

# **The Discovery Orchestra, Inc.**

Financial Statements

June 30, 2024

(With Summarized Comparative Totals for 2023)



**NISIVOCCIA**  
ASSURANCE · TAX · ADVISORY

**The Discovery Orchestra, Inc.**  
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**June 30, 2024 and 2023**

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## Independent Auditors' Report

To the Board of Trustees of  
The Discovery Orchestra, Inc.  
Summit, NJ 07901

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of The Discovery Orchestra, Inc. (“TDO”) (a nonprofit organization) which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Discovery Orchestra, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Discovery Orchestra, Inc. and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

To the Board of Trustees of  
The Discovery Orchestra, Inc.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Discovery Orchestra, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditors' 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 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Discovery Orchestra, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Discovery 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.

To the Board of Trustees of  
The Discovery Orchestra, Inc.

***Report on Summarized Comparative Information***

We have previously audited The Discovery Orchestra, Inc.'s June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2023. In our opinion, the summarized comparative information presented herein as of for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Nisiroccia LLP*

Mt. Arlington, New Jersey  
October 14, 2024

**The Discovery Orchestra, Inc.**  
**Statement of Financial Position**  
**June 30, 2024 and 2023**

<u>ASSETS</u>	<u>2024</u>	<u>2023</u>
Cash	\$ 146,679	\$ 147,312
Restricted cash	145,502	213,357
Grant receivable	14,680	12,500
Employee retention credit receivable	45,641	93,509
Prepaid expenses	28,700	36,248
Investments	100,046	
Inventory	1,015	1,243
Operating lease right of use asset	4,365	1,491
Total assets	<u>\$ 486,628</u>	<u>\$ 505,660</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 17,676	\$ 30,378
Operating lease liability	3,000	1,491
Total current liabilities	<u>20,676</u>	<u>31,869</u>
Operating lease liability, net of current portion	<u>1,365</u>	
Total liabilities	<u>22,041</u>	<u>31,869</u>
Net assets:		
Without donor restrictions:		
Operating	316,085	249,871
	<u>316,085</u>	<u>249,871</u>
With donor restrictions	<u>148,502</u>	<u>223,920</u>
Total net assets	<u>464,587</u>	<u>473,791</u>
Total liabilities and net assets	<u>\$ 486,628</u>	<u>\$ 505,660</u>

See accompanying notes to financial statements

**The Discovery Orchestra, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**  
**(With Summarized Comparative Totals for 2023)**

	Without Donor Restrictions	With Donor Restrictions	2024	2023
Revenue and Support:				
Government grants	\$ 58,000		\$ 58,000	\$ 50,000
Contributions	301,376	\$ 3,000	304,376	251,592
Special events, net	25,076		25,076	25,542
Total revenue and support	384,452	3,000	387,452	327,134
Other revenue and gains:				
Employee retention credit				93,509
Interest income	9,952		9,952	533
Unrealized gains on investments	46		46	
Royalties	4,158		4,158	6,355
Miscellaneous other income	1,159		1,159	2,593
Total other revenue and gains	15,315		15,315	102,990
Net assets released from restrictions	78,418	(78,418)		
Total revenue, gains and support	478,185	(75,418)	402,767	430,124
Expenses:				
Program services:				
Music education	265,576		265,576	512,801
Supporting services:				
General and administrative	91,410		91,410	113,488
Fundraising	54,985		54,985	46,513
Total expenses	411,971		411,971	672,802
Change in net assets	66,214	(75,418)	(9,204)	(242,678)
Net assets, beginning of year	249,871	223,920	473,791	716,469
Net assets, end of year	\$ 316,085	\$ 148,502	\$ 464,587	\$ 473,791

See accompanying notes to financial statements

**The Discovery Orchestra, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2024**  
**(With Summarized Comparative Totals for 2023)**

	Program Services		Supporting Services		Total	
	Music	General and	Fundraising	Total	2024	2023
	Education	Administrative				
Salaries - staff and musicians	\$ 153,150	\$ 46,323	\$ 33,082	\$ 79,405	\$ 232,555	\$ 268,630
Payroll taxes	11,285	4,514	3,010	7,524	18,809	23,241
Fringe benefits	22,204	9,031	6,535	15,566	37,770	64,535
Total salaries and related benefits	<u>186,639</u>	<u>59,868</u>	<u>42,627</u>	<u>102,495</u>	<u>289,134</u>	<u>356,406</u>
Rent - office	1,800	720	480	1,200	3,000	3,000
Rent - program venues	1,425				1,425	22,200
Advertising	9,357		570	570	9,927	18,050
Merchant fees	425		637	637	1,062	930
Insurance	9,318	7,192		7,192	16,510	15,756
Professional services	500	10,200	500	10,700	11,200	10,450
Dues and fees	1,657	3,042	1,540	4,582	6,239	6,225
Printing	1,328	1,075	1,410	2,485	3,813	4,057
Office expenses	2,903	3,479	1,021	4,500	7,403	9,934
Postage and mailing house	1,232	1,378	1,918	3,296	4,528	4,402
Graphic design	343	272	1,775	2,047	2,390	2,775
Consulting	25,487	927	1,545	2,472	27,959	60,748
Telephone	518	207	139	346	864	797
Travel	754		67	67	821	4,477
Gifts and food	215	2,511	396	2,907	3,122	2,608
Instrumental/equipment rental	3,095				3,095	7,536
Payroll service	1,348	539	360	899	2,247	4,083
Cost of goods sold	228				228	603
Public Television Distribution fees - Discover Saint-Saens, and Re-Releases	14,351				14,351	10,608
Production fees - Educational Videos/Podcasts	2,653				2,653	127,157
Total expenses	<u>\$ 265,576</u>	<u>\$ 91,410</u>	<u>\$ 54,985</u>	<u>\$ 146,395</u>	<u>\$ 411,971</u>	<u>\$ 672,802</u>

See accompanying notes to financial statements



**The Discovery Orchestra, Inc.**  
**Statement of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (9,204)	\$ (242,678)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(46)	
Changes in operating assets and liabilities:		
Grant receivable	(2,180)	
Employee retention credit receivable	47,868	(93,509)
Other receivable		400
Prepaid expenses	7,548	(6,333)
Inventory	228	603
Accounts payable and accrued expenses	<u>(12,702)</u>	<u>12,666</u>
Net cash provided by (used in) operating activities	<u>31,512</u>	<u>(328,851)</u>
Cash flows from investing activities:		
Proceeds from the redemption of certificate of deposits	60,000	
Purchase of certificate of deposits	<u>(160,000)</u>	
Net cash used in investing activities	<u>(100,000)</u>	
Net decrease in cash and restricted cash	(68,488)	(328,851)
Cash and restricted cash, beginning of year	<u>360,669</u>	<u>689,520</u>
Cash and restricted cash, end of year	<u>\$ 292,181</u>	<u>\$ 360,669</u>

See accompanying notes to financial statements

1. Nature of Organization

The Discovery Orchestra, Inc. (“TDO”) is a not-for-profit corporation whose mission is teaching the listening skills that help people deeply connect with classical music. For more than 25 years, Artistic Director George Marriner Maull and The Discovery Orchestra have offered interactive classical music experiences to students, teachers, and the general public, from classical fans to the classical-curious, to help them “Listen Better.” Live programs in concert halls, schools, and community centers supplement media programs on public television, radio, DVDs, and the Internet. All programs employ the methodology of noticing musical detail to heighten enjoyment and understanding of the pieces being explored.

TDO has received three Emmy nominations and eleven Telly Awards for its six public television programs, distributed by American Public Television. APT re-released two of TDO’s television programs, “Discover Vivaldi’s Four Seasons” and the “Fall in Love with Music” series, in May 2022. A year later, TDO’s most recent program, “Discover Saint-Saens’ ‘Organ’ Symphony,” was completed and also began national distribution. In January 2024, TDO’s popular “Discover Beethoven’s 5th” was re-released for a three-year distribution cycle. Collectively throughout fiscal year 2024, there were 782 broadcasts of these four programs on 100 channels in 56 markets across 20 states, with each program reaching an average potential audience of over 62 million households.

TDO’s television programs and short-form videos are also distributed to the educational marketplace by Films Media Group and to the home streaming market via PBS Passport and Amazon Prime Video.

Fiscal year 2024 saw the continuation of TDO’s public radio program, “Inside Music,” produced in partnership with WWFM—The Classical Network. The final episodes of TDO’s video/podcast series, “Notes from Under the Piano,” were released in Summer 2023. That series, plus TDO’s ever-popular Discovery Chat videos, resulted in more than 32,000 views of these programs on YouTube. In addition, TDO’s new game app “AHA! Classical,” developed in partnership with Social Impact Studios, launched in app stores in September 2023. This free game allows players of all ages and skill levels to learn about, interact with, and practice listening skills through classical music. By June 2024, the app had been downloaded by more than 16,000 players.

Live performance venues in New Jersey during the 2023-24 season included historic Beacon Church in Summit, The Park Savoy in Florham Park, and Princeton Seminary Chapel in Princeton. TDO’s community outreach to local music student and senior groups continued in both live and virtual settings. Eight sessions/events reaching a total of 460 participants were held with TDO’s educational partners, including the Newark School of the Arts, the Keys 2 Success piano program in Newark, the Patricia M. Noonan Elementary School (PS #26) in Jersey City, the Rhythms for Life program (via The Links) in Morristown, and Warrenbrook Seniors in Warren Township.

Comments from TDO's audience members and outreach participants include the following:

"Wow, thank you so much for sharing this wonderful program. Maestro Maull is a true master of oral presentation and explanation. Clear and engaging, friendly but challenging. He drew in the on-site crowd - and me - to think and listen. I resonated with the way he 'taught' the crowd through normal conversational speech ... thanks again for expanding my consciousness!"

-- *Discover Saint-Saens' "Organ" Symphony* TV show viewer

"I'm listening to your show on WWFM on 91.1 (Toms River, NJ) on May 25, 2024. I came across it while working on my computer and listening to the radio. EXCELLENT ... *and* I just discovered on WWFM's website there appear to be previous shows available to listen to. EXCELLENT!"

-- *Inside Music* radio program listener

"The DVDs arrived Saturday! They are WONDERFUL. These must be among the best musical documentaries/expositions ever done. Boy am I glad I saw the *Discover Saint-Saens* show on our local public television station and then found The Discovery Orchestra on the internet."

-- DVD customer

"The Black History Month program you presented at the Neighborhood House last week was quite encouraging! We are so very appreciative of your dedication to our program. Through The Discovery Orchestra, you are exposing and inspiring a positive musical experience to the next generation of budding musicians. 'Discover Margaret Bonds' Montgomery Variations' was inspirational! Although we may not know how impacted the students were by the presentations, we can be sure that the exposure has sparked a flame of interest! It is a truly wonderful privilege to have The Discovery Orchestra as a valued community partner."

— Cheryl Outlaw, *Morris County Chapter, The Links Inc.*  
regarding the February 2024 program shared with  
students of the *Rhythms for Life* "Links" program

Funding for all of TDO's programming is provided by the New Jersey State Council on the Arts, businesses, foundations, and individuals.

## 2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Significant accounting policies are described below:

Basis of Presentation

TDO prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), 605-205-15, *Accounting for Contributions Received and Made*, and FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. FASB ASC 605-205-15, *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Net Assets Without Donor Restrictions are resources representing the portion of expendable funds available for support of the TDO's programs and general operations. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions are comprised of revenue and expenses related to the operations of TDO, which have no restrictions on the uses of the funds. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Trustees. There were no board designated net assets at June 30, 2024 and 2023.

Net Assets With Donor Restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TDO or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions.

When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. As of June 30, 2024, and 2023, net assets with donor restrictions amounted to \$148,502 and \$223,920, respectively.

Revenue and Support Recognition

TDO recognizes revenue from program income when the services are provided. The performance obligation consists of spreading appreciation for classical music via live events and special programming in the form of program income. TDO records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the excess received when the event takes place.

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TDO recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest 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 substantially met.

A portion of the TDO's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when TDO has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Performance obligations satisfied at a point in time	<u>\$ 39,825</u>	<u>\$ 46,150</u>

Revenue from performance obligations satisfied at a point in time consists of special event revenue and contracted services.

Income Taxes

TDO is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is thereby exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. TDO is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not for Profit Act*. Accordingly, no provision for federal or state income taxes has been presented in the accompanying financial statements. Management has stated that all required informational tax returns have been filed and registration fees have been paid.

TDO follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those positions.

TDO does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended June 30, 2024. However, TDO is subject to regular audit by tax authorities including a review of its nonprofit status, which Management believes would be upheld upon examination.

TDO believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued each year.

As required by law, TDO files informational returns with both federal and New Jersey State governments on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State. TDO is subject to examinations at any time within certain statutorily defined periods from the latest filing date for federal and for New Jersey.

#### Functional Expenses

The costs of program and supporting services 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. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated equally to each program. Support costs are allocated to a program based on total program costs. Program expenses are those related to the provision of musical educational programs. Management and general relate to administrative expenses related to those programs. Fundraising includes the allocation of employees' salaries and other costs involved in fundraising based on methods considered by management to be reasonable.

#### Leases

TDO applies FASB ASC 842 to determine whether an arrangement is or contains a lease at inception. TDO leases office space. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the accompany statement of financial position.

ROU assets represent TDO's right to use an underlying asset for the lease term and lease liabilities represent TDO's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of TDO's leases do not provide an implicit rate, TDO uses a risk-free rate of 4.33% to the building class of assets based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. TDO's lease terms may include options to extend or terminate the lease when it is reasonably certain that TDO will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

TDO's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

TDO has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that TDO is reasonably certain to exercise. TDO recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

#### Advertising

It is TDO's policy to expense advertising costs as incurred. Advertising expense for the years ended June 30, 2024 and 2023 was \$9,927 and \$18,050, respectively.

#### Production Fees

FASB ASC Topic 835 generally requires that the costs of producing a television program should be capitalized, and then amortized in a manner that yields a constant rate of profit over the ultimate period for each production before various period expenses. TDO expects minimal revenue from the *Discover Saint-Saens* public television program, other television/media programs, educational videos/podcasts, and therefore, believes that this accounting standard is not applicable.

#### Fundraising Expense

It is TDO's policy to net direct fundraising expense with special event revenue. Direct fundraising expense for the years ended June 30, 2024 and 2023 was \$14,749 and \$19,308, respectively.

#### Investments

TDO records investments in accordance with FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under this standard, securities purchased for investment are carried at market value; those received as gifts are recorded at market value at date of gift and all investments in debt securities are reported at their fair market values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Investment income or loss (including interest and dividends) and gains/losses on sale of investments are included in the statement of activities unless the income or loss is restricted by the donor or law. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the years ended June 30, 2024 and 2023, TDO did not record any impairment charge in the statement of activities.

#### Fair Value of Financial Instruments

In accordance with FASB ASC *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As TDO is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income.

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 under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that TDO has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:



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- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

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. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

*Investments which are comprised of brokered certificates of deposit:* are valued at the estimated market price obtained by TDO's brokerage firm.

Cash and Restricted Cash

Cash and restricted cash consist of the following:

	<u>2024</u>	<u>2023</u>
Cash	\$ 146,679	\$ 147,312
Restricted cash	<u>145,502</u>	<u>213,357</u>
Total	<u>\$ 292,181</u>	<u>\$ 360,669</u>

#### Grants Receivable and Provision for Uncollectible Accounts

Grants receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivable. Uncollectible amounts are determined on a case by case basis. TDO believes its receivables are collectible; accordingly, there was no provision for uncollectible accounts at June 30, 2024 and 2023.

#### Inventory

Merchandise inventory is valued at the lower of cost or net realizable value. Inventory amounted to \$1,015 and \$1,243 at June 30, 2024 and 2023, respectively.

#### Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at date of gift, when donated. Proceeds from the sale of fixed assets, if without restrictions, are transferred to net assets without donor restrictions, or, if restricted, to net assets with donor restrictions for fixed asset acquisitions. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated over the term of the lease.

Maintenance, repairs and renewals which neither materially add to the value of property nor appreciably prolong its life are charged to expenses as incurred. TDO continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of *Accounting for the Impairment or Disposal of Long-Lived Assets*.

#### Deferred Revenue

Deferred revenue is comprised of amounts for special event tickets received in advance of the event which will be recognized as income in future periods when the event is held. There was no deferred revenue as of June 30, 2024 and 2023.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein and disclosures of contingent assets and contingent liabilities and accompanying notes at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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Reclassification

Certain amounts in the prior year financial statements have been reclassified in order to be consistent with the current year presentation.

Summarized Total Columns

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with TDO's financial statements for the year ended June 30, 2023 from which the summarized information was derived.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after June 30, 2024 through the date of the independent auditors' report and the date the financial statements were available to be issued, October 14, 2024. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

3. Liquidity and Availability

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

	2024	2023
Cash	\$ 146,679	\$ 147,312
Restricted cash	145,502	213,357
Investments	60,011	-
Grants receivable	14,680	12,500
Employee retention credit receivable	45,641	93,509
Total financial assets	<u>412,513</u>	<u>466,678</u>
Less amounts not available to be used within one year:		
Net assets with purpose restrictions:		
Annual Gala		
Productions and Promotion	145,502	213,357
Inside Music Radio Series	3,000	5,500
Intern Program	-	1,313
Future Programs	-	3,750
Total funds not available to be used within one year	<u>148,502</u>	<u>223,920</u>
Financial assets available to meet general expenditures within one year	<u>\$ 264,011</u>	<u>\$ 242,758</u>

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TDO has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including a cash reserve (money market account) and from time to time, certificates of deposit. TDO has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event the need arises to utilize the board designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

In addition to these available financial assets, a significant portion of TDO's annual expenditures will be funded by current year operating revenues including government grants, contributions, and special event revenues. To help manage unrestricted liquidity needs, TDO has a committed line of credit in the amount of \$25,000 which it could draw from.

4. Investments

TDO's investments are comprised of brokered certificates of deposit which are valued at the estimated market price obtained by TDO's brokerage firm at June 30, 2024 and 2023.

Investments at June 30, 2024 are comprised of the following:

	<u>Cost Basis</u>	<u>Fair Value (Level 2)</u>	<u>Appreciation</u>
Certificates of Deposits	\$ 100,000	\$ 100,046	\$ 46
Total investments	<u>\$ 100,000</u>	<u>\$ 100,046</u>	<u>\$ 46</u>

The certificates have average yields of 5.31% as of June 30, 2024, with maturities from 2024 to 2025.

Investment activity for the year ended June 30, 2024 consisted of the following:

Beginning balance	\$ -
Purchases	160,000
Redemption of certificate of deposit	(60,000)
Unrealized gains	46
Ending balance	<u>\$ 100,046</u>

Investment return for the year ended June 30, 2024 consisted of the following:

Interest income	\$ 9,770
Unrealized gains	46
Ending balance	<u>\$ 9,816</u>

TDO had no investments at June 30, 2023.

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5. Property and Equipment

Property and equipment and their related estimated useful lives at June 30, 2024 and 2023 are as follows:

<u>Assets</u>	<u>Estimated Useful Life (Years)</u>	<u>2024</u>	<u>2023</u>
Furniture and equipment	3-7	\$ 21,989	\$ 21,989
Less: accumulated depreciation		<u>(21,989)</u>	<u>(21,989)</u>
		<u>\$ -</u>	<u>\$ -</u>

Assets were fully depreciated as of the year ended June 30, 2022.

6. Prepaid Expenses

Prepaid expenses at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Prepaid insurance	\$ 6,974	\$ 6,826
Prepaid gala expenses	2,440	2,318
Prepaid television distribution fees	<u>19,286</u>	<u>27,104</u>
	<u>\$ 28,700</u>	<u>\$ 36,248</u>

7. Leases

TDO has an operating lease for office space, which expires in December 2025.

The components of lease expense for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Lease expense		
Operating lease expense	<u>\$ 3,000</u>	<u>\$ 3,000</u>
Total	<u>\$ 3,000</u>	<u>\$ 3,000</u>

Other information related to leases for the years ended June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Operating cash flows from operating leases	\$ 3,000	\$ 3,000
ROU assets obtained in exchange for new operating lease liabilities	\$ 5,758	\$ 4,411
Weighted-average remaining lease term in years for operating leases	1.50	0.5
Weighted-average discount rate for operating leases	4.33%	2.84%

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The future minimum lease liabilities under this noncancellable operating lease as of June 30, 2024 are as follows:

<u>Year Ending June 30,</u>	
2025	\$ 3,000
2026	<u>1,500</u>
Total undiscounted cash flows	4,500
Less: present value discount	<u>(135)</u>
Total lease liabilities	<u><u>\$ 4,365</u></u>

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Future Media Programs	\$ 145,502	\$ 213,357
Intern Program	-	1,313
Future Programs	-	3,750
Inside Music Radio Series	<u>3,000</u>	<u>5,500</u>
	<u><u>\$ 148,502</u></u>	<u><u>\$ 223,920</u></u>

Net assets released from time and donor restrictions specified by donors for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Satisfactions of purpose restrictions:		
Program expenses of media programs	\$ 67,855	\$ 314,223
Program expenses of intern program	1,313	-
Program expenses of future programs	3,750	-
Program expenses of Inside Music Radio Series	<u>5,500</u>	<u>-</u>
Total:	<u><u>\$ 78,418</u></u>	<u><u>\$ 314,223</u></u>

Program expenses of media programs was for the Discover Saint-Saens' "Organ" Symphony television show production and initial distribution, as well as TDO's promotion campaign during the years ended June 30, 2024 and 2023.

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9. Pension Plan

TDO offers its employees the opportunity to participate in a simple IRA plan for employees who have received or are reasonably expected to receive at least \$5,000 in compensation during the current or preceding calendar year. TDO elected to make matching contributions up to 3% of eligible employees' compensation for the year. Pension expense for the years ended June 30, 2024 and 2023, was \$5,782 and \$5,207, respectively.

10. Related Parties

During the years ended June 30, 2024 and 2023, members of TDO's board and management made contributions to TDO totaling \$48,159 and \$85,975, respectively.

11. Commitments and Contingencies

In May 2020, TDO received \$29,360 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). In April 2021, TDO received full forgiveness of the PPP funding of \$29,360 and recognized the government grant – PPP as revenue.

The Small Business Administration ("SBA") reserves the right to audit PPP funding forgiveness for ten years from the date that forgiveness was awarded.

12. Line of Credit

During the years ended June 30, 2024 and 2023, TDO has available an unsecured line of credit with a bank in the amount of \$25,000 which expires on December 1, 2024. Interest is charged on the outstanding balance at 2% above the bank's prime rate. The effective interest rate at June 30, 2024 and 2023 was 10.50% and 10.25%, respectively. There was no outstanding balance at June 30, 2024 and 2023.

13. Employee Retention Credit

For the year ended June 30, 2023, TDO recognized \$93,509 in refundable tax credits through the Employee Retention Credit under the CARES Act for payroll tax expenses, decline in gross receipts, and/or partial or full suspensions of operations experienced during all four quarters of 2020 and the first two quarters of 2021. Through the date of the independent auditors' report and the date the financial statements were available to be issued, October 14, 2024, TDO has collected \$47,868 of the employee retention credit receivable balance of \$93,509 that was outstanding on the statement of financial position at June 30, 2023. \$45,641 of the balance was still outstanding as of October 14, 2024.

14. Risks and Uncertainties and Funding Dependency

TDO charges for concerts and other performances and receives support from a government grant, contributions from interested individuals (including board and committee members), corporations and foundation grants. TDO receives a substantial amount of its support from these sources.

Accordingly, there is no guarantee that such support would continue and thus a significant reduction in the level of support, if this were to occur, would have an adverse effect on TDO's programs and activities. From time to time TDO produces public television programs for music education purposes, which can result in significant fluctuations in net assets and expenses due to production and distribution costs.