

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.

FINANCIAL STATEMENTS

August 31, 2023 and 2022

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
Indianapolis, Indiana

FINANCIAL STATEMENTS
August 31, 2023 and 2022

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Indianapolis Symphony Orchestra Foundation, Inc.
Indianapolis, Indiana

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

We have audited the financial statements of the Indianapolis Symphony Orchestra Foundation, Inc. (the ISO Foundation), which comprise the statement of financial position as of August 31, 2023 and 2022, and the related statements of activities and cash flows for the years 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 ISO Foundation as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ISO Foundation 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.

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 ISO Foundation's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 ISO Foundation'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 ISO Foundation'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.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid, with the "C" and "L" being particularly large and prominent.

Crowe LLP

Indianapolis, Indiana
January 17, 2024

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Pledges receivable, net	\$ 2,595,686	\$ 1,941,655
Other assets	1,082,429	1,028,481
Receivable from the Society	-	1,000
Investments	107,687,501	111,273,921
Hilbert Circle Theatre, net	500,184	748,064
Symphony Centre, net	<u>3,056,618</u>	<u>2,626,167</u>
	<u>\$ 114,922,418</u>	<u>\$ 117,619,288</u>
LIABILITIES AND NET ASSETS		
Accounts payable and other liabilities	\$ 192,080	\$ 55,324
Total liabilities	<u>192,080</u>	<u>55,324</u>
Net assets		
Without donor restrictions	68,844,308	72,183,062
With donor restrictions	<u>45,886,030</u>	<u>45,380,902</u>
Total net assets	<u>114,730,338</u>	<u>117,563,964</u>
	<u>\$ 114,922,418</u>	<u>\$ 117,619,288</u>

See accompanying notes to financial statements.

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2023
(With Comparative Total for the Year Ended August 31, 2022)

	2023			2022
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>	<u>Total</u>
Support and Revenues				
Investment return	\$ 2,473,179	\$ 457,084	\$ 2,930,263	\$ 4,233,646
Less Investment expenses	<u>1,047,669</u>	<u>-</u>	<u>1,047,669</u>	<u>1,851,054</u>
Net Investment return	1,425,510	457,084	1,882,594	2,382,592
Contributions, net	73,344	655,030	728,374	182,277
Rental income from Society	1,250,000	-	1,250,000	1,250,000
Other	(148)	35,620	35,472	26,380
Net assets released	<u>642,606</u>	<u>(642,606)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	3,391,312	505,128	3,896,440	3,841,249
Expenses				
Program Services				
Grants to Society	6,290,436	-	6,290,436	5,880,307
Depreciation	<u>328,929</u>	<u>-</u>	<u>328,929</u>	<u>321,625</u>
	6,619,365	-	6,619,365	6,201,932
Management and general				
Service fee to Society	50,000	-	50,000	50,000
Other	<u>60,701</u>	<u>-</u>	<u>60,701</u>	<u>54,467</u>
	110,701	-	110,701	104,467
Total expenses	<u>6,730,066</u>	<u>-</u>	<u>6,730,066</u>	<u>6,306,399</u>
Change in net assets	(3,338,754)	505,128	(2,833,626)	(2,465,150)
Net Assets, Beginning of Year	<u>72,183,062</u>	<u>45,380,902</u>	<u>117,563,964</u>	<u>120,029,114</u>
Net Assets, End of Year	<u>\$ 68,844,308</u>	<u>\$ 45,886,030</u>	<u>\$ 114,730,338</u>	<u>\$ 117,563,964</u>

See accompanying notes to financial statements.

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2022

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues			
Investment return	\$ 3,785,519	\$ 448,127	\$ 4,233,646
Less Investment expenses	<u>1,851,054</u>	<u>-</u>	<u>1,851,054</u>
Net Investment return	1,934,465	448,127	2,382,592
Contributions, net	78,719	103,558	182,277
Rental Income from Society	1,250,000	-	1,250,000
Other	(1,372)	27,752	26,380
Net Assets Released	<u>660,662</u>	<u>(660,662)</u>	<u>-</u>
Total Support and Revenues	3,922,474	(81,225)	3,841,249
Expenses			
Program Services			
Grants to Society	5,880,307	-	5,880,307
Depreciation	<u>321,625</u>	<u>-</u>	<u>321,625</u>
	6,201,932	-	6,201,932
Management and general			
Service fee to Society	50,000	-	50,000
Other	<u>54,467</u>	<u>-</u>	<u>54,467</u>
	104,467	-	104,467
Total expenses	<u>6,306,399</u>	<u>-</u>	<u>6,306,399</u>
Change in net assets	(2,383,925)	(81,225)	(2,465,150)
Net Assets, Beginning of Year	<u>74,566,987</u>	<u>45,462,127</u>	<u>120,029,114</u>
Net Assets, End of Year	<u>\$ 72,183,062</u>	<u>\$ 45,380,902</u>	<u>\$ 117,563,964</u>

See accompanying notes to financial statements.

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (2,833,626)	\$ (2,465,150)
Adjustments to reconcile change in net assets to net cash from operating activities		
Non-Cash Items		
Change in unamortized discount on pledges receivable	(654,030)	(102,007)
Depreciation	328,929	321,625
Contributions restricted for long-term investment	(1,000)	(1,550)
Realized and unrealized gains on investments, net	(2,043,562)	(2,512,823)
Changes in assets and liabilities		
Pledges receivable and other assets	(53,948)	(7,341)
Receivable from the Society	1,000	(1,000)
Payable to the Society	16,292	-
Accounts payable and other liabilities	120,464	44,024
Net cash used by operating activities	<u>(5,119,481)</u>	<u>(4,724,222)</u>
 Cash flows from investing activities		
Capital expenditures	(511,501)	(219,125)
Change in investments		
Purchases and other increases, net	(17,446,558)	(41,293,014)
Redemptions and other decreases, net	<u>23,076,540</u>	<u>46,234,811</u>
Net cash flows from investing activities	5,118,481	4,722,672
 Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	<u>1,000</u>	<u>1,550</u>
Net cash flows from financing activities	<u>1,000</u>	<u>1,550</u>
 Net change in cash	-	-
 Cash and cash equivalents, beginning of year	-	-
 Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 1 – NATURE OF ACTIVITIES

The Indianapolis Symphony Orchestra Foundation, Inc. (the ISO Foundation) was formed in September 1990 for the purpose of educating the public by providing financial and other support to the Indiana Symphony Society, Inc. (the Society).

The Society is a separate entity formed in 1937 for the purpose of operating the Indianapolis Symphony Orchestra (ISO). The ISO Foundation and the Society operate independently of each other and have separate Boards of Directors. The ISO Foundation is under no obligation to transfer assets to the Society. Based on the purpose for which the ISO Foundation was formed, the Society recognizes an interest in the net assets of the ISO Foundation in its financial statements. However, the financial position, results of operations and cash flows of the Society have not been included in the accompanying financial statements.

It is the general practice of the Society to transfer contributions raised, other than annual giving contributions, to the ISO Foundation unless a donor specifically requires the contribution to be maintained by the Society. All fundraising activities are performed by the Society.

Based on the nature of the relationship between the ISO Foundation and the Society, and the purposes for which the ISO Foundation exists, the ISO Foundation qualifies as a functionally integrated Type III supporting organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are in place by the ISO Foundation's donors, as follows:

Without Donor Restrictions: ISO Foundation net assets without donor restrictions are not subject to donor-imposed stipulations. The only limits on the use of ISO Foundation net assets without donor restrictions are the broad limits resulting from the nature of the ISO Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. This net asset class accounts for the general operations of the ISO Foundation.

With Donor Restrictions: ISO Foundation net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose, for a particular future period, or to be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the Statement of Activities by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. On an ongoing basis, the ISO Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The ISO Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Pledges Receivable: Pledges receivable consist of unconditional pledges received from contributors. Unconditional pledges receivable that are expected to be collected in future years are initially recorded at fair value based on the present value of their future cash flows. The discounts on those amounts are computed using United States Treasury Bill rates with maturities commensurate to the time period of expected collection of pledges. Discount rates used for the year ended August 31, 2023 ranged from 3.90% to 5.50% and for the year ended August 31, 2022 ranged from 3.46% to 5.50%.

Irrevocable pledges that are due after the death of a donor are carried at their present value. Present value is calculated using actuarially determined life expectancy tables, and the current year's Pension Discount Rate for the year the pledges were made. No new pledges due after the death of a donor were received during the years ended August 31, 2023 and 2022, respectively.

Management estimates an allowance for uncollectible pledges based on current economic conditions, historical trends, and current and past experience with their donor base. At August 31, 2023 and 2022, management determined that no allowance was necessary.

Investments and Investment Return: Investments in equity and debt securities having a readily determinable market value are carried at fair value.

Assets held in investment partnerships and private equity funds are recorded based on estimated fair values provided by external investment managers. Because such investments are not readily marketable and may be subject to withdrawal restrictions, their estimated values are subject to uncertainty (including the use of valuation assumptions) and, therefore, may differ from the value that would have been recorded had a ready market for the investments existed. Such differences could be material.

Changes in unrealized appreciation or depreciation of investments are reflected in the Statement of Activities in the period such changes occur. Realized gains and losses are recorded based on the cost of the specific investments sold. Interest and dividend income is recognized when earned. Investment return is reflected as increases or decreases in net assets without donor restrictions unless their use is restricted by donors to a specified purpose or future period.

The ISO Foundation assumes all risk associated with the investment portfolio. If a specific endowment net asset's market value declines below the original gift corpus, the ISO Foundation transfers net assets without donor restrictions to account for this difference.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Split-Interest Agreements

Charitable Gift Annuities: The ISO Foundation administers (through a third-party administrator) a charitable gift annuity. A charitable gift annuity provides for the payment of distributions to the donor or other designated beneficiaries over a specified term (usually the designated beneficiary's lifetime). At the end of the specified term, the remaining assets are available for the unrestricted use of the ISO Foundation. The portion of the charitable gift annuity attributable to the present value of the future benefits to be received by the ISO Foundation is recorded in the Statement of Activities as contributions without donor restrictions in the period the gift is received. No new charitable gift annuities were received during the years ended August 31, 2023 and 2022.

Assets held in trust of \$4,176 and \$4,595 at August 31, 2023 and 2022, respectively, consist primarily of an investment in a common/collective trust and are reported at their fair value (Level 2) as other assets in the Statement of Financial Position. The common/collective trust is valued at the net asset value (NAV) of shares held by the ISO Foundation at year end. The NAV is quoted on a private market that is not active; however, the unit price is based on underlying investments that are traded on an active market. Unit values are determined by dividing the fund's net assets at fair value by its units outstanding at the valuation date. There are no restrictions on redemption. The present value of the estimated future payments to beneficiaries amounted to \$5,288 and \$5,522 August 31, 2023 and 2022, respectively, and is included in accounts payable and other liabilities. The fair value (Level 2) of the estimated future payments to beneficiaries is based on the present value of the future payments and was calculated using a discount rate of 4.2% and the applicable mortality tables.

Charitable Remainder Trusts: The ISO Foundation is also the beneficiary of charitable remainder trusts held by third party trustees. The net present value of the charitable remainder trusts is \$830,553 and \$803,362 at August 31, 2023 and 2022, respectively, and is reported at their fair value (Level 3) as other assets in the Statement of Financial Position due to restrictions on liquidity of the trusts. The valuation methodology used to measure the ISO Foundation's interest in charitable remainder trusts includes utilizing a combination of observable market data (fair value of trust assets) and unobservable data (assumptions utilized in determining the present value of payments expected to be received).

At the time the contribution is received, the ISO Foundation records the present value of the estimated payments to be received. The present value of the estimated payments is calculated using actuarially determined life expectancy tables, trust growth assumptions, and the current year's Pension Discount Rate for the year the gift was made. The change in the net present value of the charitable remainder trusts is included in the Statement of Activities in other support and revenues with donor restrictions and totaled an increase of \$27,191 and \$26,268 for the years ended August 31, 2023 and 2022, respectively.

Hilbert Circle Theatre and Symphony Centre:

Buildings and improvements are depreciated using the straight-line method over an estimated useful life of 30 to 39 years for the buildings and 15 years for building improvements.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the ISO Foundation reports expirations of donor restrictions when the asset is placed in service. The ISO Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Contributions: Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest are received. Contributed investments are recorded at the fair value of each investment on the date it is received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as increases in net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises—that is, those with a measurable performance or other barrier and a right of return—are not recognized until all conditions on which they depend have been met.

Foreign Currency Transactions: The ISO Foundation holds two investments that are denominated in foreign currency (Euros). Foreign currency transaction gains and losses are included in investment return.

Functional Allocation of Expenses: The costs of providing the programs and supporting services of the ISO Foundation have been summarized on a functional basis in the Statement of Activities. Accordingly, the majority of all costs have been charged to program services based on actual direct expenditures. The service fee to the Society and other management and general expenses have not been partially allocated to program services because the effects have been determined to be immaterial. Although the method used was appropriate, other methods could produce different results.

Income Taxes: The ISO Foundation is exempt from federal and state income taxes on related income under Section 501(c)(3) of the United States Internal Revenue Code and similar state law.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the ISO Foundation and recognize a tax liability if the ISO Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the ISO Foundation, and has concluded that as of August 31, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The ISO Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the ISO Foundation is generally exempt from income taxes. However, the ISO Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax and a corresponding state return, both of which are informational returns only. The ISO Foundation has filed its federal and state income tax returns for periods through August 31, 2022. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Subsequent Events: The ISO Foundation evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through January 17, 2024, which is the date the financial statements were available to be issued.

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INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable consist of the following at August 31:

	<u>2023</u>	<u>2022</u>
General Endowment	\$ 89,787	\$ 89,786
New Era Campaign	<u>2,550,000</u>	<u>2,550,000</u>
	2,639,787	2,639,786
Unamortized discount	<u>(44,101)</u>	<u>(698,131)</u>
Pledges receivable, net	<u>\$ 2,595,686</u>	<u>\$ 1,941,655</u>
Amounts due in:		
Less than one year	\$ 2,502,500	\$ 7,500
One to five years	10,000	5,000
More than five years	<u>127,287</u>	<u>2,627,286</u>
	<u>\$ 2,639,787</u>	<u>\$ 2,639,786</u>

The ISO Foundation has a pledge receivable of \$2,500,000, gross, pledged from one donor at August 31, 2023 and 2022.

NOTE 4 – NOTES RECEIVABLE FROM THE SOCIETY

The ISO Foundation had a payable balance of \$16,292 and a receivable balance of \$1,000 as of August 31, 2023 and 2022, respectively.

NOTE 5 – INVESTMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the ISO Foundation 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.

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 5 – INVESTMENTS (Continued)

The asset or liability's fair value measurement 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 relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at August 31, 2023 and 2022.

Cash Equivalents (Money Market Mutual Funds): Generally, transact subscription and redemption activity at a \$1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the ISO Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the ISO Foundation are deemed to be actively traded.

Investment Grade Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Investments valued at Net Asset Value: Valued at the NAV of units of each fund as provided by the external investment managers. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities and is used as the practical expedient to fair value. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the ISO Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV. It is therefore reasonably possible that if the ISO Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported NAV, and the discount could be significant. Those alternatives that are not valued as of August 31 are not considered to use NAV as the practical expedient.

The preceding methods, used in arriving at fair value, may produce a valuation that may not be indicative of the net realizable value or reflective of future values. Furthermore, although the ISO Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 5 – INVESTMENTS (Continued)

The following tables set forth by level, within the hierarchy, the ISO Foundation's investments measured at fair value on a recurring basis as of August 31:

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount at August 31, 2023
Cash equivalents	\$ -	\$ 2,001,321	\$ -	\$ 2,001,321
Mutual Funds				
Global Public Equity	8,220,579	-	-	8,220,579
Investment Grade Bonds	-	12,920,153	-	12,920,153
Total assets in the fair value hierarchy	\$ 8,220,579	\$ 14,921,474	\$ -	23,142,053
Investments valued at Net Asset Value (a)				
Global Public Equity				17,403,832
Investment Grade Bonds				1,623,177
Diversifiers				27,156,679
Private Equity				38,361,760
				<u>\$ 107,687,501</u>
	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount at August 31, 2022
Cash equivalents	\$ -	\$ 2,595,379	\$ -	\$ 2,595,379
Mutual Funds				
Global Public Equity	7,515,667	-	-	7,515,667
Investment Grade Bonds	1,153,527	-	-	1,153,527
Investment Grade Bonds	-	11,846,888	-	11,846,888
Total assets in the fair value hierarchy	\$ 8,669,194	\$ 14,442,267	\$ -	23,111,461
Investments valued at Net Asset Value (a)				
Global Public Equity				13,988,584
Investment Grade Bonds				1,563,474
Diversifiers				30,979,385
Private Equity				41,631,017
				<u>\$ 111,273,921</u>

(a) In accordance with FASB ASC Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts present in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented at fair value in the Statement of Financial Position.

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 5 – INVESTMENTS (Continued)

Certain of the ISO Foundation's investments are pledged as collateral for the loan agreement which includes loan facilities for the ISO Foundation and the Society as co-borrowers at August 31, 2023 and August 31, 2022 (Note 7). The current value of the account pledged is \$8,220,580 and \$8,669,194 at August 31, 2023 and 2022, respectively.

Following is a description of investments by category:

Cash Equivalents primarily consist of one money market mutual fund at August 31, 2023 and 2022 which are high quality, liquid, fixed income assets with a maturity of less than one year.

Global Public Equities consist of two mutual funds and eight alternative investments at August 31, 2023 and 2022, respectively, which are intended to be the primary driver of growth, in terms of total return, for the portfolio. Such investments can include but are not limited to global equities, domestic equities, international equities, emerging markets equities, long-biased equity hedge funds, and other investments expected to earn equity like return over a Market Cycle. They can include structures such as separate accounts, mutual funds, commingled funds, and limited partnerships.

Investment Grade Bonds consist of investments with one fund manager at August 31, 2023 and 2022, investing in individual securities and one mutual fund and one alternative investment at August 31, 2023 and 2022. These investments are intended to be a source of capital in an economic contraction. Such investments should be liquid, expected to generally maintain their value, and can include but are not limited to domestic fixed income, international fixed income, and emerging markets debt instruments. They can include structures such as separate accounts, mutual funds and commingled funds.

Diversifiers consist of ten and eleven funds at August 31, 2023 and 2022, respectively, which are intended to provide strong risk-adjusted returns with low equity correlation, in order to moderate the volatility of the portfolio and provide additional year-to-year stability in market values. Such investments can include but are not limited to event-driven hedge funds, global macro, long/short equity, long/short credit, and multi-asset class strategies.

Private Equity represents investments with thirty-four and twenty-nine funds at August 31, 2023 and 2022, respectively, which are intended to enhance portfolio returns and diversify global public equity exposure by taking ownership interest in illiquid partnerships that may require 7 to 10 years or more before returning invested capital. To achieve the targeted level of exposure with a prudent level of diversification, the ISO Foundation will commit to 3 to 5 funds annually resulting in a portfolio of 10 to 15 active private investment manager relationships. Such investments can include but are not limited to venture capital, buyouts, real estate, secondaries, and fund of funds. These investments, except for one, are initially valued as of June 30 of each year, with adjustments for deposits, withdrawals, and other material activity. The one exception is valued at August 31.

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 5 – INVESTMENTS (Continued)

The following represents the redemption frequency and outstanding capital commitments of Alternative Investments by major category at August 31:

Alternative Insurance Category and Redemption Frequency	2023		2022	
	Carrying Amount at August 31	Outstanding Capital Commitment	Carrying Amount at August 31	Outstanding Capital Commitment
Alternative Investments:				
Global public equities				
At least quarterly	\$ 15,979,234	\$ -	\$ 11,442,363	\$ -
Quarterly to annually	856,482	-	1,657,577	-
Annually or less frequently	551,276	-	888,644	-
Illiquid	16,840	-		
Investment grade bonds				
Quarterly to annually	1,217,383	-	1,172,606	-
Annually or less frequently	405,794	-	390,868	-
Diversifiers				
At least quarterly	6,191,665	-	6,616,963	-
Quarterly to annually	15,123,712	-	19,752,293	-
Annually or less frequently	5,735,713	-	4,610,129	-
Illiquid	105,590	-		
Private Equity				
Quarterly to annually	1,975,824	-	1,573,288	-
Annually or less frequently	658,607	-	524,429	-
Illiquid	<u>35,727,328</u>	<u>21,967,038</u>	<u>39,533,300</u>	<u>16,080,927</u>
	<u>\$ 84,545,448</u>	<u>\$ 21,967,038</u>	<u>\$ 88,162,460</u>	<u>\$ 16,080,927</u>

The ISO Foundation receives distributions from the private equity illiquid investments through the liquidation of the underlying assets of the investees. Management estimates that the underlying assets are expected to be liquidated by the investees over the next 1 to 12 years.

The following schedule summarizes investment return and its classification in the Statement of Activities for the years ended August 31:

	2023	2022
Interest and dividend income	\$ 886,701	\$ 1,720,823
Realized and unrealized gains, net	<u>2,043,562</u>	<u>2,512,823</u>
Investment return	2,930,263	4,233,646
Investment expenses	<u>1,047,669</u>	<u>1,851,054</u>
Net investment return	<u>\$ 1,882,594</u>	<u>\$ 2,382,592</u>

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 5 – INVESTMENTS (Continued)

Realized and unrealized gains of \$2,043,562, net, included in earnings are reported in the Statement of Activities as a component of investment return for fiscal year 2023. Included in the above amount are losses of \$2,449,583 that are attributable to the change in unrealized gains relating to assets still held at August 31, 2023.

Realized and unrealized gains of \$2,512,823, net, included in earnings are reported in the Statement of Activities as a component of investment return for fiscal year 2022. Included in the above amount are losses of \$3,908,688 that are attributable to the change in unrealized gains relating to assets still held at August 31, 2022.

The ISO Foundation's investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

NOTE 6 - HILBERT CIRCLE THEATRE AND SYMPHONY CENTRE

Major classes of depreciable assets are as follows at August 31, 2023:

	<u>Hilbert Circle Theater</u>	<u>Symphony Centre</u>
Land	\$ 500,000	\$ 100,000
Building	7,492,159	2,591,182
Building improvements	-	219,125
Construction in progress	-	511,500
	<u>7,992,159</u>	<u>3,421,807</u>
Accumulated depreciation	<u>(7,491,975)</u>	<u>(365,189)</u>
	<u>\$ 500,184</u>	<u>\$ 3,056,618</u>

Major classes of depreciable assets are as follows at August 31, 2022:

	<u>Hilbert Circle Theater</u>	<u>Symphony Centre</u>
Land	\$ 500,000	\$ 100,000
Building	7,492,159	2,591,182
Building improvements	-	219,125
	<u>7,992,159</u>	<u>2,910,307</u>
Accumulated depreciation	<u>(7,244,095)</u>	<u>(284,140)</u>
	<u>\$ 748,064</u>	<u>\$ 2,626,167</u>

The ISO Foundation periodically makes commitments to contractors and vendors for construction projects, improvements and equipment for its facilities. The ISO Foundation had commitments of \$170,500 and \$0 for a construction project for the years ending August 31, 2023 and 2022, respectively.

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 7 - LINE OF CREDIT

At August 31, 2023, the ISO Foundation has a loan agreement with an institutional lender in which it is co-borrower with the Society (Note 13). The agreement provides for a \$2,000,000 line of credit for the ISO Foundation, a \$3,000,000 line of credit for the Society, both available through July 31, 2024, and a \$2,500,000 term loan. The ISO Foundation has no borrowings against its line of credit at August 31, 2023 and 2022. The loan agreement is secured by a pledge of certain of the ISO Foundation's investments (Note 5). The ISO Foundation and the Society have both guaranteed the debt. The loan agreement is subject to certain restrictive covenants.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at August 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Artistic purpose	\$ 1,235,294	\$ 1,244,331
Subject to passage of time:		
For future periods	3,655,188	2,965,538
Endowments:		
Artistic purpose	3,353,745	3,373,746
Education	5,120,224	5,267,155
General purpose	21,544,084	21,544,084
Hilbert Circle Theatre annual facility expenses	10,977,495	10,986,048
	<u>40,995,548</u>	<u>41,171,033</u>
	<u>\$ 45,886,030</u>	<u>\$ 45,380,902</u>

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes as follows during the years ended August 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Artistic purpose	\$ 35,260	\$ 36,257
Endowments:		
Artistic purpose	93,879	94,275
Education	263,357	271,291
Hilbert Circle Theatre annual facility expenses	250,110	258,839
	<u>607,346</u>	<u>624,405</u>
	<u>\$ 642,606</u>	<u>\$ 660,662</u>

(Continued)

NOTE 10 – ENDOWMENT

The ISO Foundation's endowment funds consist of ten individual donor restricted funds established for a variety of artistic and educational purposes, annual expenses for the Hilbert Circle Theatre, and general operations. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The ISO Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Certain of these net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. Management has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the ISO Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of the initial and subsequent gift amounts donated to the fund and any accumulations to the fund that are required to be maintained in perpetuity in accordance with the directions of the applicable donor gift instrument.

The ISO Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with SPMIFA, the ISO Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of the ISO Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the ISO Foundation
- 7) The investment policies of the ISO Foundation

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the ISO Foundation to retain as a fund of perpetual duration. There were no such deficiencies at August 31, 2023 or 2022.

Return Objectives and Risk Parameters

The ISO Foundation has adopted investment and spending policies for investments functioning as endowment that attempt to provide a stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 10 – ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the investment portfolio is structured on a total return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The ISO Foundation targets a diversified asset allocation that places emphasis on equities and fixed income investments, with a significant allocation to Alternative Investments, and to a lesser extent cash, to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate to Spending Policy

The ISO Foundation has a policy for its donor-restricted endowment funds of appropriating for distribution each year a specified amount based on the cumulative earnings in each of the individual funds. The balance of earnings in the individual funds is matched to the project funding needs of the Society. Total draws from donor-restricted endowment funds amounted to \$607,346 and \$624,406 for fiscal year 2023 and 2022, respectively.

The portion of the endowment funds restricted by the donor for support of the Orchestra's General Operations, in the amount of \$21,544,084 at August 31, 2023 and 2022, respectively (Note 8), is not credited with investment return, is not allocated draws, and is not reduced for losses in years in which the ISO Foundation experiences negative investment returns. Earnings on this endowment fund are allocated each year to the annual operating grant to the Society and as a result there is no accumulation of income to this fund.

The composition of investments functioning as endowment is as follows at August 31:

	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds:			
Original donor-restricted gift amounts	\$ -	\$ 33,721,018	\$ 33,721,018
Accumulated investment gains	-	7,274,530	7,274,530
	\$ -	\$ 40,995,548	\$ 40,995,548
	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds:			
Original donor-restricted gift amounts	\$ -	\$ 33,720,018	\$ 33,720,018
Accumulated investment gains	-	7,451,015	7,451,015
	\$ -	\$ 41,171,033	\$ 41,171,033

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 10 – ENDOWMENT (Continued)

The change in endowment net assets is as follows for the years ended August 31:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 41,171,033	\$ 41,171,033
Contributions	-	1,000	1,000
Investment return, net	-	430,861	430,861
Distributions	-	(607,346)	(607,346)
	-	(607,346)	(607,346)
Endowment net assets, end of year	\$ -	\$ 40,995,548	\$ 40,995,548
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 41,370,959	\$ 41,370,959
Contributions	-	1,550	1,550
Investment return, net	-	422,930	422,930
Distributions	-	(624,406)	(624,406)
	-	(624,406)	(624,406)
Endowment net assets, end of year	\$ -	\$ 41,171,033	\$ 41,171,033

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 11 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The ISO Foundation receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund specific programs or operations. In addition, the ISO Foundation receives support without donor restrictions that is used toward general expenditures. The ISO Foundation’s financial assets and liquidity resources available within one year of August 31 for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end:		
Pledges receivable, net	\$ 2,595,686	\$ 1,941,655
Receivable from the society	-	1,000
Investments	<u>107,687,501</u>	<u>111,273,920</u>
Total financial assets	110,283,187	113,216,575
Less amounts not available to be used within one year		
Pledges receivable due after one year	(93,186)	(1,934,155)
Investments held for collateral	(8,220,580)	(8,669,194)
Investments held for a specific purpose	(1,235,294)	(1,244,331)
Investments held for endowments	<u>(40,995,548)</u>	<u>(41,171,033)</u>
Financial assets not available to be used within one year	<u>(50,544,608)</u>	<u>(53,018,713)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 59,738,579</u>	<u>\$ 60,197,862</u>

The ISO Foundation has a spending rate of 5 percent of the twelve-quarter average of total investments. Approximately \$5.4 million will be available within the next 12 months.

ISO Foundation has a \$2 million line of credit that can be drawn upon as needed during the year and is then paid down according to a schedule when the draw is made (Note 7).

NOTE 12 – OPERATING LEASES

ISO Foundation as Lessor

Hilbert Circle Theatre

The ISO Foundation has an operating lease agreement with the Society which required annual lease payments of \$850,000 for use of the Hilbert Circle Theatre. The lease agreement expired August 31, 2018. The Society is responsible for utilities, maintenance, insurance and other expenses incidental to the operations of the Theatre. The ISO Foundation and the Society continue to operate as if the lease is still in effect and both parties are in the process of negotiating renewal terms of the lease and expect to complete the renewal in fiscal 2024.

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 12 – OPERATING LEASES (Continued)

Symphony Centre

The ISO Foundation has a lease agreement with the Society for Symphony Centre which required annual lease payments of \$400,000. The lease agreement expired August 31, 2023. The lease agreement provides for rent increases if additional tenant improvements are incurred by the ISO Foundation. The Society is responsible for utilities, maintenance and other operating costs of the facility. The ISO Foundation and the Society continue to operate as if the lease is still in effect and both parties are in the process of negotiating renewal terms of the lease and expect to complete the renewal in fiscal 2024.

Total rental income for the years ended August 31, 2023 and 2022 was \$1,250,000.

During both fiscal 2023 and 2022, the ISO Foundation contributed \$1,250,000 of this rental income back to the Society (Note 13).

NOTE 13 – INDIANA SYMPHONY SOCIETY, INC.

The Society is co-borrower with the ISO Foundation on a loan agreement with an institutional lender which provides the Society with a \$3,000,000 line of credit agreement and \$2,500,000 term loan (Note 7). The line of credit expires on July 31, 2024 and the term loan is payable through July 31, 2026. Outstanding borrowings against the lines of credit amounted to \$0 at August 31, 2023 and 2022, respectively. The balance of the term loan was \$0 at August 31, 2023 and 2022, respectively. The ISO Foundation and the Society have guaranteed the credit facilities and the ISO Foundation has pledged specific investments as collateral (Note 5).

The ISO Foundation does not anticipate non-performance by the Society and has not recorded a liability related to the guarantee as of August 31, 2023 and 2022. There are no recourse provisions related to this guarantee.

The ISO Foundation had an intercompany payable to the Society of \$16,292 and an intercompany receivable from the Society of \$1,000 as of August 31, 2023 and 2022, respectively.

The ISO Foundation has a service agreement with the Society whereby the Society provides the ISO Foundation certain management services, including endowment fundraising, administrative services, office space and preparing financial records and reports. In return for such services, the ISO Foundation paid to the Society a fee of \$50,000 during each of the years ended August 31, 2023 and 2022.

(Continued)

INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 August 31, 2023 and 2022

NOTE 13 – INDIANA SYMPHONY SOCIETY, INC. (Continued)

The ISO Foundation contributed a total of \$6,290,436 and \$5,880,307 to the Society during the years ended August 31, 2023 and 2022, respectively. The amounts contributed are included in the Statement of Activities as grants to Society and consist of the following for the years ended August 31:

	<u>2023</u>	<u>2022</u>
General operating	\$ 4,646,814	\$ 4,227,358
Facilities	1,250,000	1,250,000
Education Grant	263,106	271,111
Conducting Fellowship Grant	1,518	685
Young Musician Contest	11,760	10,413
Pops Enhancement	49,633	51,143
Conductor Laureate	32,760	33,757
First Monday Music Club	-	90
MYO	253	180
Assistant Principal Clarinet Grant	32,092	33,070
Artist in Residence	<u>2,500</u>	<u>2,500</u>
	<u>\$ 6,290,436</u>	<u>\$ 5,880,307</u>

Of the rent the Society pays to the ISO Foundation (Note 12), the ISO Foundation has granted back \$1,250,000 per year to the Society for each of the years ended August 31, 2023 and 2022, respectively.

The contributed amounts above for fiscal 2023 include a 5% draw from the ISO Foundation’s investment portfolio.

NOTE 14 – CONTRIBUTIONS AND PLEDGES RECEIVABLE CONCENTRATIONS

During the year ended August 31, 2023 and 2022, contributions from one donor represented 89% and 34% of net contributions, respectively.

At August 31, 2023 and 2022, a pledge receivable from one donor represented 95% of gross pledges receivable.

NOTE 15 – FOREIGN CURRENCY EXCHANGE RISK

The ISO Foundation maintains investments in many types of investments, traditional and alternative (Note 5). Many of the Alternative Investment managers invest in products valued in other than U.S. dollars. Changes in exchange rates between the particular foreign currency and the U.S. dollar affect the value of these investments. Individual funds often use various foreign currency exchange options to hedge exposure within these funds.

Additionally, the ISO Foundation has two investments which are denominated in Euros. The value of these investments, including capital calls and distributions, is adjusted using the current exchange rate. The value of these investments will fluctuate with the change in the exchange rate. The balance of these investments at August 31, 2023 and 2022 amounted to \$842,182 and \$959,126, respectively. These investment have an outstanding capital commitment of \$2,882,815 at August 31, 2023.
