	582,891
In-kind contributions	28,065	-	28,065
Other fundraising income	1,719	-	1,719
Paycheck Protection Program loan forgiveness	546,377	-	546,377
Employee retention tax credit	168,506	-	168,506
Other income	20,355	-	20,355
Net assets released from restrictions	220,457	(220,457)	-
Total revenue, support, and gains	<u>4,757,909</u>	<u>(147,447)</u>	<u>4,610,462</u>
Expenses			
Program Services			
Artistic engagement	2,786,104	-	2,786,104
Marketing	411,566	-	411,566
Total program services	<u>3,197,670</u>	<u>-</u>	<u>3,197,670</u>
Support Services			
General and administrative	170,589	-	170,589
Fundraising	428,790	-	428,790
Total support services	<u>599,379</u>	<u>-</u>	<u>599,379</u>
Total expenses	<u>3,797,049</u>	<u>-</u>	<u>3,797,049</u>
Change in net assets from operations	960,860	(147,447)	813,413
Change in value of beneficial interest in assets held by others	<u>(10,358)</u>	<u>258,200</u>	<u>247,842</u>
Change in net assets	950,502	110,753	1,061,255
Net assets, beginning of year	<u>2,204,598</u>	<u>2,705,467</u>	<u>4,910,065</u>
Net assets, end of year	<u>\$ 3,155,100</u>	<u>\$ 2,816,220</u>	<u>\$ 5,971,320</u>

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

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Program Services			General and Administrative	Fundraising	Total Expenses
	Artistic Engagement	Marketing	Total Program Services			
Salaries and wages	\$ 2,360,097	\$ 176,469	\$ 2,536,566	\$ 47,130	\$ 233,056	\$ 2,816,752
Employee benefits	359,185	11,292	370,477	2,774	17,062	390,313
Taxes	173,239	13,201	186,440	3,563	17,455	207,458
Production costs	305,684	-	305,684	-	-	305,684
Professional fees	4,565	48,497	53,062	141,277	76,900	271,239
Artist fees	301,352	-	301,352	-	-	301,352
Advertising and promotion	-	109,465	109,465	-	-	109,465
Office costs	951	51,993	52,944	525	3,448	56,917
Occupancy	14,461	14,461	28,922	14,461	14,461	57,844
Travel and meetings	18,570	1,260	19,830	4,029	985	24,844
Merchant fees	-	20,256	20,256	-	-	20,256
Information technology	17,501	29,659	47,160	-	14,844	62,004
Donor relations	-	-	-	-	47,051	47,051
Insurance	15,441	-	15,441	-	-	15,441
Miscellaneous	7,298	11,209	18,507	613	8,764	27,884
Utilities	-	-	-	-	8,883	8,883
Special events	-	-	-	-	985	985
Depreciation	2,463	1,478	3,941	-	1,681	5,622
Telephone	4,202	2,521	6,723	-	1,161	7,884
Repairs and maintenance	2,904	1,742	4,646	-	1,160	5,806
Postage and shipping	24	4,624	4,648	-	-	4,648
Bank fees	-	-	-	605	-	605
	<u>\$ 3,587,937</u>	<u>\$ 498,127</u>	<u>\$ 4,086,064</u>	<u>\$ 214,977</u>	<u>\$ 447,896</u>	<u>\$ 4,748,937</u>

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

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Program Services			General and Administrative	Fundraising	Total Expenses
	Artistic Engagement	Marketing	Total Program Services			
Salaries and wages	\$ 1,983,965	\$ 186,992	\$ 2,170,957	\$ 48,776	\$ 233,671	\$ 2,453,404
Employee benefits	310,482	10,802	321,284	1,883	13,419	336,586
Taxes	139,143	13,935	153,078	3,723	17,662	174,463
Production costs	183,856	-	183,856	-	-	183,856
Professional fees	3,579	34,010	37,589	96,579	78,763	212,931
Artist fees	93,620	-	93,620	-	-	93,620
Advertising and promotion	-	59,678	59,678	-	-	59,678
Office costs	563	28,091	28,654	719	5,249	34,622
Occupancy	13,830	13,830	27,660	13,830	13,830	55,320
Travel and meetings	8,472	557	9,029	615	533	10,177
Merchant fees	-	16,871	16,871	-	-	16,871
Information technology	15,799	28,518	44,317	-	13,669	57,986
Donor relations	-	-	-	-	35,390	35,390
Insurance	19,405	-	19,405	-	-	19,405
Miscellaneous	4,338	8,174	12,512	3,855	9,174	25,541
Utilities	946	568	1,514	-	378	1,892
Special events	-	-	-	-	2,595	2,595
Depreciation	1,519	911	2,430	-	608	3,038
Telephone	4,381	2,628	7,009	-	1,752	8,761
Repairs and maintenance	2,120	1,272	3,392	-	848	4,240
Postage and shipping	86	4,729	4,815	-	1,249	6,064
Bank fees	-	-	-	609	-	609
	<u>\$ 2,786,104</u>	<u>\$ 411,566</u>	<u>\$ 3,197,670</u>	<u>\$ 170,589</u>	<u>\$ 428,790</u>	<u>\$ 3,797,049</u>

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

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 429,551	\$ 1,061,255
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	5,622	3,038
Change in value of beneficial interest in assets held by others	(467,398)	(247,842)
Noncash lease expense	2,652	-
Realized and unrealized (gains) losses on investments	(33,952)	-
Paycheck Protection Program loan forgiveness	-	(546,377)
Change in Operating Assets and Liabilities:		
Accounts receivable	(53,665)	293,926
Promises to give	(187,078)	25,510
Prepaid expenses	(1,522)	(1,684)
Distributions from beneficial interest in assets held by others	152,273	125,000
Other assets	-	1,783
Accounts payable	(7,442)	3,850
Accrued compensation	13,912	18,738
Deferred revenue	(82,404)	73,713
Net cash provided by (used for) operating activities	(229,451)	810,910
Cash Flows From Investing Activities:		
Purchases of investments	(1,227,660)	-
Purchases of property and equipment	(38,967)	(10,163)
Net cash used for investing activities	(1,266,627)	(10,163)
Net increase (decrease) in cash and cash equivalents	(1,496,078)	800,747
Cash and cash equivalents, beginning of year	3,022,564	2,221,817
Cash and cash equivalents, end of year	\$ 1,526,486	\$ 3,022,564
Right-of-use assets and operating lease liabilities recorded upon implementation of ASC 842	\$ 231,232	\$ -

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

MEMPHIS SYMPHONY ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Memphis Symphony Orchestra, Inc. (the "Symphony") is a non-profit Tennessee corporation organized as a 501(c)(3) under the Internal Revenue Code in March 1953. The Symphony is dedicated to the promotion of musical education and culture and the promotion of musical concerts throughout Memphis and the surrounding area. The Symphony is supported primarily by contributions from individuals, corporations, and foundations.

Basis of Accounting

The accompanying financial statements of the Symphony have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the activities of Memphis Symphony Orchestra, Inc. and the Memphis Symphony Chorus. The Memphis Symphony Chorus is a performing organization which functions as an auxiliary of the Symphony.

Use of Estimates

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

Revenue Recognition and Contributed Support

The Symphony receives revenue from a variety of sources including contributions and concert ticket and subscription sales. Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Certain government grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Revenues from such grants are recognized when qualifying expenditures are incurred. Any payments received in advance of such expenditures are deferred. Consequently, at June 30, 2023 and 2022, conditional contributions approximating \$1,034,000 and \$2,320,000, respectively, consisted of government grants awarded for which no qualifying expenditures had been incurred and therefore have not been recognized in the financial statements.

Ticket sales and fees are recognized when the show or event takes place, which is when the performance obligation is deemed to have been met. Income collected in advance for individual shows and season subscriptions related to the next season are reported as deferred revenue in the statement of financial position. All productions for each season are conducted within the Symphony's fiscal year.

Concentrations and Credit Risks

The Symphony's credit risks primarily relate to cash and cash equivalents and receivables. The Symphony maintains cash balances at various financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of \$250,000 for each commercial bank.

In-Kind Contributions

Donated goods and services are recorded as contributions at their estimated fair values at the date of donation. The corresponding expense is allocated to the appropriate program or supporting service. The Symphony receives a significant amount of donated services from unpaid volunteers who assist in Symphony operations and special projects. Donated services are recognized in the financial statements if the services either create or enhance a nonfinancial asset or require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated.

In-kind contributions are comprised of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Office rent	\$ -	\$ 10,450
Print and Materials	2,843	-
Artist lodging	17,103	7,881
Marketing	8,488	-
Legal expenses	-	5,000
Catering	-	4,734
	<u>\$ 28,434</u>	<u>\$ 28,065</u>

The estimated fair value of each of the donated services is provided by the service provider or vendor, who estimates the fair value using standard market rates in like circumstances. Other in-kind goods received are typically valued at the purchase price of the item less any amount paid by the Symphony to the vendor.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Symphony considers all highly liquid debt instruments and certificates of deposit purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consists of fees for contracted events and are non-interest bearing. At June 30, 2023, and 2022, management believes no allowance for doubtful accounts is necessary.

Promises to Give

Unconditional promises to give are recorded at net realizable value as they are substantially all due within one year. An allowance for doubtful accounts is recorded based upon management's analysis of specific balances and a general reserve based upon the total outstanding balances. Promises to give are written off when deemed uncollectable.

Investments

Purchased investments are carried at their fair market values in the statement of financial position. Donated investments are recorded at fair value at the date of donation. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less related investment advisory fees.

Property and Equipment

Property and equipment are reported at cost at the date of acquisition or fair value at the date of donation in the case of donated property. Property and equipment purchases in excess of \$1,000 and a useful life of more than one year are capitalized. Depreciation is provided over the estimated useful service lives of 3 to 15 years using the straight-line method. Music collections are capitalized and not depreciated. Repairs and maintenance costs are expensed as incurred; major renewals and leasehold improvements are capitalized.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that, is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative time and effort expended for the related functions.

Income Taxes

The Symphony is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similarly exempt from state income taxes. Accordingly, no provision for income taxes is included in the financial statements. Income from program advertisements, which is not directly related to the Symphony's exempt purpose, is subject to taxation as unrelated business income. The Symphony files an exempt organization return in the U.S. federal jurisdiction.

Advertising Costs

Advertising and promotional costs are expensed as incurred and totaled \$109,465 and \$59,678 for the years ended June 30, 2023 and 2022, respectively.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Standard

Effective July 1, 2022, the Symphony adopted FASB ASC 842, *Leases*, which establishes a right-of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. The Symphony elected the package of practical expedients permitted under the transition guidance which, among other things, allowed it to carry forward the historical lease classification and not restate the prior period. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ROU assets and lease liabilities are not recorded for leases with a term of less than 12 months, and payments for these short-term leases are recognized in the statement of activities on a straight-line basis over the lease term. As a result of implementing ASC 842, the Symphony recognized ROU assets and lease liabilities of \$231,232 as of July 1, 2022.

Date of Management's Review

The Symphony evaluated its June 30, 2023, financial statements for subsequent events through December 19, 2023, the date the financial statements were available to be issued. The Symphony is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,526,486	\$ 3,022,564
Accounts receivable	82,113	28,448
Promises to give due within one year, net	237,518	50,440
	<u>\$ 1,846,117</u>	<u>\$ 3,101,452</u>

The Symphony's goal is to maintain reserved financial assets to meet 90 – 180 days of operating expenses (currently \$1,166,000 - \$2,332,000). As part of its liquidity plan, excess cash is held in cash or short-term investments, including money market accounts.

NOTE 3 – PROMISES TO GIVE

Promises to give are estimated to be collected as follows at June 30:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 241,778	\$ 54,700
Less allowance for doubtful accounts	(4,260)	(4,260)
	<u>\$ 237,518</u>	<u>\$ 50,440</u>

NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2019, the Symphony entered into an agreement with the University of Memphis Foundation (“UMF”) for donors to establish an endowment fund for the benefit and use of the Symphony. These funds will be administered by UMF; therefore, the Symphony will have neither possession nor control over the assets of the funds. Upon notification of the Symphony’s beneficial interest in these funds, a contribution with donor restrictions was recorded in the statement of activities. The agreement provides for annual distributions to the Symphony of approximately 5% of the aggregate fund balances and unlimited spending of fund earnings and/or fund principal at any time, but only after approval of both the President/CEO of the Symphony and the President of the University of Memphis is given. Additional contributions can be made by donors to the funds any time thereafter. The beneficial interest in these assets is reported at the fair value of the funds’ assets in the statement of financial position. Changes in fair value are recognized in the statement of activities. UMF fund distributions to the Symphony totaled \$150,000 and \$125,000, for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the balance of the UMF fund was \$2,981,843 and \$2,670,718, respectively.

In 2019, the Symphony entered into an agreement with Community Foundation of Greater Memphis (“CFGM”) for donors to establish an endowment fund for which the Symphony will receive annual distributions of approximately 5% of the aggregate fund balance in perpetuity. The agreement allows for donors to make additional contributions to the fund. At June 30, 2023 and 2022, the balance of this endowment fund was \$7,985,341 and \$6,982,183, respectively. In 2020, another endowment fund was established at CFGM with an initial gift of \$10,000,000, for which the Symphony will receive annual distributions of approximately 5% of the aggregate fund balance in perpetuity. Since CFGM maintains variance power over both funds, which allows CFGM to redirect the benefits to another charitable organization if, in the sole judgment of CFGM, the funds’ purpose becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community, the Symphony has not recorded an asset for its beneficial interest in either of these funds as they are revocable. Annual distributions from the funds are reported in the statement of activities and totaled \$821,283 and \$850,173 for the years ended June 30, 2023 and 2022, respectively.

On December 2, 2020, the Symphony established an endowment fund at Christian Community Fund (“CCF”) for the benefit and use of the Symphony by transferring \$53,025. On December 8, 2020, a donor contributed \$646,975 directly to the fund at the CCF to bring the total endowment contributions to \$700,000. Since CCF maintains variance power over this fund, which allows CCF to redirect the benefits to another charitable organization if, in the sole judgment of CCF, the fund’s purpose becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community, the Symphony has recorded an asset for its beneficial interest in this fund only to the extent of the initial amount transferred. Changes in the value of the beneficial interest will be reported in the statement of activities on a pro-rata basis based on the Symphony’s initial investment in the fund as a percentage of the entire fund balance. At June 30, 2023 and 2022, the balance of this endowment fund was \$51,109 and \$47,109, respectively. Annual distributions from the fund are reported in the statements of activities and totaled \$27,727 and \$0 for the years ended June 30, 2023 and 2022, respectively.

NOTE 5 – FAIR VALUE MEASUREMENTS

The Symphony reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the most advantageous market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Symphony. Unobservable inputs are inputs that reflect the Symphony's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities the Symphony has the ability to access.
- Level 2 – Inputs (other than quoted prices within level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2023.

U.S. Treasury Bills: Valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

Community Foundation of Greater Memphis (CFGM): Consists of funds transferred and assigned to CFGM and are invested in a fixed income pool, which is diversified among bond sectors such as U.S. Government, agency, corporate, and mortgage-backed securities. CFGM has agreed to the Symphony's restriction that the income and assets of the fund are to be granted to or used for the benefit of the Symphony. Although the majority of CFGM's holdings are invested in assets that are valued by quoted prices in active markets, the Symphony does not have access to the holdings nor any observable inputs for CFGM. However, the Symphony does receive quarterly statements from CFGM which show the fair market value of the Symphony's portion of the pooled funds. These are considered to be Level 3 measurements.

Beneficial interest in assets held by others: As described in Note 4, beneficial interests in assets held by others are valued based on the underlying trust investments as reported by the trustees. These are considered to be Level 3 measurements.

The following tables present assets measured at fair value on a recurring basis at fair value as of June 30:

	Assets at Fair Value as of June 30, 2023		
	Level 2	Level 3	Total
Beneficial Interest in Assets Held by Others			
University of Memphis Foundation	\$ -	\$ 2,981,843	\$ 2,981,843
Christian Community Foundation	-	51,109	51,109
	<u>-</u>	<u>3,032,952</u>	<u>3,032,952</u>
Investments			
U.S. Treasury bills	734,564	-	734,564
CFGM	-	541,959	541,959
	<u>734,564</u>	<u>541,959</u>	<u>1,276,523</u>
	<u>\$ 734,564</u>	<u>\$ 3,574,911</u>	<u>\$ 4,309,475</u>
	Assets at Fair Value as of June 30, 2022		
	Level 2	Level 3	Total
Beneficial Interest in Assets Held by Others			
University of Memphis Foundation	\$ -	\$ 2,670,718	\$ 2,670,718
Christian Community Foundation	-	47,109	47,109
	<u>-</u>	<u>2,717,827</u>	<u>2,717,827</u>

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 is as follows:

	2023	2022
Office furniture and equipment	\$ 153,312	\$ 153,312
Vehicles	24,000	24,000
Concert equipment	224,680	221,731
Musical instruments	194,780	181,405
Music library	417,981	413,033
Leasehold improvements	10,884	10,884
Works in progress	17,500	-
	<u>1,043,137</u>	<u>1,004,365</u>
Less: accumulated depreciation	<u>(585,535)</u>	<u>(580,108)</u>
	<u>\$ 457,602</u>	<u>\$ 424,257</u>

NOTE 7 – LEASE OBLIGATION

As described in Note 1, the Symphony adopted FASB ASC 842, *Leases*, on July 1, 2022. The Symphony has an operating lease agreement for office space through 2027. The lease agreement includes monthly base rent payments which increase annually in accordance with the payment schedules set forth in the agreement. For the year ended June 30, 2023, operating lease expense totaled \$57,838 and cash paid for operating leases totaled expense was \$55,186.

At June 30, 2023, the weighted average remaining lease term for the lease is 3.17 years. The Symphony has elected to utilize the risk-free rate with a maturity closest to the term of the respective lease at lease inception as the discount rate. At June 30, 2023, the weighted average discount rate used to calculate the lease liability is 2.0%.

Future minimum lease payments for the years ending June 30 are as follows:

2024	\$	56,845
2025		58,551
2026		60,308
2027		10,100
Total future cash payments		<u>185,804</u>
Less: effects of discounting		<u>(5,690)</u>
Operating lease liability	\$	<u><u>180,114</u></u>

NOTE 8 – PAYCHECK PROTECTION PROGRAM LOAN

In February 2021, the Symphony qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, in the amount of \$546,377. The loan is forgivable to the extent the proceeds are used for qualifying expenditures such as payroll costs, covered rent and mortgage obligations, and covered utility payments. In October 2021, the PPP loan was fully forgiven by the SBA and reported as a gain in the statement of activities.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows at June 30:

	<u>2023</u>	<u>2022</u>
Time-Restricted for Future Periods:		
Beneficial interest in assets held by others	\$ 2,981,843	\$ 2,670,719
Promises to give	60,000	10,000
Sponsorships for upcoming concert season	45,000	100,000
Fellowship program	45,237	35,501
	<u>\$ 3,132,080</u>	<u>\$ 2,816,220</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Expiration of Time Restrictions:		
Promises to give	\$ 45,000	\$ 10,000
Beneficial interest in assets held by others	152,273	125,000
Satisfaction of Purpose Restrictions:		
Sponsorships for upcoming concert season	30,000	65,000
Fellowship program	19,765	20,457
	<u>\$ 247,038</u>	<u>\$ 220,457</u>

NOTE 10 – RETIREMENT PLAN

The Symphony sponsors a 401(k) retirement plan for the benefit of eligible employees. Employees can make elective deferrals under the plan. The Symphony contributes 3% of participant compensation to the plan, with all contributions being 100% vested at the time of contribution. The Symphony accrued contributions to the plan of \$17,856 as of June 30, 2023.

NOTE 11 – MULTI-EMPLOYER PENSION PLAN

The Symphony is a participating employer in a multi-employer defined benefit pension plan (the “Plan”) for its unionized musicians who participate in a collective bargaining agreement. The Plan generally provides retirement benefits to employees based on years of service to the Symphony. The Plan is managed by a board of trustees including contributing employers. The Symphony does not have a representative on the board of trustees. Pension contributions were \$59,303 and \$49,137 for the years ended June 30, 2023 and 2022, respectively. The Symphony's contributions to the Plan represented less than 5% of total contributions to the plan. Effective April 15, 2010, the Plan is operating under an amended rehabilitation plan.

The risk of participating in a multi-employer defined benefit plan is different from single employer plans as: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the Plan may be required to be borne by the remaining participating employers, and (c) if the Symphony chooses to stop participating in the Plan, a withdrawal liability to the Plan may result. In connection with ongoing renegotiation of its collective bargaining agreement, the Symphony may discuss and negotiate for the complete or partial withdrawal from the Plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multi-employer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Symphony's financial position in the period of the withdrawal. The Symphony has no current plans to withdraw from its multi-employer pension plan.

The following presents information about the Symphony's multi-employer pension plan as of December 31, 2022 and March 31, 2022, and for the plan years then ended:

Name of pension fund	American Federation of Musicians and Employer's Pension Fund	
Employer Identification Number	51-6120204	
Plan number	001	
Rehabilitation Plan status	Implemented	
Expiration of collective bargaining agreement	June 30, 2025	
	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Actuarial value of assets	\$ 1,733,484,653	\$ 1,734,587,318
Actuarial value of liabilities	\$ 3,511,565,128	\$ 3,478,404,517
Percentage funded at end of plan year	49.40%	49.90%
Required employer contributions based on qualified employee gross wages	3.597%	3.597%

NOTE 12 – CONCENTRATIONS

The Symphony is a party to a collective bargaining agreement for its musicians. For the years ended June 30, 2023 and 2022, approximately 60% and 55%, respectively, of the Symphony's labor force was covered by this agreement. The agreement is effective through June 30, 2025.

For the year ended June 30, 2023, approximately 42% of total contributions and sponsorships and grant revenues was received from one grantor. For the year June 30, 2022, approximately 52% of total contributions and sponsorships and grant revenues was received from one grantor. At June 30, 2023, approximately 95% of promises to give was due from one donor.

SUPPLEMENTARY INFORMATION

MEMPHIS SYMPHONY ORCHESTRA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2023

Grantor / Pass-Through Agency / Program	Assistance Listing Number	Award Number	Amount Expended
<u>Federal Awards</u>			
U.S. Department of the Treasury			
Tennessee Arts Commission / COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP5534	\$ 1,286,000
Tennessee Arts Commission / Promotion of the Arts Partnership Agreements	45.025	31625-14744	<u>17,000</u>
Total federal expenditures			1,303,000
<u>State Awards</u>			
State of Tennessee			
Tennessee Arts Commission / Arts Access	N/A	31625-15245	14,100
Tennessee Arts Commission / Promotion of the Arts Partnership Agreements	N/A	31625-14744	<u>58,000</u>
Total state assistance			<u>72,100</u>
Total federal and state expenditures			<u>\$ 1,375,100</u>

See independent auditor's report and accompanying notes to the schedule.

MEMPHIS SYMPHONY ORCHESTRA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2023

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the “Schedule”) includes the federal and state grant activity of Memphis Symphony Orchestra, Inc. under programs of the federal and state government for the year ended June 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Memphis Symphony Orchestra, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Memphis Symphony Orchestra, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

Memphis Symphony Orchestra, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

NOTE D – SUBRECIPIENTS

There were no federal awards passed through to subrecipients. Pass-through entity identifying numbers are presented where available.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Memphis Symphony Orchestra, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Memphis Symphony Orchestra, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Memphis Symphony Orchestra, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Memphis Symphony Orchestra, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Memphis Symphony Orchestra, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Memphis Symphony Orchestra, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee
December 19, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Memphis Symphony Orchestra, Inc.

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Memphis Symphony Orchestra, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Memphis Symphony Orchestra, Inc.'s major federal program for the year ended June 30, 2023. Memphis Symphony Orchestra, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Memphis Symphony Orchestra, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Memphis Symphony Orchestra, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Memphis Symphony Orchestra, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Memphis Symphony Orchestra, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Memphis Symphony Orchestra, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Memphis Symphony Orchestra, Inc.'s compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Memphis Symphony Orchestra, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Memphis Symphony Orchestra, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Memphis Symphony Orchestra, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies

in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Watkins Mikusall, PLLC

Memphis, Tennessee
December 19, 2023

MEMPHIS SYMPHONY ORCHESTRA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Memphis Symphony Orchestra, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Memphis Symphony Orchestra, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program for Memphis Symphony Orchestra, Inc. expresses an unmodified opinion.
6. There were no audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was:

U.S. Department of the Treasury – Coronavirus State and Local Fiscal Recovery Funds, Assistance Listing No. 21.027.
8. The threshold used for distinguishing Type A and B programs was \$750,000.
9. Memphis Symphony Orchestra, Inc. was determined to not be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

MEMPHIS SYMPHONY ORCHESTRA, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2023

FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None