HILTON HEAD SYMPHONY ORCHESTRA, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2026 and 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hilton Head Symphony Orchestra, Inc.
Hilton Head Island, South Carolina

Opinion

We have audited the accompanying financial statements of Hilton Head Symphony Orchestra, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2026, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hilton Head Symphony Orchestra, Inc. as of June 30, 2026, and the results of its operations 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. 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 Hilton Head Symphony Orchestra, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Hilton Head Symphony Orchestra, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hilton Head Symphony Orchestra, Inc.'s internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hilton Head Symphony Orchestra, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Hilton Head Symphony Orchestra, Inc.'s financial statements for the year ended June 30, 2025 and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 14, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carey & Company, P.A.
September 10, 2026

HILTON HEAD SYMPHONY ORCHESTRA, INC.
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2026 and 2025

ASSETS	2026	Summarized Information 2025
Current Assets		
Cash and equivalents	$ 725,230	$ 587,545
Pledge and other receivables	51,380	21,018
Prepaid expenses	22,354	9,782
Total Current Assets	798,964	618,345
Property And Equipment		
Furniture, fixtures and equipment	158,981	144,385
Leasehold improvements	841,252	841,252
Accumulated depreciation	(943,461)	(894,747)
Total Property And Equipment	56,772	90,890
Other Assets		
Foundation endowment fund	266,357	237,952
Investments:		
Board designated quasi-endowment fund	70,510	209,497
Donor restricted	835,871	734,771
Total Investments	906,381	944,268
Operating lease right-of-use-asset	358,284	519,504
Intangible assets, net of amortization	4,241	1,725
Security deposits	17,790	17,790
TOTAL ASSETS	$ 2,408,789	$ 2,430,474
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 14,780	$ 35,570
Line of credit	100,000	100,000
Operating lease liability	180,769	175,000
Payroll taxes payable	5,486	12,514
Deferred ticket revenues	280,232	277,485
Deferred contribution and fundraising revenues	676,778	488,144
Total Current Liabilities	1,258,045	1,088,713
Operating lease liability, net of current portion	177,515	344,504
TOTAL LIABILITIES	1,435,560	1,433,217
Net Assets		
Without donor restrictions	(128,999)	24,534
With donor restrictions	1,102,228	972,723
Total Net Assets	973,229	997,257
TOTAL LIABILITIES AND NET ASSETS	$ 2,408,789	$ 2,430,474

See accompanying notes and independent auditor's report.

HILTON HEAD SYMPHONY ORCHESTRA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2026 and 2025

	2026			
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Information 2025
REVENUE AND SUPPORT				
Admissions	$ 827,864	$ -	$ 827,864	$ 795,924
Contributions and grants	962,696	209,575	1,172,271	1,019,626
Government support	499,329	-	499,329	525,647
Fundraising and other support	224,962	75,961	300,923	281,860
Investment income, net	54,725	132,505	187,230	131,295
Restrictions satisfied by payments	288,536	(288,536)	-	-
Total Revenue and Support	2,858,112	129,505	2,987,617	2,754,352
EXPENSES				
Program	2,063,989	-	2,063,989	2,028,739
Management and general	856,017	-	856,017	810,006
Marketing and development	91,639	-	91,639	98,331
Total Expenses	3,011,645	-	3,011,645	2,937,076
INCREASE (DECREASE) IN NET ASSETS	(153,533)	129,505	(24,028)	(182,724)
NET ASSETS AT BEGINNING OF YEAR	24,534	972,723	997,257	1,179,981
NET ASSETS (DEFICIT) AT END OF YEAR	$ (128,999)	$ 1,102,228	$ 973,229	$ 997,257

See accompanying notes and independent auditor's report.

HILTON HEAD SYMPHONY ORCHESTRA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2026 and 2025

	2026				
	Program Services	Management and General	Marketing and Development	Total	Summarized Information 2025
Salaries and wages	$ 683,980	$ 460,400	$ -	$ 1,144,380	$ 1,031,303
Payroll taxes and related benefits	130,809	20,229	-	151,038	134,230
Total payroll and benefits	814,789	480,629	-	1,295,418	1,165,533
Facilities cost	261,253	71,567	-	332,820	355,494
Contract services	393,314	23,280	-	416,594	400,925
Marketing and advertising	61,885	61,885	-	123,770	123,502
Performance production costs	179,843	-	-	179,843	166,962
Travel and lodging	209,323	-	-	209,323	172,921
Prizes, judges and awards	53,227	-	-	53,227	94,997
Fundraising	-	-	88,826	88,826	93,029
Office	8,439	32,183	2,813	43,435	44,757
Bank fees	-	19,358	-	19,358	18,719
Depreciation and amortization	34,260	14,682	-	48,942	128,644
Other	47,657	152,432	-	200,089	171,593
Total expenses	$ 2,063,989	$ 856,017	$ 91,639	$ 3,011,645	$ 2,937,076

See accompanying notes and independent auditor's report.

HILTON HEAD SYMPHONY ORCHESTRA, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2026 and 2025

	2026	Summarized Information 2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (24,028)	$ (182,724)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Unrealized gain on investments	(113,143)	(77,433)
Depreciation and amortization expense	48,942	128,644
Operating lease right-of-use asset	161,220	(396,427)
Increase (decrease) in assets		
Pledge and other receivables	(30,362)	(445)
Prepaid expenses and security deposits	(12,572)	10,976
Increase (decrease) in liabilities:		
Accounts payable	(20,790)	27,302
Operating lease liability	(161,220)	396,427
Payroll taxes payable	(7,028)	2,527
Deferred revenues	191,381	40,855
Net Cash Used By Operating Activities	32,400	(50,298)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(14,596)	(4,024)
Purchase of intangible assets	(2,744)	(1,816)
Net purchases and sales of investments	113,901	94,819
Cash released from foundation endowment fund	8,724	10,156
Net Cash Provided By Investing Activities	105,285	99,135
NET INCREASE IN CASH AND CASH EQUIVALENTS	137,685	48,837
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	587,545	538,708
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 725,230	$ 587,545
SUPPLEMENTAL DISCLOSURES - cash payments for:		
Interest	$ 2,209	$ 2,552
Income taxes	$ -	$ -

See accompanying notes and independent auditor's report.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Hilton Head Symphony Orchestra, Inc. (the "Orchestra") is located on Hilton Head Island, South Carolina and is a nonprofit organization dedicated to presenting annual seasons of symphonic subscription concerts, as well as special concerts and educational and community engagement programs.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements of the Orchestra have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly the Orchestra reports information regarding its financial position and activities according to the following net asset classifications:

Net Assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Orchestra's management and the board of directors.

Net Assets with donor restrictions - 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 the Orchestra or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions received are recorded as increases in net assets without or with donor restrictions depending on the existence and/or nature of the donor restrictions. Donor restricted contributions reported as increases in net assets with donor restrictions represent contributions for specific activities (youth and outreach programs, piano competition program, etc) and are released as support during either the current year or subsequent years depending on the nature of the restrictions.

Revenue from ticket sales and donations related to concert seasons are recognized as revenue in the applicable concert season, which is held from October to May. Accordingly deferred revenue represents ticket sales and donations received in advance of the applicable concert season. For the years ended June 30, 2026 and 2025, ticket sales of $277,485 and $259,380 from previous fiscal year deferred revenue were recognized, respectively.

Leases

The Financial Accounting Standards Board (FASB) issued Accounting Standards Code 842 (ASC 842) which requires presenting Right of Use Assets (ROU) on the balance sheet. The Orchestra determines if an arrangement is a lease at inception. Operating leases are included in ROU lease assets, which represent the Orchestra's right to use an underlying asset for the lease term, and lease obligations represent the Orchestra's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. Lease expense for lease payments is recognized on straight-line basis over the lease of the term.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include money market accounts and highly liquid debt instruments with an original maturity of three months or less.

Intangible Assets

The Orchestra's intangible assets consist of purchased music libraries. The music libraries include a catalog of original compositions and recordings acquired with full ownership rights, allowing for duplication, distribution, and monetization through various platforms. The music libraries are amortized on a straight-line basis over an estimated useful life of 20 years.

Investments

Investments in marketable securities and debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of changes in net assets.

Fair Value Measurement

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles require a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Those tiers include:

Level 1 - Observable inputs such as quoted prices in active markets.
Level 2 - Inputs other than quoted prices in active markets that are either directly or indirectly observable.
Level 3 - Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Promises to Give

The Orchestra conducts an annual giving campaign during which it solicits pledges from local businesses which are featured in the annual program. These pledges do not meet the criteria for income recognition under generally accepted accounting principles, and are not reflected in the statement of activities until they are collected.

Contributions that are restricted by the donor are classified as increases to net assets with restrictions. When the restrictions expire, restricted net assets are reclassified to net assets without restrictions.

The Financial Accounting Standards Board (FASB) issued ASU 2016-13 Current Expected Credit Losses (CECL), which requires entities to identify losses based on expected losses rather than incurred losses. The Orchestra has determined that all outstanding grants receivable are from a government agency that have a historical relationship with the Orchestra, and therefore do not anticipate any credit losses related to unconditional receivables.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives. Contributed property, plant and equipment are recorded at their fair value on the date of the gift as unrestricted support.

Contributed Services

The Orchestra receives a substantial amount of services donated by its members in carrying out the Orchestra's mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

Use of Estimates

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

Income Taxes

The Orchestra is a not-for-profit corporation that is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expense

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of functional activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited using reasonable ratios determined by management.

NOTE B - FOUNDATION ENDOWMENT FUND

The Community Foundation of the Lowcountry, Inc. (the "Community Foundation") acts in an agency capacity for the Orchestra in order to provide permanent stewardship, management and oversight of certain Orchestra investments. The fund is invested by the Community Foundation in a pool of marketable securities and reported at fair value, which is the closing price reported on the active market on which the individual securities are traded. Fair value of the fund is determined based upon the Orchestra's allocated share of the Community Foundations's investment pool. Fair value for the fund is categorized as Level 1 under the fair value measurement hierarchy and was $266,357 and $237,952 at June 30, 2026 and 2025, respectively. The annual withdrawal amount is limited to 4.5% of the average fair market value of the account and totaled $10,369 and $10,156 for the years ended June 30, 2026 and 2025, respectively. Net investment income was $38,774 and $18,896 for the years ended June 30, 2026 and 2025, respectively.

In addition, the Community Foundation maintains a fund established by a donor which is designated for the benefit of the Orchestra as long as the Orchestra, or its purpose, continues to serve the public interest. Under generally accepted accounting principles the Orchestra can not recognize these funds as contributions until the right to receive is unconditional or the amounts are received. At June 30, 2026 and 2025, the fair market value of this fund was $224,122 and $200,220, and respectively. The annual withdrawal amount from this fund is limited to 4.5% of the average fair market value of the account and totaled $8,724 and $8,545 for the years ended June 30, 2026 and 2025, respectively.

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets as of June 30 are as follows:

	2026	2025
Cash and equivalents	$ 725,230	$ 587,545
Foundation endowment fund	266,357	237,952
Investments	906,381	944,269
Total Financial Assets	$ 1,897,968	$ 1,769,766

At June 30, 2026 and 2025, financial assets of approximately $796,000 and $797,000, respectively, were available to meet general expenditures over the next twelve months. Financial assets not available for general expenditure within the next twelve months include amounts held in the Community Foundation's endowment fund that are not available for distribution and investments subject to donor restrictions.

The Orchestra maintains funds in banks to maximize liquidity, minimize risk and aligned to meet short term requirements.

NOTE D - INVESTMENTS

Cost and market values as of June 30 are summarized as follows:

	2026	
	Cost	Fair Value
Investments:		
Marketable securities	$ 604,034	$ 901,112
Cash	5,269	5,269
Total Investments	$ 609,303	$ 906,381

	2025	
	Cost	Fair Value
Investments:		
Marketable securities	$ 614,657	$ 937,929
Cash	6,339	6,339
Total Investments	$ 620,996	$ 944,268

Investments in marketable securities are reported at fair market value based upon quoted prices in active markets and are categorized as Level 1 under the fair value measurement hierarchy. Investment return for the years ended June 30, 2026 and 2025, including the Foundation Endowment Fund disclosed in Note B, are summarized as follows:

	2026	2025
Investment earnings	$ 52,899	$ 44,844
Investment expenses	(17,586)	(9,878)
Unrealized investment gain	113,143	77,433
Foundation Endowment Fund	38,774	18,896
Total investment return	$ 187,230	$ 131,295

NOTE E - BOARD DESIGNATED QUASI ENDOWMENT FUND

In 2022, the Orchestra's Board of Directors established and initially funded an Endowment Fund for the purpose of increasing the Orchestra's restricted fund base. The investments of the Endowment Fund can be used for specific defined purposes only with the approval of the Board of Directors.

A summary of the Endowment Fund at June 30, is as follows:

	2026	2025
Beginning balance	$ 209,497	$ 297,039
Contributions	50,482	150,000
Withdrawals	(212,444)	(269,843)
Investment earnings	5,461	8,722
Investment expenses	(2,201)	(3,531)
Unrealized investment gain	19,715	27,110
Total Board Designated Investments	$ 70,510	$ 209,497

Subsequent to year-end, in July 2026, the Board of Directors designated $350,000 of net assets without donor restrictions to restore amounts previously withdrawn from the Board Designated Quasi Endowment Fund.

The Endowment Fund investments are professionally managed by a wealth management firm subject to the guidance and oversight of the Orchestra's Board of Directors.

NOTE F - CONCENTRATION OF CREDIT RISK

The Orchestra maintains its cash balances at several financial institutions. The FDIC covers $250,000 for substantially all depository accounts. At June 30, 2026 and 2025, the Orchestra has uninsured balances of $438,589 and $295,914, respectively.

Cash balances at brokerage firms are insured by SIPC up to $250,000 and marketable securities at up to $500,000. Private insurance provided by the brokerage firm covered balances in excess of these limits.

NOTE G - FINANCING ARRANGEMENTS

The Orchestra has a $200,000 line of credit with its bank that is renewed annually on January 1. Borrowings under the line of credit bear interest at 7.75% and are uncollateralized. At June 30, 2026 and 2025, the balance was $100,000 and $100,000, respectively. On July 8, 2026, subsequent to year end, the balance of the line of credit was paid in full.

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2026	2025
Leasehold improvements	$ 841,252	$ 841,252
Computer equipment	19,816	17,800
Office furniture and equipment	45,244	40,698
Performance equipment	93,921	85,887
Total property and equipment	1,000,233	985,637
Accumulated depreciation	(943,461)	(894,747)
Net property and equipment	$ 56,772	$ 90,890

Depreciation and amortization expense for the years ended June 30, 2026 and 2025 was $48,942 and $128,644, respectively.

NOTE I - REAL PROPERTY LEASE AGREEMENTS

On February 28, 2025, the Orchestra entered into a lease for offices and performance center located in Hilton Head, South Carolina. The lease has a term of forty months that expires on June 30, 2028, with an option to extend for an additional three years. Under the lease, the Orchestra is required to make monthly payments of basic rent and an additional amount for taxes, insurance and common area maintenance. Annual office lease expense was $185,044 and $188,000 for the years ended June 30, 2026 and 2025, respectively.

Future minimum annual lease payments due over the term of the lease as of June 30, 2026:

2027	$ 188,000
2028	192,000
Total undiscounted minimum lease payments	$ 380,000
Less Discounts to present value	(21,716)
Total operating lease liability	$ 358,284

As of June 30, 2026, the weighted-average remaining lease term for the operating leases is 2 years. The Orchestra utilized its incremental borrowing rate as the risk-free rate. The risk-free rate associated with the operating leases as of June 30, 2026 was 4%.

Concert and rehearsal locations are leased on a seasonal basis primarily at First Presbyterian Church of Hilton Head, SC. Annual concert and rehearsal lease expense for all such facilities was $65,453 and $62,585 for the years ended June 30, 2026 and 2025, respectively. 2026 included rental of Carnegie Hall's Weill Recital Hall.

NOTE J - COMMITMENTS

The Orchestra has an independent contractor agreement in place with its Music Director which provides for annual increases in compensation plus additional amounts for performances if required beyond those scheduled in the agreement. The previous agreement expired June 30, 2025, and the new agreement was executed for the period of July 1, 2025, through June 30, 2028.

The Orchestra musicians are employed pursuant to the terms and conditions of a three-year wage scale and pension plan contract with the American Federation of Musicians Local 447-704. The agreement to end June 30, 2028, was ratified on June 6, 2025.

NOTE K - ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Orchestra evaluated all tax positions that could have a significant effect on the financial statements and determined that there are no uncertain tax positions at June 30, 2026.

NOTE L - NET ASSETS

Net assets with donor restrictions were available for the following purposes as of June 30:

	2026	2025
International Piano Competition	$ 37,835	$ 32,923
Youth programs	798,035	701,848
Permanent endowment fund	266,358	237,952
Total net assets	$ 1,102,228	$ 972,723

NOTE M - RELATED PARTY TRANSACTIONS

The Orchestra used a consultant, of which a Board member's wife is the owner, for Orchestra related administration. The consulting services and performance fee expenses for June 30, 2026 and 2025 were $8,730 and $13,850, respectively. Additionally, another Board member paid the Orchestra $6,500 for the rental of performance space during each of the years ended June 30, 2026 and 2025.

NOTE N - SUBSEQUENT EVENTS

The Orchestra has evaluated subsequent events through September 10, 2026, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

HILTON HEAD SYMPHONY ORCHESTRA, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2026 and 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hilton Head Symphony Orchestra, Inc.
Hilton Head Island, South Carolina

Opinion

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Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hilton Head Symphony Orchestra, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Hilton Head Symphony Orchestra, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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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 Hilton Head Symphony Orchestra, Inc.'s internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hilton Head Symphony Orchestra, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Hilton Head Symphony Orchestra, Inc.'s financial statements for the year , ended June 30, 2025 and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 14, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carey & Company, P.A.
September 10, 2026

HILTON HEAD SYMPHONY ORCHESTRA, INC.
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2026 and 2025

ASSETS	2026	Summarized Information 2025
Current Assets		
Cash and equivalents	$ 725,230	$ 587,545
Pledge and other receivables	51,380	21,018
Prepaid expenses	22,354	9,782
Total Current Assets	798,964	618,345
Property And Equipment		
Furniture, fixtures and equipment	158,981	144,385
Leasehold improvements	841,252	841,252
Accumulated depreciation	(943,461)	(894,747)
Total Property And Equipment	56,772	90,890
Other Assets		
Foundation endowment fund	266,357	237,952
Investments:		
Board designated quasi-endowment fund	70,510	209,497
Donor restricted	835,871	734,771
Total Investments	906,381	944,268
Operating lease right-of-use-asset	358,284	519,504
Intangible assets, net of amortization	4,241	1,725
Security deposits	17,790	17,790
TOTAL ASSETS	$ 2,408,789	$ 2,430,474
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 14,780	$ 35,570
Line of credit	100,000	100,000
Operating lease liability	180,769	175,000
Payroll taxes payable	5,486	12,514
Deferred ticket revenues	280,232	277,485
Deferred contribution and fundraising revenues	676,778	488,144
Total Current Liabilities	1,258,045	1,088,713
Operating lease liability, net of current portion	177,515	344,504
TOTAL LIABILITIES	1,435,560	1,433,217
Net Assets		
Without donor restrictions	(128,999)	24,534
With donor restrictions	1,102,228	972,723
Total Net Assets	973,229	997,257
TOTAL LIABILITIES AND NET ASSETS	$ 2,408,789	$ 2,430,474

See accompanying notes and independent auditor's report.

HILTON HEAD SYMPHONY ORCHESTRA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2026 and 2025

	2026			
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Information 2025
REVENUE AND SUPPORT				
Admissions	$ 827,864	$ -	$ 827,864	$ 795,924
Contributions and grants	962,696	209,575	1,172,271	1,019,626
Government support	499,329	-	499,329	525,647
Fundraising and other support	224,962	75,961	300,923	281,860
Investment income, net	54,725	132,505	187,230	131,295
Restrictions satisfied by payments	288,536	(288,536)	-	-
Total Revenue and Support	2,858,112	129,505	2,987,617	2,754,352
EXPENSES				
Program	2,063,989	-	2,063,989	2,028,739
Management and general	856,017	-	856,017	810,006
Marketing and development	91,639	-	91,639	98,331
Total Expenses	3,011,645	-	3,011,645	2,937,076
INCREASE (DECREASE) IN NET ASSETS	(153,533)	129,505	(24,028)	(182,724)
NET ASSETS AT BEGINNING OF YEAR	24,534	972,723	997,257	1,179,981
NET ASSETS (DEFICIT) AT END OF YEAR	$ (128,999)	$ 1,102,228	$ 973,229	$ 997,257

See accompanying notes and independent auditor's report.

HILTON HEAD SYMPHONY ORCHESTRA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2026 and 2025

	2026				
	Program Services	Management and General	Marketing and Development	Total	Summarized Information 2025
Salaries and wages	$ 683,980	$ 460,400	$ -	$ 1,144,380	$ 1,031,303
Payroll taxes and related benefits	130,809	20,229	-	151,038	134,230
Total payroll and benefits	814,789	480,629	-	1,295,418	1,165,533
Facilities cost	261,253	71,567	-	332,820	355,494
Contract services	393,314	23,280	-	416,594	400,925
Marketing and advertising	61,885	61,885	-	123,770	123,502
Performance production costs	179,843	-	-	179,843	166,962
Travel and lodging	209,323	-	-	209,323	172,921
Prizes, judges and awards	53,227	-	-	53,227	94,997
Fundraising	-	-	88,826	88,826	93,029
Office	8,439	32,183	2,813	43,435	44,757
Bank fees	-	19,358	-	19,358	18,719
Depreciation and amortization	34,260	14,682	-	48,942	128,644
Other	47,657	152,432	-	200,089	171,593
Total expenses	$ 2,063,989	$ 856,017	$ 91,639	$ 3,011,645	$ 2,937,076

See accompanying notes and independent auditor's report.

HILTON HEAD SYMPHONY ORCHESTRA, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2026 and 2025

	2026	Summarized Information 2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (24,028)	$ (182,724)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Unrealized gain on investments	(113,143)	(77,433)
Depreciation and amortization expense	48,942	128,644
Operating lease right-of-use asset	161,220	(396,427)
Increase (decrease) in assets		
Pledge and other receivables	(30,362)	(445)
Prepaid expenses and security deposits	(12,572)	10,976
Increase (decrease) in liabilities:		
Accounts payable	(20,790)	27,302
Operating lease liability	(161,220)	396,427
Payroll taxes payable	(7,028)	2,527
Deferred revenues	191,381	40,855
Net Cash Used By Operating Activities	32,400	(50,298)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(14,596)	(4,024)
Purchase of intangible assets	(2,744)	(1,816)
Net purchases and sales of investments	113,901	94,819
Cash released from foundation endowment fund	8,724	10,156
Net Cash Provided By Investing Activities	105,285	99,135
NET INCREASE IN CASH AND CASH EQUIVALENTS	137,685	48,837
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	587,545	538,708
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 725,230	$ 587,545
SUPPLEMENTAL DISCLOSURES - cash payments for:		
Interest	$ 2,209	$ 2,552
Income taxes	$ -	$ -

See accompanying notes and independent auditor's report.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Hilton Head Symphony Orchestra, Inc. (the "Orchestra") is located on Hilton Head Island, South Carolina and is a nonprofit organization dedicated to presenting annual seasons of symphonic subscription concerts, as well as special concerts and educational and community engagement programs.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The accompanying financial statements of the Orchestra have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly the Orchestra reports information regarding its financial position and activities according to the following net asset classifications:

Net Assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Orchestra's management and the board of directors.

Net Assets with donor restrictions - 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 the Orchestra or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions received are recorded as increases in net assets without or with donor restrictions depending on the existence and/or nature of the donor restrictions. Donor restricted contributions reported as increases in net assets with donor restrictions represent contributions for specific activities (youth and outreach programs, piano competition program, etc) and are released as support during either the current year or subsequent years depending on the nature of the restrictions.

Revenue from ticket sales and donations related to concert seasons are recognized as revenue in the applicable concert season, which is held from October to May. Accordingly deferred revenue represents ticket sales and donations received in advance of the applicable concert season. For the years ended June 30, 2026 and 2025, ticket sales of $277,485 and $259,380 from previous fiscal year deferred revenue were recognized, respectively.

Leases

The Financial Accounting Standards Board (FASB) issued Accounting Standards Code 842 (ASC 842) which requires presenting Right of Use Assets (ROU) on the balance sheet. The Orchestra determines if an arrangement is a lease at inception. Operating leases are included in ROU lease assets, which represent the Orchestra's right to use an underlying asset for the lease term, and lease obligations represent the Orchestra's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. Lease expense for lease payments is recognized on straight-line basis over the lease of the term.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include money market accounts and highly liquid debt instruments with an original maturity of three months or less.

Intangible Assets

The Orchestra's intangible assets consist of purchased music libraries. The music libraries include a catalog of original compositions and recordings acquired with full ownership rights, allowing for duplication, distribution, and monetization through various platforms. The music libraries are amortized on a straight-line basis over an estimated useful life of 20 years.

Investments

Investments in marketable securities and debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of changes in net assets.

Fair Value Measurement

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles require a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. Those tiers include:

Level 1 - Observable inputs such as quoted prices in active markets.
Level 2 - Inputs other than quoted prices in active markets that are either directly or indirectly observable.
Level 3 - Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Promises to Give

The Orchestra conducts an annual giving campaign during which it solicits pledges from local businesses which are featured in the annual program. These pledges do not meet the criteria for income recognition under generally accepted accounting principles, and are not reflected in the statement of activities until they are collected.

Contributions that are restricted by the donor are classified as increases to net assets with restrictions. When the restrictions expire, restricted net assets are reclassified to net assets without restrictions.

The Financial Accounting Standards Board (FASB) issued ASU 2016-13 Current Expected Credit Losses (CECL), which requires entities to identify losses based on expected losses rather than incurred losses. The Orchestra has determined that all outstanding grants receivable are from a government agency that have a historical relationship with the Orchestra, and therefore do not anticipate any credit losses related to unconditional receivables.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, Plant and Equipment

Property, plant and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives. Contributed property, plant and equipment are recorded at their fair value on the date of the gift as unrestricted support.

Contributed Services

The Orchestra receives a substantial amount of services donated by its members in carrying out the Orchestra's mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

Use of Estimates

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

Income Taxes

The Orchestra is a not-for-profit corporation that is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expense

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of functional activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited using reasonable ratios determined by management.

NOTE B - FOUNDATION ENDOWMENT FUND

The Community Foundation of the Lowcountry, Inc. (the "Community Foundation") acts in an agency capacity for the Orchestra in order to provide permanent stewardship, management and oversight of certain Orchestra investments. The fund is invested by the Community Foundation in a pool of marketable securities and reported at fair value, which is the closing price reported on the active market on which the individual securities are traded. Fair value of the fund is determined based upon the Orchestra's allocated share of the Community Foundations's investment pool. Fair value for the fund is categorized as Level 1 under the fair value measurement hierarchy and was $266,357 and $237,952 at June 30, 2026 and 2025, respectively. The annual withdrawal amount is limited to 4.5% of the average fair market value of the account and totaled $10,369 and $10,156 for the years ended June 30, 2026 and 2025, respectively. Net investment income was $38,774 and $18,896 for the years ended June 30, 2026 and 2025, respectively.

In addition, the Community Foundation maintains a fund established by a donor which is designated for the benefit of the Orchestra as long as the Orchestra, or its purpose, continues to serve the public interest. Under generally accepted accounting principles the Orchestra can not recognize these funds as contributions until the right to receive is unconditional or the amounts are received. At June 30, 2026 and 2025, the fair market value of this fund was $224,122 and $200,220, and respectively. The annual withdrawal amount from this fund is limited to 4.5% of the average fair market value of the account and totaled $8,724 and $8,545 for the years ended June 30, 2026 and 2025, respectively.

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets as of June 30 are as follows:

	2026	2025
Cash and equivalents	$ 725,230	$ 587,545
Foundation endowment fund	266,357	237,952
Investments	906,381	944,269
Total Financial Assets	$ 1,897,968	$ 1,769,766

At June 30, 2026 and 2025, financial assets of approximately $796,000 and $797,000, respectively, were available to meet general expenditures over the next twelve months. Financial assets not available for general expenditure within the next twelve months include amounts held in the Community Foundation's endowment fund that are not available for distribution and investments subject to donor restrictions.

The Orchestra maintains funds in banks to maximize liquidity, minimize risk and aligned to meet short term requirements.

NOTE D - INVESTMENTS

Cost and market values as of June 30 are summarized as follows:

	2026	
	Cost	Fair Value
Investments:		
Marketable securities	$ 604,034	$ 901,112
Cash	5,269	5,269
Total Investments	$ 609,303	$ 906,381

	2025	
	Cost	Fair Value
Investments:		
Marketable securities	$ 614,657	$ 937,929
Cash	6,339	6,339
Total Investments	$ 620,996	$ 944,268

Investments in marketable securities are reported at fair market value based upon quoted prices in active markets and are categorized as Level 1 under the fair value measurement hierarchy. Investment return for the years ended June 30, 2026 and 2025, including the Foundation Endowment Fund disclosed in Note B, are summarized as follows:

	2026	2025
Investment earnings	$ 52,899	$ 44,844
Investment expenses	(17,586)	(9,878)
Unrealized investment gain	113,143	77,433
Foundation Endowment Fund	38,774	18,896
Total investment return	$ 187,230	$ 131,295

NOTE E - BOARD DESIGNATED QUASI ENDOWMENT FUND

In 2022, the Orchestra's Board of Directors established and initially funded an Endowment Fund for the purpose of increasing the Orchestra's restricted fund base. The investments of the Endowment Fund can be used for specific defined purposes only with the approval of the Board of Directors.

A summary of the Endowment Fund at June 30, is as follows:

	2026	2025
Beginning balance	$ 209,497	$ 297,039
Contributions	50,482	150,000
Withdrawals	(212,444)	(269,843)
Investment earnings	5,461	8,722
Investment expenses	(2,201)	(3,531)
Unrealized investment gain	19,715	27,110
Total Board Designated Investments	$ 70,510	$ 209,497

Subsequent to year-end, in July 2026, the Board of Directors designated $350,000 of net assets without donor restrictions to restore amounts previously withdrawn from the Board Designated Quasi Endowment Fund.

The Endowment Fund investments are professionally managed by a wealth management firm subject to the guidance and oversight of the Orchestra's Board of Directors.

NOTE F - CONCENTRATION OF CREDIT RISK

The Orchestra maintains its cash balances at several financial institutions. The FDIC covers $250,000 for substantially all depository accounts. At June 30, 2026 and 2025, the Orchestra has uninsured balances of $438,589 and $295,914, respectively.

Cash balances at brokerage firms are insured by SIPC up to $250.000 and marketable securities at up to $500,000. Private insurance provided by the brokerage firm covered balances in excess of these limits.

NOTE G - FINANCING ARRANGEMENTS

The Orchestra has a $200,000 line of credit with its bank that is renewed annually on January 1. Borrowings under the line of credit bear interest at 7.75% and are uncollateralized. At June 30, 2026 and 2025, the balance was $100,000 and $100,000, respectively. On July 8, 2026, subsequent to year end, the balance of the line of credit was paid in full.

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	2026	2025
Leasehold improvements	$ 841,252	$ 841,252
Computer equipment	19,816	17,800
Office furniture and equipment	45,244	40,698
Performance equipment	93,921	85,887
Total property and equipment	1,000,233	985,637
Accumulated depreciation	(943,461)	(894,747)
Net property and equipment	$ 56,772	$ 90,890

Depreciation and amortization expense for the years ended June 30, 2026 and 2025 was $48,942 and $128,644, respectively.

NOTE I - REAL PROPERTY LEASE AGREEMENTS

On February 28, 2025, the Orchestra entered into a lease for offices and performance center located in Hilton Head, South Carolina. The lease has a term of forty months that expires on June 30, 2028, with an option to extend for an additional three years. Under the lease, the Orchestra is required to make monthly payments of basic rent and an additional amount for taxes, insurance and common area maintenance. Annual office lease expense was $185,044 and $188,000 for the years ended June 30, 2026 and 2025, respectively.

Future minimum annual lease payments due over the term of the lease as of June 30, 2026:

2027	$ 188,000
2028	192,000
Total undiscounted minimum lease payments	$ 380,000
Less Discounts to present value	(21,716)
Total operating lease liability	$ 358,284

As of June 30, 2026, the weighted-average remaining lease term for the operating leases is 2 years. The Orchestra utilized its incremental borrowing rate as the risk-free rate. The risk-free rate associated with the operating leases as of June 30, 2026 was 4%.

Concert and rehearsal locations are leased on a seasonal basis primarily at First Presbyterian Church of Hilton Head, SC. Annual concert and rehearsal lease expense for all such facilities was $65,453 and $62,585 for the years ended June 30, 2026 and 2025, respectively. 2026 included rental of Carnegie Hall's Weill Recital Hall.

NOTE J - COMMITMENTS

The Orchestra has an independent contractor agreement in place with its Music Director which provides for annual increases in compensation plus additional amounts for performances if required beyond those scheduled in the agreement. The previous agreement expired June 30, 2025, and the new agreement was executed for the period of July 1, 2025, through June 30, 2028.

The Orchestra musicians are employed pursuant to the terms and conditions of a three-year wage scale and pension plan contract with the American Federation of Musicians Local 447-704. The agreement to end June 30, 2028, was ratified on June 6, 2025.

NOTE K - ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Orchestra evaluated all tax positions that could have a significant effect on the financial statements and determined that there are no uncertain tax positions at June 30, 2026.

NOTE L - NET ASSETS

Net assets with donor restrictions were available for the following purposes as of June 30:

	2026	2025
International Piano Competition	$ 37,835	$ 32,923
Youth programs	798,035	701,848
Permanent endowment fund	266,358	237,952
Total net assets	$ 1,102,228	$ 972,723

NOTE M - RELATED PARTY TRANSACTIONS

The Orchestra used a consultant, of which a Board member's wife is the owner, for Orchestra related administration. The consulting services and performance fee expenses for June 30, 2026 and 2025 were $8,730 and $13,850, respectively. Additionally, another Board member paid the Orchestra $6,500 for the rental of performance space during each of the years ended June 30, 2026 and 2025.

NOTE N - SUBSEQUENT EVENTS

The Orchestra has evaluated subsequent events through September 10, 2026, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.