

**BUFFALO PHILHARMONIC ORCHESTRA
SOCIETY, INC. AND SUBSIDIARY**
Consolidated Financial Statements and
Supplemental Information
August 31, 2022 and 2021
(With Independent Auditors' Report Thereon)

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Financial Statements:	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 19
Schedules:	
Schedule 1 - Consolidating Schedule of Financial Position	20
Schedule 2 - Consolidating Schedule of Activities	21
Schedule 3 - Schedule of Expenditures of Federal Awards	22
Notes to Schedule of Expenditures of Federal Awards	23
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Governmental Auditing Standard</u>	24 - 25
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	26 - 28
Schedule of Findings and Questioned Costs	29
Status of Prior Audit Findings	30

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary (the BPO) (a nonprofit organization) which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary as of August 31, 2022 and 2021, and the changes in their consolidated net assets and their consolidated 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the BPO 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BPO's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 BPO'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BPO'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 audits.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2023, on our consideration of the BPO'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 the BPO'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 the BPO's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 28, 2023

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
August 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash	\$ 2,075,377	3,455,854
Investments	635,809	667,929
Pledges receivable	194,100	150,000
Grants and other receivables	2,442,622	1,692,544
Prepaid expenses and other current assets	<u>365,030</u>	<u>218,609</u>
Total current assets	<u>5,712,938</u>	<u>6,184,936</u>
Property and equipment, at cost	3,838,447	3,753,276
Less accumulated depreciation	<u>(1,233,902)</u>	<u>(1,098,241)</u>
Net property and equipment	<u>2,604,545</u>	<u>2,655,035</u>
Noncurrent portion of pledges receivable, net	83,999	107,069
Assets held in trust	<u>40,466,061</u>	<u>43,783,957</u>
Total assets	<u>\$ 48,867,543</u>	<u>52,730,997</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	406,146	253,410
Accrued expenses	399,996	322,781
Due to Buffalo Philharmonic Orchestra Foundation, Inc.	21,362	656,945
Funds held on behalf of others	370,423	777,362
Deferred revenue	<u>2,004,282</u>	<u>2,107,021</u>
Total current liabilities	<u>3,202,209</u>	<u>4,117,519</u>
Net assets:		
Without donor restrictions	4,350,004	3,835,631
With donor restrictions	<u>41,315,330</u>	<u>44,777,847</u>
Total net assets	<u>45,665,334</u>	<u>48,613,478</u>
Total liabilities and net assets	<u>\$ 48,867,543</u>	<u>52,730,997</u>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statements of Activities
Years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in net assets without donor restrictions:		
Revenue and other support:		
Concert revenue	\$ 3,476,878	1,032,415
Private support	4,311,745	4,120,119
Public support	1,280,234	1,105,360
Grant revenue:		
Paycheck protection program	-	1,649,740
Employee retention credit	712,137	1,582,427
Shuttered venue operators grant	1,345,118	-
Endowment income	2,091,345	2,201,573
Other income	71,902	83,377
Net assets released from restrictions	<u>75,000</u>	<u>113,500</u>
Total revenue and other support	<u>13,364,359</u>	<u>11,888,511</u>
Expenses:		
Program services:		
Orchestra	6,811,027	5,877,980
Artistic	1,436,608	617,858
Production	<u>1,169,124</u>	<u>900,253</u>
Total program services	<u>9,416,759</u>	<u>7,396,091</u>
Supporting services:		
Marketing	1,272,309	755,605
Management and general	1,382,800	1,241,570
Fundraising	<u>778,118</u>	<u>713,039</u>
Total supporting services	<u>3,433,227</u>	<u>2,710,214</u>
Total expenses	<u>12,849,986</u>	<u>10,106,305</u>
Change in net assets without donor restrictions	<u>514,373</u>	<u>1,782,206</u>
Changes in net assets with donor restrictions:		
Contributions	210,765	79,610
Investment income (loss), net	(3,598,282)	7,738,203
Net assets released from restrictions	<u>(75,000)</u>	<u>(113,500)</u>
Change in net assets with donor restrictions	<u>(3,462,517)</u>	<u>7,704,313</u>
Change in net assets	(2,948,144)	9,486,519
Net assets at beginning of year	<u>48,613,478</u>	<u>39,126,959</u>
Net assets at end of year	<u>\$ 45,665,334</u>	<u>48,613,478</u>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year ended August 31, 2022
with comparative totals for 2021

	Program Services				Supporting Services				Total	
	Orchestra	Artistic	Production	Total program services	Marketing	Management and general	Fund-raising	Total supporting services	2022	2021
Wages	\$ 4,991,799	39,252	516,369	5,547,420	366,229	765,048	547,084	1,678,361	7,225,781	6,248,191
Employee benefits	1,256,343	9,168	57,144	1,322,655	57,074	80,553	33,199	170,826	1,493,481	1,438,469
Guest artist/conductor expenses	-	1,384,117	-	1,384,117	-	-	-	-	1,384,117	564,457
Production expenses	-	-	507,890	507,890	-	-	-	-	507,890	375,251
Payroll taxes	534,704	4,071	62,376	601,151	41,828	59,220	38,581	139,629	740,780	576,393
Advertising	-	-	-	-	408,814	-	-	408,814	408,814	80,421
Office expenses	9,705	-	9,245	18,950	8,843	87,772	5,107	101,722	120,672	81,949
Marketing and promotion	-	-	-	-	61,792	-	21,964	83,756	83,756	81,345
Bank service fees	-	-	-	-	103,647	11,274	24,861	139,782	139,782	83,443
Special events	-	-	-	-	-	-	69,533	69,533	69,533	9,245
Depreciation	1,246	-	4,982	6,228	9,342	115,731	4,360	129,433	135,661	119,590
Repairs and maintenance	-	-	-	-	23,250	7,994	22,000	53,244	53,244	69,118
Insurance	-	-	-	-	-	49,447	-	49,447	49,447	40,159
Consultants	-	-	-	-	68,009	-	-	68,009	68,009	59,598
Travel	1,684	-	11,117	12,801	-	8,016	4,215	12,231	25,032	5,543
Interest	-	-	-	-	-	2,743	-	2,743	2,743	2,741
Gift shop inventory	-	-	-	-	-	14,553	-	14,553	14,553	6,513
Pre/post concert expenses	-	-	-	-	37,298	-	-	37,298	37,298	135
Professional fees	4,900	-	-	4,900	-	9,750	-	9,750	14,650	12,422
Building expenses	-	-	-	-	-	64,195	-	64,195	64,195	63,251
Meals and entertainment	8,321	-	-	8,321	620	7,964	-	8,584	16,905	5,140
Payroll processing fees	-	-	-	-	-	19,144	-	19,144	19,144	18,384
Dues and registration fees	-	-	-	-	-	16,835	2,600	19,435	19,435	17,808
Miscellaneous	2,325	-	-	2,325	85,563	62,561	4,615	152,739	155,064	146,739
Total expenses	\$ 6,811,027	1,436,608	1,169,123	9,416,758	1,272,309	1,382,800	778,119	3,433,228	12,849,986	10,106,305

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year ended August 31, 2021

	Program Services				Supporting Services				
	Orchestra	Artistic	Production	Total program services	Marketing	Management and general	Fund-raising	Total supporting services	Total
Wages	\$ 4,227,178	40,916	402,022	4,670,116	319,364	693,709	565,002	1,578,075	6,248,191
Employee benefits	1,221,114	8,265	60,485	1,289,864	43,486	70,450	34,669	148,605	1,438,469
Guest artist/conductor expenses	-	564,457	-	564,457	-	-	-	-	564,457
Production expenses	-	-	375,251	375,251	-	-	-	-	375,251
Payroll taxes	414,629	4,220	46,642	465,491	34,896	41,071	34,935	110,902	576,393
Advertising	-	-	-	-	80,421	-	-	80,421	80,421
Office expenses	5,275	-	8,491	13,766	5,037	60,226	2,920	68,183	81,949
Marketing and promotion	-	-	-	-	59,165	-	22,180	81,345	81,345
Bank service fees	-	-	-	-	62,099	6,158	15,186	83,443	83,443
Special events	-	-	-	-	-	-	9,245	9,245	9,245
Depreciation	945	-	3,782	4,727	7,091	104,463	3,309	114,863	119,590
Repairs and maintenance	-	-	-	-	24,625	23,868	20,625	69,118	69,118
Insurance	-	-	-	-	-	40,159	-	40,159	40,159
Consultants	-	-	-	-	59,598	-	-	59,598	59,598
Travel	-	-	3,580	3,580	-	1,916	47	1,963	5,543
Interest	-	-	-	-	-	2,741	-	2,741	2,741
Gift shop inventory	-	-	-	-	-	6,513	-	6,513	6,513
Pre/post concert expenses	-	-	-	-	135	-	-	135	135
Professional fees	2,922	-	-	2,922	-	9,500	-	9,500	12,422
Building expenses	-	-	-	-	-	63,251	-	63,251	63,251
Meals and entertainment	583	-	-	583	184	4,334	39	4,557	5,140
Payroll processing fees	-	-	-	-	-	18,384	-	18,384	18,384
Dues and registration fees	-	-	-	-	-	16,054	1,754	17,808	17,808
Miscellaneous	5,334	-	-	5,334	59,504	78,773	3,128	141,405	146,739
Total expenses	\$ 5,877,980	617,858	900,253	7,396,091	755,605	1,241,570	713,039	2,710,214	10,106,305

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,948,144)	9,486,519
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	135,661	119,590
Net realized and unrealized (gain) loss on investments	73,165	(39,384)
Net (appreciation) depreciation of assets held in trust	3,531,734	(7,639,043)
Changes in present value of pledges receivable	(6,929)	(54,610)
Changes in:		
Pledges receivable	(14,101)	130,199
Grants and other receivables	(750,078)	(1,486,331)
Prepaid expenses and other current assets	(146,421)	58,378
Accounts payable	152,736	96,192
Accrued expenses	77,215	(31,874)
Due to Buffalo Philharmonic Orchestra Foundation, Inc.	(635,583)	598,920
Funds held on behalf of others	(406,939)	551,591
Deferred revenue	<u>(102,739)</u>	<u>541,599</u>
Net cash provided by (used in) operating activities	<u>(1,040,423)</u>	<u>2,331,746</u>
Cash flows from investing activities:		
Purchases of property and equipment	(85,171)	(48,661)
Net contributions restricted for long-term investments	<u>(254,883)</u>	<u>(25,000)</u>
Net cash used in investing activities	<u>(340,054)</u>	<u>(73,661)</u>
Net change in cash and equivalents	(1,380,477)	2,258,085
Cash and equivalents at beginning of year	<u>3,455,854</u>	<u>1,197,769</u>
Cash and equivalents at end of year	<u>\$ 2,075,377</u>	<u>3,455,854</u>
Supplemental schedules of cash flow information - cash paid for interest	<u>\$ 2,743</u>	<u>2,741</u>

See accompanying notes to consolidated financial statements.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

August 31, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Buffalo Philharmonic Orchestra Society, Inc. (the Society) maintains a world-class symphonic orchestra serving Western New York State and the Niagara Frontier region. The Society performs classical, pop, progressive and educational concerts to enrich the cultural interests and stimulate the economy in the community in which it operates.

786 Delaware, LLC (the Corporation), a nonprofit organization, is a wholly-owned subsidiary of the Society. The Corporation was formed to manage the operations and maintenance of the building for its tenants, including the Society.

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Society and its wholly-owned subsidiary, the Corporation (collectively, the BPO). All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(d) Basis of Presentation

The BPO reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the BPO'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 BPO.

(e) Estimates

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

(f) Cash and Equivalents

For purposes of the consolidated statements of cash flows, the BPO considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and equivalents.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Investments

Investments are reported at their fair values based on quoted market prices. Donated investments are recorded at fair value at the date of donation. Realized and unrealized gains and losses are included in the consolidated statements of activities as changes in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

(h) Fair Value Measurements and Disclosures

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the BPO has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in inactive markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at August 31, 2022 and 2021.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated property and equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statements of activities.

(j) Deferred Revenue and Revenue Recognition

(i) Contracts with Customers

Under Accounting Standards Update (ASU) No. 2014-09 (Topic 606) - Revenue from Contracts with Customers, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the BPO expects to be entitled in exchange for these good or services. The BPO utilizes a five-step framework as identified in ASU No. 2014-09. The primary sources of revenue from contracts with customers for the BPO are as follows:

Concert revenue is recognized in the period in which the concert is performed. Concert revenue is typically refundable up until a certain point before the concert date.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred revenue	\$ <u>1,753,043</u>	<u>1,657,056</u>	<u>1,219,431</u>
Concert revenue	\$ <u>3,476,878</u>	<u>1,032,415</u>	<u>3,135,335</u>

(ii) Contributions and Grants

Under ASU No. 2018-08 - Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made, grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with grant restrictions. Amounts unspent are recorded in the consolidated statements of financial position as deferred revenue.

(k) Contributed Nonfinancial Assets

Donated materials and supplies are reflected in the consolidated financial statements based on the fair market value at the time of the donation.

Donated personal services meeting the requirements for recognition in the consolidated financial statements were not material and have not been recorded. However, many individuals volunteer their time and perform a variety of tasks that assist the Society.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Functional Allocation of Expenses

The costs of providing the BPO's various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated based on direct allocation where related items are allocated to program services and office related items are allocated to management and general.

(m) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the BPO. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are 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.

(n) Income Taxes

The BPO is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the consolidated financial statements. The BPO has been classified as a publicly supported organization that is not a private foundation under 509(a) of the Code. The BPO presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the BPO has taken no uncertain tax positions that require adjustment in its consolidated financial statements. U.S. Forms 990 filed by the BPO is subject to examination by taxing authorities. 786 Delaware, LLC is a single-member LLC and a qualified non-profit organization exempt from income taxes under Section 501(a) of the Internal Revenue Code. Accordingly, no provision has been reflected in the accompanying consolidated financial statements.

(o) Subsequent Events

The BPO has evaluated subsequent events through the date of the report which is the date that the consolidated financial statements were available to be issued.

(p) Recent Accounting Standards Issued

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, "Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets." ASU 2020-07 requires new presentation and disclosures for gift-in-kind donations to improve transparency on how those assets are used and valued. These financial statements and notes reflect retroactive adoption of this new standard.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(2) Liquidity

The BPO has \$5,347,908 of financial assets available within one year of the consolidated statement of financial position date consisting of \$2,075,377 in cash and equivalents, \$635,809 of investments, \$194,100 of pledges receivable and \$2,442,622 in grants and other receivables at August 31, 2022. It is anticipated that the pledges receivable and grants and other receivables will be collected and utilized within one year of the consolidated statement of financial position date. Of the \$5,374,908 financial assets available within one year of the consolidated statement of financial position date above, \$635,809 have contract or donor imposed restrictions. As described further in note 7, the BPO has three available lines of credit for borrowings up to \$1,000,000, which could be drawn on in the event of an unanticipated liquidity need.

(3) Investments

The following table presents information about the BPO's assets that are measured at fair value on a recurring basis as of August 31, 2022 and 2021, and indicates the fair value hierarchy of the valuation techniques the BPO utilized to determine such fair value:

	<u>2022</u>	<u>2021</u>
<u>Level 1</u>		
Equities	\$ 399,393	389,744
Exchange-traded products	<u>236,416</u>	<u>278,185</u>
Total	\$ <u>635,809</u>	<u>667,929</u>

The following are included within investment income and are classified in the consolidated statements of activities as net assets with donor restrictions for the years ended August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gain (loss) on investments	\$ (73,165)	39,384
Dividends and interest, net of fees	6,617	59,776
Assets held in trust appreciation (depreciation) - Community Foundation for Greater Buffalo	(721,449)	1,480,188
Assets held in trust appreciation (depreciation) - Buffalo Philharmonic Orchestra Foundation, Inc.	<u>(2,562,545)</u>	<u>6,395,911</u>
	(3,350,542)	7,975,259
Less assets held in trust investment expenses	<u>(247,740)</u>	<u>(237,056)</u>
	\$ <u>(3,598,282)</u>	<u>7,738,203</u>

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(4) Pledges Receivable

Pledges receivable are composed of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Gross unconditional promises to give	\$ 286,601	277,500
Less unamortized discount	(8,502)	(15,431)
Less allowance for uncollectible pledges	<u> -</u>	<u>(5,000)</u>
	\$ <u>278,099</u>	<u>257,069</u>
Amounts due in:		
Less than one year	194,100	150,000
One to five years	<u>92,501</u>	<u>127,500</u>
	\$ <u>286,601</u>	<u>277,500</u>

Additionally, as of August 31, 2022, the Society was notified of bequest intentions totaling \$15,903,922. These intentions to give are not recognized in the accompanying consolidated financial statements since there is no written unconditional promise to give.

Pledges due in more than one year are reflected at the present value of estimated future cash flows using a discount rate consistent with the United States Prime Lending Rate (5.50% as of August 31, 2022 and 3.25% as of August 31, 2021) with the amortized discount over the life of the pledges.

(5) Property and Equipment

Property and equipment consisted of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 255,000	255,000
Building	2,167,500	2,167,500
Computer software and equipment	727,180	709,509
Furniture, fixtures and equipment	643,200	575,700
Leasehold improvements	<u>45,567</u>	<u>45,567</u>
	3,838,447	3,753,276
Less accumulated depreciation	<u>(1,233,902)</u>	<u>(1,098,241)</u>
	\$ <u>2,604,545</u>	<u>2,655,035</u>

Depreciation expense amounted to \$135,661 and \$119,590 for the years ended August 31, 2022 and 2021, respectively.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(6) Assets Held in Trust

Assets held in trust consisted of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
The Buffalo Philharmonic Orchestra Foundation, Inc.	\$ 34,983,048	37,545,593
The Society permanent endowment fund held at the Community Foundation for Greater Buffalo	<u>5,483,013</u>	<u>6,238,364</u>
	<u>\$ 40,466,061</u>	<u>43,783,957</u>

The Buffalo Philharmonic Orchestra Foundation, Inc. (the Foundation), a related party, is a not-for-profit corporation whose primary purpose is to receive contributions and maintain a permanent endowment fund for the benefit of the BPO. The Foundation may, at the discretion of its independent Board of Directors, make unrestricted distributions to the BPO not to exceed an amount determined by a formula based on 5% of historical asset fair value averages at the determination date.

Amounts held by the Foundation consist primarily of pledges receivable and a variety of pooled investments sponsored by the Commonfund and Wilmington Trust, an organization that provides a full array of investment advisory services to foundations, endowments, health care institutions and certain other tax exempt institutional investors. Distributions received from the Foundation totaled \$1,439,931 and \$1,265,881 for the years ended August 31, 2022 and 2021, respectively, and are included in endowment income in the accompanying consolidated statements of activities.

The BPO maintains an agency endowment fund at the Community Foundation for Greater Buffalo (CFGB) to accommodate donors who wish to support the BPO through an endowment fund held by a community foundation. The Fund is pooled with other CFGB investment assets and includes money market funds, marketable securities and alternative investments stated at fair value. Values of amounts held by the CFGB are based on the BPO's contributions, plus its allocable share of CFGB net investment earnings, as defined, less any withdrawals or distributions.

Under the terms of an agreement with the CFGB, the BPO receives a distribution based upon the quarterly market value of the Fund in accordance with CFGB's current spending policy percentage, which is 5.25%. Earnings from the endowment fund are recorded as revenue with donor restrictions until appropriated for spending. Distributions received by the BPO, which were available for unrestricted purposes, during the years ended August 31, 2022 and 2021 totaled \$224,146 and \$214,480, respectively, and are included in endowment income in the accompanying consolidated statements of activities.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(6) Assets Held in Trust, Continued

The BPO is also a beneficiary of \$5,566,623 of funds not recorded in these consolidated financial statements, but held in trusts established by others at the CFGB. The income earned on these funds is without donor restrictions and remitted annually to the BPO. Distributions received by the BPO during 2022 and 2021, are included in endowment income in the accompanying consolidated statements of activities and totaled \$233,530 and \$209,995, respectively.

Additional funds of approximately \$4,800,000 are earmarked by the Margaret L. Wendt Foundation, Foundation for Jewish Philanthropies and Louis P. Ciminelli Family Foundation to earn income for the benefit of the BPO. These amounts are also not recorded in these consolidated financial statements. Distributions received by the BPO and included in endowment income during the years ended August 31, 2022 and 2021, amounted to \$193,738 and \$511,217, respectively.

(7) Lines of Credit

The BPO has three working capital lines of credit with total availability of \$1,000,000.

The first line of credit has a maximum availability of \$200,000, which bears interest at the prime rate plus 1.75% (7.25% at August 31, 2022). There was no outstanding balance on the line at August 31, 2022 and 2021.

The second line of credit has a maximum availability of \$300,000, which bears interest at the prime rate plus 1.00% (6.50% at August 31, 2022). There was no outstanding balance on the line at August 31, 2022 and 2021.

The third line of credit has a maximum availability of \$500,000, which bears interest at the prime rate plus 0.50% (6.00% at August 31, 2022). There was no outstanding balance on the line at August 31, 2022 and 2021. The Foundation has guaranteed this line in the aggregate amount of \$500,000.

(8) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cumulative appreciation of endowment assets held at the CFGB	\$ 2,215,572	2,970,923
Pledges received for future operational purposes	154,998	233,071
Montgomery assets held	694,271	760,819
Net assets held in trust by the Foundation	34,983,048	37,545,593
Endowment assets held at CFGB	<u>3,267,441</u>	<u>3,267,441</u>
	\$ <u>41,315,330</u>	<u>44,777,847</u>

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(8) Net Assets With Donor Restrictions, Continued

Pledges of \$75,000 and \$113,500 were released from net assets with donor restrictions to net assets without donor restrictions during the years ended August 31, 2022 and 2021, respectively.

The BPO's Board of Trustees has evaluated the New York State 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 evaluation, the BPO classifies net assets with donor restrictions as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of a donor gift instrument at the time the accumulation is added to the fund.

Investment earnings of endowment assets held at the CFGB, including interest, dividends, realized gains (losses), and appreciation (depreciation), are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Undistributed net appreciation or depreciation of net assets held in trust by the Foundation are presented as adjustments to net assets with donor restrictions.

(9) Paycheck Protection Program

In 2021, the BPO received a loan under the Paycheck Protection Program that was designed by the United States Small Business Administration (SBA) to provide direct incentive for small businesses to keep their workers on payroll due to COVID-19. The SBA would forgive the loan if all employee retention criteria is met, and the funds are used for eligible expenses. If the criteria is not met, the loan is to be paid in equal payments over a period as defined in their respective agreements, including interest at 1%. For the year ended August 31, 2021, the BPO recognized \$1,649,740 towards eligible expenses.

(10) Employee Retention Credit

During the years ended August 31, 2022 and 2021, the BPO qualified to receive a refundable tax credit for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The calculation used to determine the refundable tax credit was based on the financial activity during the years ended August 31, 2022 and 2021. For the years ended August 31, 2022 and 2021, the BPO recognized \$712,137 and \$1,582,427 of revenue on the consolidated statements of activities. As of August 31, 2022 and 2021, the BPO has \$2,294,564 and \$1,582,427 of employee retention credit receivables recorded in the consolidated statements of financial position.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(11) Retirement Plans

The BPO has a contributory, tax-deferred annuity plan covering substantially all employees. The BPO is not required to make contributions under this plan.

Additionally, the BPO contributions to the American Federation of Musicians and Employers' Pension Fund on behalf of employees covered by the "Agreement for Collectively Bargained Employees." The Plan is a defined benefit multiemployer plan pursuant to the terms of the collective bargaining agreement, and requires contributions based upon specified percentages of scale wages earned. The risks of participating in the multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the BPO chooses to stop participating in a multiemployer plan, the BPO may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

For an individually significant plan, the BPO is required to disclose the Plan's zone status, based upon information received from the Plan and certified by the Plan's actuary. The zone status is based upon criteria outlined in the Pension Protection Act of 2006 (PPA). Based upon this criteria and other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. Funds that are designated in the yellow and red zones are required to have a financial improvement plan (FIP) or rehabilitation plan (RP) pending or implemented.

The BPO contributed to the following multiemployer plan for pension, health and welfare benefits for each of the years ended August 31, 2022 and 2021:

<u>Plan Name</u>	<u>EIN/Plan Number</u>	<u>Act Zone Status</u>	<u>Pending/ Implemented</u>	<u>Surcharge Imposed</u>	<u>Total Contributions</u>	
					<u>2022</u>	<u>2021</u>
American Federation of Musicians and Employers Pension Fund	51-6120204	Red	Yes	No	\$ 328,633	316,386

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued

(12) Related Party Transactions

The BPO uses the facility at Kleinhans Music Hall for concerts and other large group events. Pursuant to an agreement, the BPO has certain exclusive use rights. The BPO rents the facility on an event-by-event basis. Based on agreement, activity and balances with Kleinhans Music Hall are as follows at August 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ <u>2,293</u>	<u>2,293</u>
Accounts payable	\$ <u>299,351</u>	<u>47,120</u>
Funds held on behalf of others	\$ <u>370,423</u>	<u>777,362</u>

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidating Schedule of Financial Position
August 31, 2022

<u>Assets</u>	Buffalo Philharmonic Orchestra Society, Inc.	786 Delaware, LLC	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash	\$ 1,969,756	105,621	-	2,075,377
Investments	635,809	-	-	635,809
Pledges receivable	194,100	-	-	194,100
Grants and other receivables	2,440,079	2,543	-	2,442,622
Prepaid expenses and other current assets	365,030	-	-	365,030
Total current assets	5,604,774	108,164	-	5,712,938
Property and equipment, at cost	1,288,447	2,550,000	-	3,838,447
Less accumulated depreciation	(987,856)	(246,046)	-	(1,233,902)
Net property and equipment	300,591	2,303,954	-	2,604,545
Noncurrent portion of pledges receivable, net	83,999	-	-	83,999
Assets held in trust	40,466,061	-	-	40,466,061
Total assets	<u>\$ 46,455,425</u>	<u>2,412,118</u>	<u>-</u>	<u>48,867,543</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	401,096	5,050	-	406,146
Accrued expenses	399,996	-	-	399,996
Due to Buffalo Philharmonic Orchestra Foundation, Inc.	21,362	-	-	21,362
Funds held on behalf of others	370,423	-	-	370,423
Deferred revenue	2,004,282	-	-	2,004,282
Total current liabilities	3,197,159	5,050	-	3,202,209
Net assets:				
Without donor restrictions	1,942,936	2,407,068	-	4,350,004
With donor restrictions	41,315,330	-	-	41,315,330
Total net assets	43,258,266	2,407,068	-	45,665,334
Total liabilities and net assets	<u>\$ 46,455,425</u>	<u>2,412,118</u>	<u>-</u>	<u>48,867,543</u>

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Consolidating Schedule of Activities
Year ended August 31, 2022

	Buffalo Philharmonic Orchestra Society, Inc.	786 Delaware, LLC	Eliminations	Total
Changes in net assets without donor restrictions:				
Revenue and other support:				
Concert revenue	\$ 3,476,878	-	-	3,476,878
Private support	4,311,745	-	-	4,311,745
Public support	1,280,234	-	-	1,280,234
Grant revenue:				
Employee retention credit	712,137	-	-	712,137
Shuttered venue operators grant	1,345,118	-	-	1,345,118
Endowment income	2,091,345	-	-	2,091,345
Other income	56,076	114,541	(98,715)	71,902
Net assets released from restrictions	75,000	-	-	75,000
Total revenue and other support	<u>13,348,533</u>	<u>114,541</u>	<u>(98,715)</u>	<u>13,364,359</u>
Expenses:				
Program services:				
Orchestra	6,811,027	-	-	6,811,027
Artistic	1,436,608	-	-	1,436,608
Production	1,169,124	-	-	1,169,124
Total program services	<u>9,416,759</u>	<u>-</u>	<u>-</u>	<u>9,416,759</u>
Supporting services:				
Marketing	1,272,309	-	-	1,272,309
General and administrative	1,345,218	136,297	(98,715)	1,382,800
Fundraising	778,118	-	-	778,118
Total supporting services	<u>3,395,645</u>	<u>136,297</u>	<u>(98,715)</u>	<u>3,433,227</u>
Total expenses	<u>12,812,404</u>	<u>136,297</u>	<u>(98,715)</u>	<u>12,849,986</u>
Change in net assets without donor restrictions	<u>536,129</u>	<u>(21,756)</u>	<u>-</u>	<u>514,373</u>
Change in net assets with donor restrictions:				
Contributions	210,765	-	-	210,765
Investment loss, net	(3,598,282)	-	-	(3,598,282)
Net assets released from restrictions	(75,000)	-	-	(75,000)
Change in net assets with donor restrictions	<u>(3,462,517)</u>	<u>-</u>	<u>-</u>	<u>(3,462,517)</u>
Change in net assets	(2,926,388)	(21,756)	-	(2,948,144)
Net assets at beginning of year	<u>46,184,654</u>	<u>2,428,824</u>	<u>-</u>	<u>48,613,478</u>
Net assets at end of year	<u>\$ 43,258,266</u>	<u>2,407,068</u>	<u>-</u>	<u>45,665,334</u>

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
Schedule of Expenditures of Federal Awards
Year ended August 31, 2022

<u>Federal Grantor/Pass-through Grantor Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Grantor Number</u>	<u>Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Small Business Administration - COVID-19 Shuttered Venue Operators Grant	59.075	SBAHQ21SV002763	<u>\$ 1,345,118</u>	<u>-</u>

See accompanying notes to schedule of expenditures of federal awards.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Notes to Schedule of Expenditures of Federal Awards

August 31, 2022

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs administered by the Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary (the BPO). Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the schedule of expenditures of federal awards.

(2) Basis of Accounting

The information is presented on the accrual basis of accounting. The information in this 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).

(3) Indirect Costs

The BPO has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' 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**

The Board of Trustees
Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary
Buffalo, New York:

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 consolidated financial statements of Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary (a nonprofit organization) (the BPO), which comprise the consolidated statement of financial position as of August 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated March 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the BPO'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BPO's internal control. Accordingly, we do not express an opinion on the effectiveness of the BPO'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 BPO's consolidated 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 the BPO's consolidated 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 consolidated 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 BPO'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 BPO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 28, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees
Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary
Buffalo, New York:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Buffalo Philharmonic Orchestra Society, Inc. and Subsidiary's (the BPO) 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 the BPO's major federal program for the year ended August 31, 2022. The BPO's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the BPO complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the BPO 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 the major federal program. Our audit does not provide a legal determination of the BPO'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 the BPO's federal programs.

Auditors' 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 the BPO'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 GAAS, 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 the BPO's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, 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 the BPO'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 the BPO'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 the BPO'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 a 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 Auditors' 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 28, 2023

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY
 Schedule of Findings and Questioned Costs
 Year ended August 31, 2022

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
1. Material weakness(es) identified?	___ Yes <u> X </u> No
2. Significant deficiency(ies) identified?	___ Yes <u> X </u> None reported
3. Noncompliance material to financial statements noted?	___ Yes <u> X </u> No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	___ Yes <u> X </u> No
5. Significant deficiency(ies) identified?	___ Yes <u> X </u> None reported

Type of auditors' report issued on compliance for the major program:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance):	___ Yes <u> X </u> No

7. The BPO's major program audited was:	Assistance Listing Number
<u>Name of Federal Program</u>	
U.S. Small Business Administration - COVID-19 Shuttered Venue Operators Grant	59.075
8. Dollar threshold used to distinguish between Type A and Type B programs.	\$750,000
9. Auditee qualified as low-risk auditee?	___ Yes <u> X </u> No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings or questioned costs.

BUFFALO PHILHARMONIC ORCHESTRA SOCIETY, INC. AND SUBSIDIARY

Status of Prior Audit Findings

Year ended August 31, 2022

There were no audit findings in the prior year financial statements (August 31, 2021).