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## UTAH SYMPHONY | UTAH OPERA

Financial Statements  
As of August 31, 2016 and 2015 and  
For the Years then Ended

Together with Independent Auditors' Report

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# Utah Symphony & Opera

## Financial Statements

As of August 31, 2016 and 2015 and

For the Years then Ended

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## INDEPENDENT AUDITORS' REPORT

### **The Board of Trustees Utah Symphony & Opera**

We have audited the accompanying financial statements of Utah Symphony & Opera (a Utah nonprofit organization) (the Organization), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Symphony & Opera as of August 31, 2016 and 2015, 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.

*Tanner LLC*

March 21, 2017

# Utah Symphony & Opera

## Statements of Financial Position

	August 31,	
	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 1,485,430	\$ 849,983
Accounts and grants receivable <i>(Note 2)</i>	1,894,479	3,431,437
Contributions receivable in less than one year, net of estimated uncollectible receivables of approximately \$27,000 and \$20,000, respectively <i>(Note 2)</i>	2,579,099	1,855,168
Interest and dividends receivable	63,893	56,627
Prepaid expenses	510,583	577,142
Contributions receivable in over one year <i>(Note 2)</i>	2,608,052	2,608,035
Endowment contributions receivable, net of estimated uncollectible receivables of approximately \$7,000 and \$2,000, respectively <i>(Note 2)</i>	646,787	807,066
Long-term investments <i>(Notes 3 and 4)</i>	32,100,469	31,513,716
Other investments <i>(Note 3)</i>	57,748	57,748
Land, building and equipment, net <i>(Note 5)</i>	3,518,779	3,677,585
Total assets	\$ 45,465,319	\$ 45,434,507
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,030,897	\$ 975,989
Line of credit <i>(Note 6)</i>	-	1,087,709
Deferred revenue	2,153,437	1,895,672
Note payable <i>(Note 7)</i>	200,000	250,000
Total liabilities	3,384,334	4,209,370
Net assets:		
Unrestricted <i>(Note 8)</i> :		
Accumulated lossess - operating fund	(757,927)	(732,149)
Board designated fund	6,751,173	6,348,338
Total unrestricted net assets	5,993,246	5,616,189
Temporarily restricted net assets <i>(Note 9)</i>	7,898,134	7,581,594
Permanently restricted net assets <i>(Note 10)</i>	28,189,605	28,027,354
Total net assets	42,080,985	41,225,137
Total liabilities and net assets	\$ 45,465,319	\$ 45,434,507

# Utah Symphony & Opera

## Statement of Activities

Year Ended August 31, 2016

	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	
	Operating	Board Designated				Total Unrestricted
Revenues:						
Performance revenues	\$6,048,561	\$ -	\$6,048,561	\$ -	\$ -	\$ 6,048,561
Government grants and fees:						
Awarded	2,083,214	-	2,083,214	1,234,072	-	3,317,286
Released from restriction	2,614,967	-	2,614,967	(2,614,967)	-	-
Total government grants and fees	4,698,181	-	4,698,181	(1,380,895)	-	3,317,286
Contributions:						
Awarded	6,926,146	111,702	7,037,848	4,544,825	407,170	11,989,843
In-kind	1,435,523	-	1,435,523	-	-	1,435,523
Released from restriction	2,647,136	400,000	3,047,136	(2,647,136)	(400,000)	-
Total contributions	11,008,805	511,702	11,520,507	1,897,689	7,170	13,425,366
Other:						
Set and costume rentals	503,063	-	503,063	-	-	503,063
Other income	65,986	-	65,986	-	-	65,986
Investment income (loss), net of transfers (Notes 1 and 3)	1,751,111	45,715	1,796,826	(190,549)	365,766	1,972,043
Total other	2,320,160	45,715	2,365,875	(190,549)	365,766	2,541,092
Total revenues	24,075,707	557,417	24,633,124	326,245	372,936	25,332,305
Expenses (Note 12):						
Program expenses	20,688,934	-	20,688,934	-	-	20,688,934
Management and general	2,239,929	21,262	2,261,191	9,481	205,469	2,476,141
Fundraising	1,172,622	133,320	1,305,942	224	5,216	1,311,382
Total expenses	24,101,485	154,582	24,256,067	9,705	210,685	24,476,457
Changes in net assets	(25,778)	402,835	377,057	316,540	162,251	855,848
Net assets (deficit) at beginning of the year	(732,149)	6,348,338	5,616,189	7,581,594	28,027,354	41,225,137
Net assets (deficit) at end of the year	\$ (757,927)	\$ 6,751,173	\$ 5,993,246	\$ 7,898,134	\$ 28,189,605	\$ 42,080,985

# Utah Symphony & Opera

## Statement of Activities

Year Ended August 31, 2015

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Total Unrestricted			
Revenues:						
Performance revenues	\$5,341,698	\$ -	\$5,341,698	\$ -	\$ -	\$ 5,341,698
Government grants and fees:						
Awarded	2,827,924	-	2,827,924	2,614,967	-	5,442,891
Released from restriction	1,445,778	-	1,445,778	(1,445,778)	-	-
Total government grants and fees	4,273,702	-	4,273,702	1,169,189	-	5,442,891
Contributions:						
Awarded	6,850,629	120,627	6,971,256	2,413,746	86,339	9,471,341
In-kind	1,471,716	-	1,471,716	-	-	1,471,716
Released from restriction	1,982,691	190,600	2,173,291	(1,472,691)	(700,600)	-
Total contributions	10,305,036	311,227	10,616,263	941,055	(614,261)	10,943,057
Other:						
Set and costume rentals	526,352	-	526,352	-	-	526,352
Other income	50,016	-	50,016	-	-	50,016
Investment income (loss), net of transfers (Notes 1 and 3)	1,443,005	(228,803)	1,214,202	(219,581)	(2,282,290)	(1,287,669)
Total other	2,019,373	(228,803)	1,790,570	(219,581)	(2,282,290)	(711,301)
Total revenues	21,939,809	82,424	22,022,233	1,890,663	(2,896,551)	21,016,345
Expenses (Note 12):						
Program expenses	18,738,549	-	18,738,549	-	-	18,738,549
Management and general	2,224,263	21,229	2,245,492	11,959	218,585	2,476,036
Fundraising	967,958	113,952	1,081,910	2,551	31,630	1,116,091
Total expenses	21,930,770	135,181	22,065,951	14,510	250,215	22,330,676
Changes in net assets	9,039	(52,757)	(43,718)	1,876,153	(3,146,766)	(1,314,331)
Net assets (deficit) at beginning of the year	(741,188)	6,401,095	5,659,907	5,705,441	31,174,120	42,539,468
Net assets (deficit) at end of the year	\$ (732,149)	\$6,348,338	\$5,616,189	\$7,581,594	\$ 28,027,354	\$ 41,225,137

# Utah Symphony & Opera

## Statements of Cash Flows

	Years Ended August 31,	
	2016	2015
<b>Operating activities</b>		
Change in net assets	\$ 855,848	\$ (1,314,331)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	307,157	298,032
Contributed equipment	-	(79,434)
Bad debt expense (recovery)	(13,022)	72,302
Net loss on sale of equipment	-	551
Non-cash reduction of debt	(50,000)	(50,000)
Interest and dividends restricted for long-term investments	(697,293)	(701,286)
Net unrealized and realized (gains) losses on long-term investments	(1,196,988)	2,064,267
Changes in operating assets and liabilities:		
Accounts and contributions receivable	986,311	(872,540)
Interest and dividends receivable	(7,266)	1,364
Prepaid expenses	66,559	(240,975)
Accounts payable and accrued expenses	54,908	(456,192)
Deferred revenue	257,765	45,151
Net cash provided by (used in) operating activities	563,979	(1,233,091)
<b>Investing activities</b>		
Purchases of property and equipment	(148,351)	(154,819)
Net proceeds from sale of long-term investments	1,307,528	1,020,207
Net cash provided by investing activities	1,159,177	865,388
<b>Financing activities</b>		
Proceeds from line of credit	4,486,089	8,046,883
Payments on line of credit	(5,573,798)	(7,965,994)
Net cash provided by (used in) financing activities	(1,087,709)	80,889
Net increase (decrease) in cash and cash equivalents	635,447	(286,814)
Cash and cash equivalents:		
Beginning of the year	849,983	1,136,797
End of the year	\$ 1,485,430	\$ 849,983



# **Utah Symphony & Opera**

## **Notes to Financial Statements**

### **August 31, 2016 and 2015**

#### **1. Significant Accounting Policies**

##### **Description of Business and Operations**

Utah Symphony & Opera (Symphony & Opera or the Organization) was formed on July 8, 2002, when the respective Boards of Trustees (Board of Trustees or Board) for both the Utah Symphony (the Symphony) and Utah Opera Company (the Opera) voted to merge the two organizations into one operating entity. The Opera's name was then changed to Utah Symphony & Opera and the new Organization adopted the fiscal year-end of August 31. The combined Organization functions as a nonprofit corporation without affiliation with the State of Utah.

In addition to its significant cultural and educational value, the Symphony & Opera also acts as a goodwill ambassador for the State of Utah through its local, national, and international tours and helps to provide opportunities for promising young artists through its outreach programs.

Utah Symphony Guild and Ogden Opera Guild serve as support organizations for the Symphony & Opera, which exist to increase public recognition of opera and symphonic works and to solicit donations. The results of these fundraising activities are recorded in the Board Designated Fund.

Utah Symphony & Opera funds its operations with revenues received from ticket sales, concert presenter's fees, costume and set rentals, governmental and other grants, investment income, and contributions.

##### **Risks and Uncertainties**

Risks and uncertainties are inherent with the Collective Bargaining Agreement (CBA) that the Organization has with the American Federations of Musicians, Local 104. The Organization employs approximately 148 individuals on a full-time basis and approximately 18 on a part-time basis. Members of the American Federation of Musicians Local 104 union make up 60% of the total full-time employees. The current CBA was entered into on September 1, 2015 and is set to expire August 31, 2018.

##### **Concentration of Credit Risk**

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of August 31, 2016, the Organization had cash of approximately \$1,600,000 that exceeded federally insured limits. To date, the Organization has not experienced any loss or lack of access to its cash; however, no assurance can be provided that access to the Organization's cash will not be impacted by adverse conditions in the financial markets.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Concentration of Credit Risk (continued)

Certain assets that potentially subject the Organization to concentration of credit risk consist primarily of accounts, grants, and contributions receivable. In the normal course of its activities, the Organization records receivables from customers and donors. Accordingly, the Organization performs ongoing evaluations of accounts, grants, and contributions receivable and maintains allowances for possible losses on accounts, grants, and contributions receivable, which, when realized, have been within the range of management's expectations. Credit risk pertaining to accounts, grants, and contributions receivable is comprised of numerous factors including the overall economic conditions in the geographic area in which the Organization's customers and donors are located.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank deposits, and highly liquid financial instruments with a maturity of three months or less when purchased. Cash and cash equivalents include only funds that are not restricted by the donor. Cash and cash equivalents that are part of restricted funds are included in investments.

#### Accounts, Grants, and Contributions Receivable

Pledges to contribute over future periods are discounted at the Organization's current borrowing rate to present values and recorded in the current period as restricted revenue and contributions receivable. As of August 31, 2016 and 2015, the discount on these pledges was approximately \$210,000 and \$173,000, respectively. These contributions represent unconditional promises to donate within the next one to ten years. The Organization also records an estimate for uncollectible receivables based on historical payment experience coupled with projections and estimates of pledges and actual amounts expected to be received.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Fund Accounting and Net Asset Classifications

To ensure observance of limitations and restrictions placed on the use of resources available to the Symphony & Opera, the financial records of the Organization are maintained on the accrual basis of accounting utilizing “fund accounting” and by applying the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to endowment funds. Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specific activities and objectives.

Separate accounts are maintained for each fund. In the accompanying financial statements, funds with similar characteristics have been combined into three net asset categories: unrestricted, temporarily restricted, and permanently restricted. See Notes 8, 9, and 10 for additional discussion of these net asset categories.

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. The State of Utah has adopted UPMIFA.

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and to maintain the fair value of the accumulated contributions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the 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 Organization
- (7) The investment policies of the Organization

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Investments

Investments in equity and debt securities are measured at fair value in the statements of financial position. Net realized and unrealized gains and losses on unrestricted net asset investments, including those held within the Board Designated Fund, are included in unrestricted investment income in the statements of activities. Net realized and unrealized gains and losses on restricted net asset investments, restricted by donors or law, are included in temporarily or permanently restricted investment income in the statements of activities. Realized gains and losses are determined using the specific identification method. Investment related expenses were approximately \$240,000 and \$257,000 for the years ended August 31, 2016 and 2015, respectively and are recorded in management and general expenses.

Management of the Symphony & Opera has retained the separate and distinct character of the respective Symphony and Opera endowment investment funds. New endowment funds have been created for donations received subsequent to the merger.

Effective September 1, 2002, the Symphony & Opera's Board of Trustees adopted a resolution to transfer five percent of the value of the Permanently Restricted Fund annually for use in its operations. The amounts are transferred from the Permanently Restricted Fund to the Operating Fund. The annual five percent draw is based on an average of the market value of investments for the most recent 12 completed calendar quarters preceding the start of the fiscal year.

The Organization's Investment Policy states that no more than 75% of investments may be equities in the investment mix of equities and fixed income. The investment of funds is intended to support the long term financial viability of the Organization. Investment objectives encompass: optimizing portfolio efficiency by minimizing expected portfolio risk and seeking opportunities to reduce fees and expenses, providing liquidity to meet near term cash forecast needs while timing cash withdrawals with portfolio returns, and preserving capital by avoiding significant and sustained loss in market value.

#### Land, Building and Equipment

Land, building and equipment are stated at cost or estimated fair value at the date of acquisition or gift, respectively, and include expenditures that substantially extend the useful lives of existing assets. Expenditures for normal maintenance and repairs are charged to operations as incurred. The cost of the building and equipment is being depreciated using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years. The Organization has a significant amount of costumes, wigs and props that are not recorded on the statement of financial position. Expenditures for these items are expensed as incurred.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Long-lived assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that the estimated undiscounted future cash flows are not sufficient to recover the carrying value of the asset, an impairment loss is recognized in the statement of activities for the difference between the carrying value and the fair value of the asset. Management does not consider any of the Organization's assets to be impaired as of August 31, 2016 and 2015.

#### Revenue Recognition and Deferred Revenue

The majority of the Organization's revenue stems from donor contributions, grants, and performance ticket sales. Contributions are generally recognized as revenue at fair value in the period received or unconditionally pledged. Contributions of services are recognized only if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributions received are considered to be available for use unless specifically restricted by the donor. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Utah Symphony & Opera records contributions as temporarily restricted if they are received with donor stipulations limiting the use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Utah Symphony & Opera rents its costumes, wigs, sets and props to individuals and other organizations across North America. It also constructs costumes and sets for other organizations. The majority of the Organization's rental contracts are short term. Rental income is recognized upon shipment of the rented goods. Construction income is recognized based on the percentage completed based on costs incurred. Rental and construction income of approximately \$503,000 and \$526,000 is included on the statement of activities for the years ended August 31, 2016 and 2015, respectively.

Deferred revenue arises from subscription ticket sales and advance ticket sales, including refundable gift certificates, and is recognized as revenue when the performance for which the tickets have been sold occurs.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Revenue Recognition and Deferred Revenue (continued)

As part of the Zoo, Arts and Parks Sales Tax Initiative passed in 1996, and reaffirmed in November 2015, Utah Symphony & Opera receives funds from Salt Lake County (the County) and records revenues based on an estimated allotment provided by the County. As of August 31, 2016 and 2015, approximately \$542,000 and \$548,000, respectively, was recorded as an unrestricted receivable and increase in unrestricted grants and fees. As of August 31, 2016 and 2015, approximately \$787,000 and \$730,000, respectively, was recorded as a temporarily restricted receivable and increase in temporarily restricted grants and fees.

Revenue for these transactions are recorded as temporarily restricted revenues and released into operations when the purpose is met. Periodically, the County reconciles actual sales tax receipts with payments already made to the Organization and retroactively adjusts the estimated allotment. The adjustments result from actual sales tax collections being different than originally estimated by the County. The Organization records these adjustments as they receive formal communication from the County of the adjustment. For the year ended August 31, 2016, and 2015, the total adjustment increased government grants and fees by approximately \$121,000 and \$105,000, respectively.

#### Contributions-in-Kind

The Symphony & Opera receives donated services and materials that are used in the operations of the Organization. These donated services and materials are recorded at estimated fair value.

The following is a summary of amounts that were recorded as both revenues and expenses (or assets) from unrestricted in-kind contributions for the years ended August 31:

	<u>2016</u>	<u>2015</u>
Program expenses:		
Advertising expenses	\$ 694,172	\$ 1,009,844
Production expenses	297,112	106,513
Management and general and fundraising expenses	444,239	275,925
Contributed equipment	-	79,434
	<u>\$ 1,435,523</u>	<u>\$ 1,471,716</u>

Certain members of the Utah Symphony & Opera's Board of Trustees, or companies affiliated with certain board members, provided certain amounts of in-kind contributions for advertising services.

#### Volunteers

A number of volunteers have made contributions of time to the Utah Symphony & Opera's program and support functions. The value of this contributed time does not meet the criteria for recognition of contributions-in-kind and, accordingly, is not reflected in the accompanying financial statements.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 1. Significant Accounting Policies (continued)

#### Income Tax Status

The Internal Revenue Service has ruled that Utah Symphony & Opera's predecessor organization, Utah Opera Company, qualifies under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is, therefore, not subject to tax under present income tax laws. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Based on communication with the IRS, the combination of the Opera and the Symphony has not negatively affected the tax qualification under section 501(c)(3). The Organization is required to operate in conformity with the IRC in order to maintain its tax exempt qualification.

As of August 31, 2016, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

#### Advertising Expenses

The Symphony & Opera expense advertising costs as incurred. Amounts expensed for advertising, including in-kind expenses, were approximately \$2,171,000 and \$2,306,000 for the years ended August 31, 2016 and 2015, respectively.

#### Subsequent Events

Management has evaluated subsequent events that have occurred through March 21, 2017, the date the financial statements were available to be issued, and determined that no additional disclosures are required to be made.

#### Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to conform to the 2016 presentation.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 2. Accounts, Grants, and Contributions Receivable

The net balance of accounts, grants, and contributions receivable consists of the following as of August 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts and grants receivable	\$ 1,080,407	\$ 814,072	\$ —	\$ 1,894,479
Contributions receivable in less than one year	316,345	2,262,754	—	2,579,099
Contributions receivable in over one year	—	2,608,052	—	2,608,052
Endowment contributions receivable	—	—	646,787	646,787
	\$ 1,396,752	\$ 5,684,878	\$ 646,787	\$ 7,728,417

As of August 31, 2016, approximately \$681,000 (5% of temporarily restricted receivables and 59% of permanently restricted receivables) was receivable from Donor A. Contributions for operations received in 2016 from Donor A were approximately \$613,000. As of August 31, 2016, approximately \$2 million (35% of temporarily restricted receivables) was receivable from Donor B. Contributions for operations received in 2016 from Donor B were approximately \$2 million.

During the year ended August 31, 2016, the Utah State Office of Education granted \$1.5 million and Salt Lake County granted \$2.6 million. As of August 31, 2016, Salt Lake County represented approximately \$892,000 or 64% of the unrestricted receivables and \$787,000 or 14% of temporarily restricted receivables.

The net balance of accounts, grants, and contributions receivable consist of the following as of August 31, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Accounts and grants receivable	\$ 1,186,470	\$ 2,244,967	\$ —	\$ 3,431,437
Contributions receivable in less than one year	986,654	868,514	—	1,855,168
Contributions receivable in over one year	34,625	2,573,410	—	2,608,035
Endowment contributions receivable	—	—	807,066	807,066
	\$ 2,207,749	\$ 5,686,891	\$ 807,066	\$ 8,701,706



# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 2. Accounts, Grants, and Contributions Receivable (continued)

All accounts and contributions receivable as of August 31, 2016 are receivable within one to five years as noted below:

	<b>Accounts, Grants, and Contributions</b>	<b>Endowment</b>	<b>Total</b>
Current through August 31, 2017	\$ 4,499,795	\$ 50,500	\$ 4,550,295
From September 1, 2017 to August 31, 2021	2,608,635	603,133	3,211,768
	<u>7,108,430</u>	<u>653,633</u>	<u>7,762,063</u>
Less estimated uncollectible receivables	(26,800)	(6,846)	(33,646)
	<u>\$ 7,081,630</u>	<u>\$ 646,787</u>	<u>\$ 7,728,417</u>

### 3. Investments

On November 25, 2008, the Organization was notified by an investment manager that its investment in certain hedge funds was to be liquidated over a five-year period beginning June 2009. Liquidation has been extended through January 2018. As of August 31, 2016, the fair value of these investments was approximately \$28,000.

The following is a summary of investments as of August 31:

	<b>2016</b>	<b>2015</b>
Long-term investments:		
Corporate stocks	\$ 22,587,348	\$ 21,541,972
Corporate bonds	4,997,935	5,875,839
Government bonds	2,574,562	2,702,919
Instrument loans	98,737	107,049
Hedge funds	27,871	34,886
Money market	1,814,016	1,251,051
	<u>\$ 32,100,469</u>	<u>\$ 31,513,716</u>
Other investments:		
Real estate	\$ 6,900	\$ 6,900
Art	50,848	50,848
	<u>\$ 57,748</u>	<u>\$ 57,748</u>

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 3. Investments (continued)

Major categories of the Symphony & Opera's investment income (losses) are summarized as follows:

	For the Year Ended August 31, 2016				
	Un- Restricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	\$ 1,608	\$ 14,860	\$ 6,221	\$ 136,204	\$ 158,893
Dividends	6,409	54,885	24,952	529,916	616,162
	8,017	69,745	31,173	666,120	775,055
Unrealized gains	21,365	111,459	51,391	1,077,244	1,261,459
Realized gains (losses)	1,941	(5,870)	(3,533)	(57,009)	(64,471)
	23,306	105,589	47,858	1,020,235	1,196,988
Investment income before transfers	31,323	175,334	79,031	1,686,355	1,972,043
Transfers *	1,719,788	(129,619)	(269,580)	(1,320,589)	-
Investment income (loss), net of transfers	\$1,751,111	\$ 45,715	\$ (190,549)	\$ 365,766	\$ 1,972,043
	For the Year Ended August 31, 2015				
	Un- restricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	\$ 1,771	\$ 10,210	\$ 5,799	\$ 109,341	\$ 127,121
Dividends	9,298	54,033	30,707	555,439	649,477
	11,069	64,243	36,506	664,780	776,598
Unrealized losses	(49,889)	(219,821)	(125,769)	(2,258,760)	(2,654,239)
Realized gains (losses)	(22,048)	51,457	29,230	531,333	589,972
	(71,937)	(168,364)	(96,539)	(1,727,427)	(2,064,267)
Investment loss, before transfers	(60,868)	(104,121)	(60,033)	(1,062,647)	(1,287,669)
Transfers*	1,503,873	(124,682)	(159,548)	(1,219,643)	-
Investment income (loss), net of transfers	\$ 1,443,005	\$ (228,803)	\$ (219,581)	\$ (2,282,290)	\$ (1,287,669)

\* The Organization transfers five percent of the Permanently Restricted Fund annually, regardless of the actual return.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 4. Fair Value Measurements

The Organization measures fair value using the following fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2—Observable inputs other than quoted prices in active markets for identical assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Where quoted prices are available in an active market, investments are classified within level 1 of the hierarchy. If quoted prices are not available, then fair values, estimated using pricing models, quoted prices, or securities with similar characteristics are categorized within level 2 of the hierarchy. Level 3 investments are valued using a discounted cash flows and cost approach.

Assets measured at fair value on a recurring basis as of August 31, 2016 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Corporate stocks	\$ 22,587,348	\$ —	\$ —	\$ 22,587,348
Corporate bonds	—	4,997,935	—	4,997,935
Government bonds	—	2,574,562	—	2,574,562
Instrument loans	—	—	98,737	98,737
Hedge funds	—	—	27,871	27,871
Money market	1,814,016	—	—	1,814,016
<b>Total</b>	<b>\$ 24,401,364</b>	<b>\$ 7,572,497</b>	<b>\$ 126,608</b>	<b>\$ 32,100,469</b>

Assets measured at fair value on a recurring basis as of August 31, 2015 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Corporate stocks	\$ 21,541,972	\$ —	\$ —	\$ 21,541,972
Corporate bonds	—	5,875,839	—	5,875,839
Government bonds	—	2,702,919	—	2,702,919
Instrument loans	—	—	107,049	107,049
Hedge funds	—	—	34,886	34,886
Money market	1,251,051	—	—	1,251,051
<b>Total</b>	<b>\$ 22,793,023</b>	<b>\$ 8,578,758</b>	<b>\$ 141,935</b>	<b>\$ 31,513,716</b>

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 4. Fair Value Measurements (continued)

Level 3 assets are summarized as below:

	Instrument Loans	Hedge Funds
Balance as of September 1, 2014	\$ 75,126	\$ 51,268
Total gains [realized/unrealized/interest]	4,385	74
Net purchases/loans and (settlements/payments)	27,538	(16,456)
Balance as of August 31, 2015	107,049	34,886
Total gains (loss) [realized/unrealized/interest]	<b>4,256</b>	<b>(3,542)</b>
Net purchases/loans and (settlements/payments)	<b>(12,568)</b>	<b>(3,473)</b>
Balance as of August 31, 2016	<b>\$ 98,737</b>	<b>\$ 27,871</b>

### 5. Land, Building and Equipment

Land, building and equipment as of August 31, are summarized as follows:

	2016	2015
Land	\$ 229,500	\$ 229,500
Building and improvements	5,802,984	5,657,131
Office equipment	346,125	353,247
Hall equipment	549,692	549,692
Production equipment	230,157	230,157
Production sets	1,289,039	1,289,039
Vehicles	141,737	141,737
Construction in process	27,318	24,820
	<b>8,616,552</b>	<b>8,475,323</b>
Less accumulated depreciation	<b>(5,097,773)</b>	<b>(4,797,738)</b>
	<b>\$ 3,518,779</b>	<b>\$ 3,677,585</b>

Utah Symphony & Opera uses the facilities of Abravanel Hall and the Capitol Theater under a lease agreement with Salt Lake County, which is renewable annually. Rental expense for these facilities was approximately \$381,000 and \$357,000 for the years ended August 31, 2016 and 2015, respectively.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 6. Line of Credit

The Organization has a line of credit for \$1,800,000. The interest rate is at prime rate less 1.0%, but is subject to a rate of at least 4%. The Organization had \$0 and \$1,087,709 outstanding under the line of credit as of August 31, 2016 and 2015, respectively. The line of credit is secured by certain assets of the Board Designated Utah Opera Surplus Endowment Fund, and the Board has permitted management to utilize this line of credit at its discretion. The bank has restricted the draws to 75% of the collateral's value. As of August 31, 2016, the line of credit was limited to \$1,725,000. The Organization expects to renew the line of credit when it expires on March 15, 2017.

Interest expense for the years ended August 31, 2016 and 2015 was \$16,470 and \$26,314, respectively. Cash paid for interest was \$9,245 and \$16,102 for the years ended August 31, 2016 and 2015, respectively. Interest expense is recorded in management and general expenses.

### 7. Note Payable

The note payable consists of a promissory note payable to the Redevelopment Agency of Salt Lake City and is due October 31, 2021, with interest at 3%. The principal balance of the note payable as of August 31, 2016 and 2015 was \$200,000 and \$250,000, respectively. The loan agreement was amended to allow for a credit against the principal of the loan in the amount of \$50,000 annually if the Organization performs one concert at the Gallivan Center during the year. In fiscal 2016 and 2015, the Organization performed the required concerts to receive the credit. Accrued interest on the note was \$7,225 and \$10,212 as of August 31, 2016 and 2015, respectively. The Symphony & Opera has the option of paying the interest on the note in cash or by receiving credit for value in-kind or a combination of cash and in-kind services. Through fiscal 2016, the Organization has provided in-kind services sufficient to cover all interest expense associated with this note. The promissory note is collateralized by a deed of trust granting a security interest in the real property owned by the Organization.

### 8. Unrestricted Net Assets

Unrestricted net assets include amounts from the Operating Fund and from the Board Designated Fund. All general operating revenues and expenses related to the program activities of the Organization, which are included in the Operating Fund, are presented in the unrestricted section of the statements of activities.

The Board of Trustees approved lending \$3,220,000 from the Board Designated Fund to assist in financing operating deficits between December 2008 and November 2011. On November 20, 2013, the board amended the original terms of the inter-fund loan. Currently the inter-fund loan is non-interest bearing and is required to be repaid in 10 equal annual installments beginning August 31, 2019. For the year ended August 31, 2016, the board designated \$0 in gifts to pay down the inter-fund loan. The balance of the inter-fund loan as of August 31, 2016 was \$2,669,400.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 8. Unrestricted Net Assets (continued)

The Board Designated Fund consists of funds with no donor or legal restrictions, but through Board resolutions it has been set aside for specific purposes. As of August 31, the fund consists of the following:

	2016	2015
Board Designated Reserve Fund	\$ 4,079,039	\$ 4,058,528
Utah Opera Surplus Endowment Fund	2,690,388	2,287,656
Guild Operations	(18,254)	2,154
	\$ 6,751,173	\$ 6,348,338

Assets underlying the Utah Opera Surplus Endowment Fund have been pledged as security on the line of credit. The Utah Opera Surplus Endowment Fund requires a 90% vote of the full Board to access such funds. The Board Designated Reserve Fund is used to offset any year-end deficits in the Operating Fund and for such other purposes as the Board may from time to time determine. For the years ended August 31, 2016 and 2015, there were no transfers between the Board Designated Reserve Fund and the Operating Fund except for the loan described above.

### 9. Temporarily Restricted Net Assets

As of August 31, temporarily restricted net assets are available for the following purposes or periods:

	2016	2015
Funds for use in future periods	\$ 5,020,796	\$ 3,619,218
Governmental grants received for use in future periods	1,221,572	2,604,967
Deer Valley Music Festival	792,468	148,173
Funds for a specified purpose	624,373	770,281
Opera Production Studio Expansion	238,925	438,955
	\$ 7,898,134	\$ 7,581,594

All amounts released from temporary restriction during the years ended August 31, 2016 and 2015 were released following the fulfillment of purpose or expiration of time restrictions placed on the assets.

The Opera Production Studio Expansion was completed in fiscal year 2003. The remaining funds held in Temporarily Restricted Net Assets represent donations received in excess of the cost of the expansion and are to be used for the operation and maintenance of the building. For the years ended August 31, 2016 and 2015, approximately \$270,000 and \$160,000, respectively, was transferred from the Opera Production Studio Expansion Temporarily Restricted Fund to offset costs associated with the operations and maintenance of this building.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 10. Permanently Restricted Net Assets

Permanently restricted net assets represent the Donor Restricted Endowment Fund of the Symphony and the Opera, which consists primarily of investments and accrued investment income restricted in perpetuity by the donor of the assets. This endowment was established from donor restricted endowment contributions or grants from charitable individuals, foundations, agencies or other groups and includes matching funds raised by the Organization when the contribution or grant requires such conditions. These amounts, including the matching contributions, are restricted for permanent endowment. At its discretion, the Symphony & Opera's Board of Trustees can transfer investment income, as determined by the 5% annual draw investment policy (see Note 1), to the Operating Fund in order to fund general operations.

As of August 31, categories of permanently restricted net assets are as follows:

	<u>2016</u>	<u>2015</u>
General Operations for Symphony	<b>\$ 12,547,474</b>	\$ 12,242,470
General Operations for Symphony & Opera	<b>11,190,565</b>	11,429,999
Park City Enhancement (Capital Improvements)	<b>972,635</b>	922,880
General Operations for Deer Valley Music Festival	<b>963,734</b>	954,842
Ogden/Weber Outreach	<b>782,644</b>	762,707
General Operations for Opera	<b>684,788</b>	683,918
Opera Ensemble/Education Programs	<b>630,739</b>	629,844
Instrument Loan Fund	<b>284,378</b>	268,480
Symphony Chorus	<b>120,648</b>	120,214
Orchestra Refreshment Fund	<b>12,000</b>	12,000
	<b><u>\$ 28,189,605</u></b>	<b><u>\$ 28,027,354</u></b>

### 11. Retirement Programs and Commitments

All of the musicians are covered by the American Federation of Musicians Employers Pension and Welfare (AFM-EPW) defined benefit pension plan, which is sponsored and administered by their union (the Union Plan), or a Section 401(k) retirement plan. The Organization contributes on behalf of each musician an amount equal to 8% of that musician's salary, up to the prevailing minimum salary or 9% for musicians employed for 15 years or more. Additional contributions based upon media services are computed according to the current rates of the AFM-EPW. Assets and vested benefits are not segregated by unit within the Union Plan. As a result, it is not possible to determine the portion of the assets and vested benefits or unfunded liabilities of the Union Plan that are applicable to the Symphony musicians.

In March 2010, the AFM-EPW notified the Organization that it certified the plan to be in "critical status" for the plan year beginning April 1, 2010. As such, the Plan adopted a rehabilitation plan that reduces benefits paid and requires employers to pay a surcharge on contributions to the fund. The surcharge start date was June 1, 2010. This surcharge is currently 9% of contributions.

# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 11. Retirement Programs and Commitments (continued)

Beginning December 12, 2009, the Organization created two 401(k) retirement plans. One plan is for the benefit of full-time AFM Union members and one is for full-time non-union members. Employees may contribute a portion of their compensation to this plan, subject to limitations established by the IRC. The contributed funds are held in individual accounts with an outside manager.

The cost to the Symphony & Opera of contributions to all of the above retirement programs incurred by the Operating Fund was approximately \$659,000 and \$564,000 for the years ended August 31, 2016 and 2015, respectively.

### 12. Functional Expenses

The functional expenses of the Symphony & Opera's operations are as follows:

	Year Ended August 31, 2016			Total
	Program	Management and General	Fund-Raising	
Salaries and wages	\$ 12,349,360	\$ 1,181,338	\$ 624,663	\$ 14,155,361
Guest artists	2,612,758	—	—	2,612,758
Marketing	2,171,038	—	—	2,171,038
Production	2,637,314	—	10,067	2,647,381
Cultivation events	—	—	448,719	448,719
Rent	443,671	62,039	—	505,710
Set and costume rental	373,639	—	—	373,639
Professional	—	66,026	34,000	100,026
Depreciation	101,154	206,003	—	307,157
Guild	—	—	133,320	133,320
Bad debts	—	7,007	13,022	20,029
Other	—	953,728	47,591	1,001,319
	<b>\$ 20,688,934</b>	<b>\$ 2,476,141</b>	<b>\$ 1,311,382</b>	<b>\$ 24,476,457</b>



# Utah Symphony & Opera

## Notes to Financial Statements (continued)

### 12. Functional Expenses (continued)

	Year Ended August 31, 2015			
	Program	Management and General	Fund- Raising	Total
Salaries and wages	\$ 11,809,388	\$ 1,020,111	\$ 658,528	\$ 13,488,027
Guest artists	2,341,433	-	-	2,341,433
Marketing	2,305,231	-	837	2,306,068
Production	1,427,999	-	-	1,427,999
Cultivation events	-	-	205,412	205,412
Rent	400,782	60,822	-	461,604
Set and costume rental	330,061	-	-	330,061
Professional	27,948	46,527	1,590	76,065
Depreciation	95,707	202,325	-	298,032
Guild	-	-	113,952	113,952
Bad debts	-	-	72,302	72,302
Other	-	1,146,251	63,470	1,209,721
	\$ 18,738,549	\$ 2,476,036	\$ 1,116,091	\$ 22,330,676