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UTAH SYMPHONY | UTAH OPERA

Financial Statements
As of August 31, 2017 and 2016 and
for the Years then Ended

Together with Independent Auditors' Report

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Utah Symphony & Opera

Financial Statements

As of August 31, 2017 and 2016 and

for the Years then Ended

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TANNER
BUSINESS ADVISORS AND
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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 (the Organization), a Utah nonprofit organization, which comprise the statements of financial position as of August 31, 2017 and 2016, 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 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 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, 2017 and 2016, 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

January 31, 2018

Utah Symphony & Opera

Statements of Financial Position

	August 31,	
	2017	2016
Assets		
Cash and cash equivalents	\$ 1,490,909	\$ 1,485,430
Accounts and grants receivable <i>(Note 2)</i>	1,722,295	1,894,479
Contributions receivable, less than one year, net <i>(Note 2)</i>	2,115,366	2,579,099
Interest and dividends receivable	1,659	63,893
Prepaid expenses	563,497	510,583
Contributions receivable, over one year <i>(Note 2)</i>	967,452	2,608,052
Endowment contributions receivable, net <i>(Note 2)</i>	941,530	646,787
Long-term investments <i>(Notes 3 and 4)</i>	32,977,694	32,100,469
Other investments <i>(Note 3)</i>	57,748	57,748
Land, building and equipment, net <i>(Note 5)</i>	3,302,977	3,518,779
Total assets	\$ 44,141,127	\$ 45,465,319
 Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,539,285	\$ 1,030,897
Deferred revenue	2,533,838	2,153,437
Note payable <i>(Note 7)</i>	150,000	200,000
Total liabilities	4,223,123	3,384,334
 Commitments and contingencies <i>(Note 12)</i>		
Net assets:		
Unrestricted <i>(Note 8)</i> :		
Operating fund	(1,039,675)	(757,927)
Board designated fund	6,729,514	6,751,173
Total unrestricted net assets	5,689,839	5,993,246
Temporarily restricted net assets <i>(Note 9)</i>	5,066,358	7,898,134
Permanently restricted net assets <i>(Note 10)</i>	29,161,807	28,189,605
Total net assets	39,918,004	42,080,985
Total liabilities and net assets	\$ 44,141,127	\$ 45,465,319

Utah Symphony & Opera

Statement of Activities

Year Ended August 31, 2017

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Operating	Board Designated	Total Unrestricted			
Revenues:						
Performance revenues	\$ 7,107,792	\$ -	\$ 7,107,792	\$ -	\$ -	\$ 7,107,792
Government grants and fees:						
Awarded	3,235,978	-	3,235,978	765,076	-	4,001,054
Released from restriction	1,109,072	-	1,109,072	(1,109,072)	-	-
Total government grants and fees	4,345,050	-	4,345,050	(343,996)	-	4,001,054
Contributions:						
Awarded	4,705,062	509,302	5,214,364	1,149,821	818,962	7,183,147
In-kind	1,045,516	-	1,045,516	-	-	1,045,516
Released from restriction	3,973,677	(400,000)	3,573,677	(3,573,677)	-	-
Total contributions	9,724,255	109,302	9,833,557	(2,423,856)	818,962	8,228,663
Other:						
Set and costume rentals	942,971	-	942,971	-	-	942,971
Other income	66,806	-	66,806	-	-	66,806
Investment income (loss), net of transfers (Notes 1 and 3)	1,681,124	79,613	1,760,737	(58,447)	284,692	1,986,982
Total other	2,690,901	79,613	2,770,514	(58,447)	284,692	2,996,759
Total revenues	23,867,998	188,915	24,056,913	(2,826,299)	1,103,654	22,334,268
Expenses (Note 13):						
Program expenses	21,041,515	-	21,041,515	-	-	21,041,515
Management and general	2,072,470	16,857	2,089,327	5,477	131,452	2,226,256
Fundraising	1,035,761	193,717	1,229,478	-	-	1,229,478
Total expenses	24,149,746	210,574	24,360,320	5,477	131,452	24,497,249
Changes in net assets	(281,748)	(21,659)	(303,407)	(2,831,776)	972,202	(2,162,981)
Net assets (deficit) at beginning of the year	(757,927)	6,751,173	5,993,246	7,898,134	28,189,605	42,080,985
Net assets (deficit) at end of the year	\$ (1,039,675)	\$ 6,729,514	\$ 5,689,839	\$ 5,066,358	\$ 29,161,807	\$ 39,918,004

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 13):						
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

Statements of Cash Flows

	Years Ended August 31,	
	2017	2016
Operating activities		
Change in net assets	\$ (2,162,981)	\$ 855,848
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	288,510	307,157
Bad debt expense (recovery)	21,528	(13,022)
Non-cash reduction of debt	(50,000)	(50,000)
Interest and dividends restricted for long-term investments	(507,506)	(697,293)
Net unrealized and realized gains on long-term investments	(1,411,467)	(1,196,988)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	1,960,246	986,311
Interest and dividends receivable	62,234	(7,266)
Prepaid expenses	(52,914)	66,559
Accounts payable and accrued expenses	508,388	54,908
Deferred revenue	380,401	257,765
Net cash provided by (used in) operating activities	<u>(963,561)</u>	<u>563,979</u>
Investing activities		
Purchases of property and equipment	(72,708)	(148,351)
Net proceeds from sale of long-term investments	1,041,748	1,307,528
Net cash provided by investing activities	<u>969,040</u>	<u>1,159,177</u>
Financing activities		
Proceeds from line of credit	282,687	4,486,089
Payments on line of credit	(282,687)	(5,573,798)
Net cash used in financing activities	<u>—</u>	<u>(1,087,709)</u>
Net increase in cash and cash equivalents	5,479	635,447
Cash and cash equivalents:		
Beginning of the year	1,485,430	849,983
End of the year	<u>\$ 1,490,909</u>	<u>\$ 1,485,430</u>

Utah Symphony & Opera

Notes to Financial Statements

August 31, 2017 and 2016

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 individuals on a part-time basis. Members of the American Federation of Musicians Local 104 union make up 60% of the total full-time employees of the Organization. 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, 2017, the Organization had cash of approximately \$1,492,000 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 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.

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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Fund Accounting and Net Asset Classifications (continued)

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 the original value of gifts donated to the permanent endowment and 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

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 \$159,000 and \$240,000 for the years ended August 31, 2017 and 2016, respectively and are recorded in management and general expenses.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Investments (continued)

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 70% of investments may be equities in the investment mix of equities and fixed income. The Investment Policy's equity target is 60%. 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 as of 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.

Impairment of Long-Lived Assets

The Organization reviews its land, buildings, and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may be impaired. If it is determined that an impairment loss has occurred, such loss is recognized in the statement of activities.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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. Rental and construction income of approximately \$943,000 and \$503,000 is included on the statements of activities for the years ended August 31, 2017 and 2016, 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.

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 estimate of revenues to be collected which is provided by the State of Utah. As of August 31, 2017 and 2016, approximately \$579,000 and \$542,000, respectively, were recorded as unrestricted receivables and increases in unrestricted grants and fees as the amounts for which tax collections to be received subsequent to year-end are known. As of August 31, 2017 and 2016, approximately \$753,000 and \$787,000, respectively, were recorded as a temporarily restricted receivables and increases in temporarily restricted grants and fees as the amounts for which tax collections to be received subsequent to year-end have been estimated.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Revenue Recognition and Deferred Revenue (continued)

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 for the portion of the grant for which the Organization has recorded a receivable based on estimated tax collections. The Organization records these adjustments as they receive formal communication from the County. For the year ended August 31, 2017 and 2016, the Organization recorded approximately \$96,000 and \$121,000, respectively, in revenue for adjustments to the prior year's estimates that became known subsequent to year end.

Pledges to Contribute

Pledges to contribute over future periods are discounted to present values using the Organization's current borrowing rate and recorded in the current period as restricted revenue and contributions receivable. As of August 31, 2017 and 2016, the discount on these pledges was approximately \$122,000 and \$210,000, 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.

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>2017</u>	<u>2016</u>
Program expenses:		
Advertising expenses	\$ 797,296	\$ 694,172
Production expenses	143,200	297,112
Management and general and fundraising expenses	105,020	444,239
	<u>\$ 1,045,516</u>	<u>\$ 1,435,523</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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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.

Advertising Expenses

The Symphony & Opera expenses advertising costs as incurred. Amounts expensed for advertising, including in-kind expenses, were approximately \$2,242,000 and \$2,171,000 for the years ended August 31, 2017 and 2016, respectively.

Income Tax Status

The Internal Revenue Service has ruled that Utah Symphony & Opera 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. The Organization is required to operate in conformity with the IRC in order to maintain its tax-exempt qualification. As of August 31, 2017, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events that have occurred through January 31, 2018, the date the financial statements were available to be issued, and determined that no additional disclosures are required to be made.

2. Accounts, Grants, and Contributions Receivable

The net balance of accounts, grants, and contributions receivable consists of the following as of August 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Accounts and grants receivable	\$ 944,719	\$ 777,576	\$ -	\$ 1,722,295
Contributions receivable, less than one year	76,231	2,039,135	-	2,115,366
Contributions receivable, over one year	-	967,452	-	967,452
Endowment contributions receivable	-	-	941,530	941,530
	<u>\$ 1,020,950</u>	<u>\$ 3,784,163</u>	<u>\$ 941,530</u>	<u>\$ 5,746,643</u>

Utah Symphony & Opera

Notes to Financial Statements (continued)

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

As of August 31, 2017, approximately \$955,000 (6% of temporarily restricted receivables and 76% of permanently restricted receivables) was receivable from Donor A and approximately \$1 million (26% of temporarily restricted receivables) was receivable from Donor B.

During the year ended August 31, 2017, government grants received from Salt Lake County totaled \$2.6 million. As of August 31, 2017, receivables from Salt Lake County totaled approximately \$1.34 million (20% of temporarily restricted receivables and 58% of unrestricted receivables)

The net balance of accounts, grants, and contributions receivable consist 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, less than one year	316,345	2,262,754	—	2,579,099
Contributions receivable, 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

All accounts and contributions receivable as of August 31, 2017 are receivable within one to eight years as noted below:

	Accounts, Grants, and Contributions	Endowment	Total
Current through August 31, 2018	\$ 3,874,441	\$ 48,000	\$ 3,922,441
From September 1, 2018 to August 31, 2025	967,565	899,332	1,866,897
	4,842,006	947,332	5,789,338
Less estimated uncollectible receivables	(36,893)	(5,802)	(42,695)
	\$ 4,805,113	\$ 941,530	\$ 5,746,643

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:

	Accounts, Grants, and Contributions	Endowment	Total
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
	7,108,430	653,633	7,762,063
Less estimated uncollectible receivables	(26,800)	(6,846)	(33,646)
	\$ 7,081,630	\$ 646,787	\$ 7,728,417

3. Investments

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

	2017	2016
Long-term investments:		
Corporate stocks	\$ 12,952,338	\$ 22,587,348
Corporate bonds	12,609,827	4,997,935
Money market	7,057,948	1,814,016
Government bonds	275,184	2,574,562
Instrument loans	82,397	98,737
Hedge Funds	-	27,871
	\$ 32,977,694	\$ 32,100,469
Other investments:		
Art	\$ 50,848	\$ 50,848
Real estate	6,900	6,900
	\$ 57,748	\$ 57,748

On August 30, 2017, the organization purchased \$6.1 million of corporate stocks funds which were settled on September 5, 2017

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, 2017				
	Un- Restricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Interest	\$ 3,168	\$ 19,814	\$ 6,889	\$ 163,459	\$ 193,330
Dividends	3,712	40,807	14,131	323,535	382,185
	<u>6,880</u>	<u>60,621</u>	<u>21,020</u>	<u>486,994</u>	<u>575,515</u>
Unrealized losses	(22,386)	(258,136)	(90,529)	(2,084,029)	(2,455,080)
Realized gains	45,977	415,174	140,492	3,264,904	3,866,547
	<u>23,591</u>	<u>157,038</u>	<u>49,963</u>	<u>1,180,875</u>	<u>1,411,467</u>
Investment gains before transfers	30,471	217,659	70,983	1,667,869	1,986,982
Transfers *	1,650,653	(138,046)	(129,430)	(1,383,177)	-
Investment income (losses), net of transfers	<u>\$1,681,124</u>	<u>\$ 79,613</u>	<u>\$ (58,447)</u>	<u>\$ 284,692</u>	<u>\$ 1,986,982</u>
	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
	<u>8,017</u>	<u>69,745</u>	<u>31,173</u>	<u>666,120</u>	<u>775,055</u>
Unrealized gains	21,365	111,459	51,391	1,077,244	1,261,459
Realized gains (gains)	1,941	(5,870)	(3,533)	(57,009)	(64,471)
	<u>23,306</u>	<u>105,589</u>	<u>47,858</u>	<u>1,020,235</u>	<u>1,196,988</u>
Investment gains, 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 (losses), net of transfers	<u>\$ 1,751,111</u>	<u>\$ 45,715</u>	<u>\$ (190,549)</u>	<u>\$ 365,766</u>	<u>\$ 1,972,043</u>

* 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, 2017 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Corporate stocks	\$ 12,952,338	\$ —	\$ —	\$ 12,952,338
Corporate bonds	—	12,609,827	—	12,609,827
Government bonds	—	275,184	—	275,184
Instrument loans	—	—	82,397	82,397
Money market fund	7,057,948	—	—	7,057,948
Total	\$ 20,010,286	\$ 12,885,011	\$ 82,397	\$ 32,977,694

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 fund	1,814,016	—	—	1,814,016
Total	\$ 24,401,364	\$ 7,572,497	\$ 126,608	\$ 32,100,469

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, 2015	\$ 107,049	\$ 34,886
Total gains/(losses) (realized/unrealized/interest)	4,256	(3,542)
Net purchases/loans and settlements/payments	(12,568)	(3,473)
Balance as of August 31, 2016	98,737	27,871
Total gains/(losses) (realized/unrealized/interest)	4,050	(9,474)
Net purchases/loans and settlements/payments	(20,390)	(18,397)
Balance as of August 31, 2017	\$ 82,397	\$ -

5. Land, Building and Equipment

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

	2017	2016
Land	\$ 229,500	\$ 229,500
Building and improvements	5,802,984	5,802,984
Office equipment	346,125	346,125
Hall equipment	623,360	549,692
Production equipment	230,157	230,157
Production sets	1,289,039	1,289,039
Vehicles	141,737	141,737
Construction in process	26,357	27,318
	8,689,259	8,616,552
Less accumulated depreciation	(5,386,282)	(5,097,773)
	\$ 3,302,977	\$ 3,518,779

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 \$379,000 and \$381,000 for the years ended August 31, 2017 and 2016, respectfully.

Utah Symphony & Opera

Notes to Financial Statements (continued)

6. Line of Credit

The Organization has a revolving line of credit with a financial institution. The line of credit has a borrowing capacity equal to 75% of the Board Designated Utah Opera Surplus Endowment Fund, up to a maximum of \$1,800,000. As of August 31, 2017, the line of credit was limited to \$1,750,000. 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 line of credit bears interest at prime rate less .25% (4% as of August 31, 2017). The Organization had \$0 outstanding under the line of credit as of August 31, 2017 and 2016. The line of credit matures March 15, 2018, at which time the Organization intends to apply for renewal.

Interest expense for the years ended August 31, 2017 and 2016 was \$6,357 and \$16,470, respectively. Cash paid for interest was \$628 and \$9,245 for the years ended August 31, 2017 and 2016, 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 with a maturity date of October 31, 2021. The note payable bears interest 3%. The principal balance of the note payable as of August 31, 2017 and 2016 was \$150,000 and \$200,000, respectively. The loan agreement allows for an annual donation in-kind to be applied against the principal balance of the loan totaling \$50,000 if the Organization performs one concert at the Gallivan Center during the year. In fiscal 2017 and 2016, the Organization performed the required concerts to receive the credit. Accrued interest on the note was \$5,729 and \$7,225 as of August 31, 2017 and 2016, 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 2017, 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 loan. Currently the loan is non-interest bearing and is required to be repaid in 10 equal annual installments beginning August 31, 2019. The balance of the loan as of August 31, 2017 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:

	<u>2017</u>	<u>2016</u>
Board Designated Reserve Fund	\$ 4,060,915	\$ 4,060,785
Utah Opera Surplus Endowment Fund	2,297,442	2,690,388
Liquid Reserve	371,157	—
	<u>\$ 6,729,514</u>	<u>\$ 6,751,173</u>

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, 2017 and 2016, there were no transfers between the Board Designated Reserve Fund and the Operating Fund.

9. Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Funds for use in future periods	\$ 3,027,594	\$ 5,020,796
Governmental grants received for use in future periods	890,076	1,221,572
Deer Valley Music Festival	582,247	792,468
Funds for a specified purpose	391,680	624,373
Opera Production Studio Expansion	174,761	238,925
	<u>\$ 5,066,358</u>	<u>\$ 7,898,134</u>

All amounts released from temporary restriction during the years ended August 31, 2017 and 2016 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, 2017 and 2016, approximately \$129,000 and \$270,000, 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>2017</u>	<u>2016</u>
General Operations for Symphony	\$ 12,631,864	\$ 12,547,474
General Operations for Symphony & Opera	11,313,212	11,190,565
Elizabeth Brown Dee Fund for Music in the Schools	1,513,046	782,644
Park City Enhancement (Capital Improvements)	980,889	972,635
General Operations for Deer Valley Music Festival	968,237	963,734
General Operations for Opera	686,818	684,788
Opera Ensemble/Education Programs	633,050	630,739
Instrument Loan Fund	301,565	284,378
Symphony Chorus	121,126	120,648
Orchestra Refreshment Fund	12,000	12,000
	<u>\$ 29,161,807</u>	<u>\$ 28,189,605</u>

11. Retirement Programs

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 (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 \$660,000 and \$659,000 for the years ended August 31, 2017 and 2016, respectively.

12. Commitments and Contingencies

The Organization entered into a multi-year agreement with an entertainment agency for the right to present several of the 'films in concert' managed by the agency. The total amount due under terms of the agreement is \$595,000, with a specified amount due following each performance. As of August 31, 2017, the Symphony & Opera had fulfilled \$85,000 of the total contract based on performances held to date. The remaining balance of the contract will be payable as performances are held through the year 2021. The contract is subject to renegotiation should attendance at the performances fall below an amount specified in the contract.

13. Functional Expenses

The Symphony and Opera's expenses by functional category are as follows:

	Year Ended August 31, 2017			
	Program	Management and General	Fund-Raising	Total
Salaries and wages	\$ 12,906,825	\$ 1,198,683	\$ 647,834	\$ 14,753,342
Guest artists	2,772,621	—	—	2,772,621
Marketing	2,241,254	—	1,199	2,242,453
Production	1,939,605	—	28,236	1,967,841
Other	—	715,347	30,737	746,084
Set and costume rental	637,774	—	—	637,774
Rent	462,987	63,867	—	526,854
Cultivation events	—	—	302,227	302,227
Depreciation	80,449	208,061	—	288,510
Guild	—	—	193,717	193,717
Professional	—	40,298	4,000	44,298
Bad debts	—	—	21,528	21,528
	\$ 21,041,515	\$ 2,226,256	\$ 1,229,478	\$ 24,497,249

Utah Symphony & Opera

Notes to Financial Statements (continued)

13. Functional Expenses (continued)

	Year Ended August 31, 2016			
	Program	Management and General	Fund- Raising	Total
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
Other	—	953,728	47,591	1,001,319
Set and costume rental	373,639	—	—	373,639
Rent	443,671	62,039	—	505,710
Cultivation events	—	—	448,719	448,719
Depreciation	101,154	206,003	—	307,157
Guild	—	—	133,320	133,320
Professional	—	66,026	34,000	100,026
Bad debts	—	7,007	13,022	20,029
	<u>\$ 20,688,934</u>	<u>\$ 2,476,141</u>	<u>\$ 1,311,382</u>	<u>\$ 24,476,457</u>