

Right Answers, Right Here.



TANNER

Accountants & Advisors

UTAH SYMPHONY | UTAH OPERA

Financial Statements
As of August 31, 2020 and 2019 and
For the Years then Ended

Together with Independent Auditors' Report

Utah Symphony & Opera

Financial Statements

As of August 31, 2020, and 2019 and

For the Years then Ended

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TANNER

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, 2020 and 2019, 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 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, 2020 and 2019, 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 24, 2021

Utah Symphony & Opera
Statement of Financial Position

August 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 6,271,381	\$ 2,625,051	\$ 8,896,432
Accounts and grants receivable (Note 2)	774,043	482,027	1,256,070
Contributions receivable, less than one year, net (Note 2)	3,000	478,768	481,768
Interest and dividends receivable	-	130	130
Prepaid expenses	379,311	-	379,311
Contributions receivable, over one year (Note 2)	-	585,809	585,809
Endowment contributions receivable, net (Note 2)	-	335,787	335,787
Long-term investments (Notes 3 and 4)	1,790,101	32,781,803	34,571,904
Other investments (Note 3)	57,748	-	57,748
Land, building and equipment, net (Note 5)	3,322,350	-	3,322,350
Total assets	<u>\$ 12,597,934</u>	<u>\$ 37,289,375</u>	<u>\$ 49,887,309</u>
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 611,086	\$ 47	\$ 611,133
Line of credit (Note 6)	-	-	-
Deferred revenue (Note 7)	3,691,003	-	3,691,003
Note payable (Note 8)	50,000	-	50,000
Total liabilities	<u>4,352,089</u>	<u>47</u>	<u>4,352,136</u>
Commitments and contingencies (Note 13)			
Net assets:			
Without donor restrictions (Note 9):	8,245,845	-	8,245,845
With donor restrictions:			
Time and purpose restrictions (Note 10)	-	5,177,096	5,177,096
Permanently restricted (Note 11)	-	32,112,232	32,112,232
Total net assets	<u>8,245,845</u>	<u>37,289,328</u>	<u>45,535,173</u>
Total liabilities and net assets	<u>\$ 12,597,934</u>	<u>\$ 37,289,375</u>	<u>\$ 49,887,309</u>

Utah Symphony & Opera
Statement of Financial Position

August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Cash and cash equivalents	\$ 370,139	\$ 1,245,021	\$ 1,615,160
Accounts and grants receivable (Note 2)	795,065	788,104	1,583,169
Contributions receivable, less than one year, net (Note 2)	5,241,740	726,575	5,968,315
Interest and dividends receivable	–	4,797	4,797
Prepaid expenses	670,158	–	670,158
Contributions receivable, over one year (Note 2)	–	979,512	979,512
Endowment contributions receivable, net (Note 2)	–	624,141	624,141
Long-term investments (Notes 3 and 4)	1,452,493	30,778,016	32,230,509
Other investments (Note 3)	57,748	–	57,748
Land, building and equipment, net (Note 5)	3,671,985	–	3,671,985
Total assets	<u>\$ 12,259,328</u>	<u>\$ 35,146,166</u>	<u>\$ 47,405,494</u>
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,662,659	\$ 49	\$ 1,662,708
Line of credit (Note 6)	378,539	–	378,539
Deferred revenue (Note 7)	2,612,803	–	2,612,803
Note payable (Note 8)	50,000	–	50,000
Total liabilities	<u>4,704,001</u>	<u>49</u>	<u>4,704,050</u>
Commitments and contingencies (Note 13)			
Net assets:			
Without donor restrictions (Note 9):	7,555,327	–	7,555,327
With donor restrictions:			
Time and purpose restrictions (Note 10)	–	4,823,266	4,823,266
Permanently restricted (Note 11)	–	30,322,851	30,322,851
Total net assets	<u>7,555,327</u>	<u>35,146,117</u>	<u>42,701,444</u>
Total liabilities and net assets	<u>\$ 12,259,328</u>	<u>\$ 35,146,166</u>	<u>\$ 47,405,494</u>

Utah Symphony & Opera

Statement of Activities

Year Ended August 31, 2020

	Without Donor Restrictions			With Donor Restrictions		
	Operating	Board Designated	Total	Time and Purpose Restrictions	Permanently Restricted	Total
Revenues:						
Performance revenues	\$ 4,030,673	\$ -	\$ 4,030,673	\$ -	\$ -	\$ 4,030,673
Government grants and fees:						
Awarded	5,629,759	-	5,629,759	502,028	-	6,131,787
Released from restriction	788,104	-	788,104	(788,104)	-	-
Total government grants and fees	6,417,863	-	6,417,863	(286,076)	-	6,131,787
Contributions:						
Awarded	4,856,527	85,272	4,941,799	2,009,319	93,196	7,044,314
In-kind	799,319	-	799,319	-	-	799,319
Released from restriction	1,439,498	-	1,439,498	(1,289,498)	(150,000)	-
Total contributions	7,095,344	85,272	7,180,616	719,821	(56,804)	7,843,633
Other:						
Set and costume rentals	213,184	-	213,184	-	-	213,184
Other income	49,858	-	49,858	-	-	49,858
Investment income, net of transfers (Notes 1 and 3)	1,659,607	249,845	1,909,452	(78,619)	1,846,185	3,677,018
Total other	1,922,649	249,845	2,172,494	(78,619)	1,846,185	3,940,060
Total revenues	19,466,529	335,117	19,801,646	355,126	1,789,381	21,946,153
Expenses (Note 14):						
Program expenses	16,181,910	-	16,181,910	-	-	16,181,910
Management and general	2,121,898	-	2,121,898	-	-	2,121,898
Fundraising	712,039	95,281	807,320	1,296	-	808,616
Total expenses	19,015,847	95,281	19,111,128	1,296	-	19,112,424
Changes in net assets	450,682	239,836	690,518	353,830	1,789,381	2,833,729
Net assets at beginning of the year	41,237	7,514,090	7,555,327	4,823,266	30,322,851	42,701,444
Net assets at end of the year	\$ 491,919	\$ 7,753,926	\$ 8,245,845	\$ 5,177,096	\$ 32,112,232	\$ 45,535,173

See accompanying notes to financial statements

Utah Symphony & Opera

Statement of Activities

Year Ended August 31, 2019

	Without Donor Restrictions			With Donor Restrictions		
	Operating	Board Designated	Total	Time and Purpose Restrictions	Permanently Restricted	Total
Revenues:						
Performance revenues	\$ 7,862,754	\$ -	\$ 7,862,754	\$ -	\$ -	\$ 7,862,754
Government grants and fees:						
Awarded	3,647,487	-	3,647,487	938,104	-	4,585,591
Released from restriction	692,890	-	692,890	(692,890)	-	-
Total government grants and fees	4,340,377	-	4,340,377	245,214	-	4,585,591
Contributions:						
Awarded	5,701,022	5,132,244	10,833,266	1,180,871	157,989	12,172,126
In-kind	1,319,570	-	1,319,570	-	-	1,319,570
Released from restriction and reclass	3,252,593	(494,975)	2,757,618	(2,757,618)	-	-
Total contributions	10,273,185	4,637,269	14,910,454	(1,576,747)	157,989	13,491,696
Other:						
Set and costume rentals	310,309	-	310,309	-	-	310,309
Other income	62,227	-	62,227	-	-	62,227
Investment income, net of transfers (Notes 1 and 3)	1,630,482	(113,432)	1,517,050	(99,206)	(969,650)	448,194
Total other	2,003,018	(113,432)	1,889,586	(99,206)	(969,650)	820,730
Total revenues	24,479,334	4,523,837	29,003,171	(1,430,739)	(811,661)	26,760,771
Expenses (Note 14):						
Program expenses	21,595,620	-	21,595,620	-	-	21,595,620
Management and general	2,090,079	-	2,090,079	-	-	2,090,079
Fundraising	983,299	166,155	1,149,454	(15,828)	-	1,133,626
Total expenses	24,668,998	166,155	24,835,153	(15,828)	-	24,819,325
Changes in net assets	(189,664)	4,357,682	4,168,018	(1,414,911)	(811,661)	1,941,446
Net assets at beginning of the year	230,901	3,156,408	3,387,309	6,238,177	31,134,512	40,759,998
Net assets at end of the year	\$ 41,237	\$ 7,514,090	\$ 7,555,327	\$ 4,823,266	\$ 30,322,851	\$ 42,701,444

Utah Symphony & Opera

Statements of Cash Flows

	Years Ended	
	August 31,	
	2020	2019
Operating activities		
Change in net assets	\$ 2,833,729	\$ 1,941,446
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	364,887	330,116
Bad debt expense (recovery)	(15,025)	13,279
Non-cash reduction of debt	-	(50,000)
Gain on disposal of assets	(1,800)	(5,000)
Interest and dividends restricted for long-term investments	(731,787)	(678,567)
Net unrealized and realized (gains) losses on long-term investment	(2,945,231)	230,373
Changes in operating assets and liabilities:		
Accounts and contributions receivable	6,510,727	(2,885,595)
Interest and dividends receivable	4,667	64,278
Prepaid expenses	290,847	(67,440)
Accounts payable and accrued expenses	(1,051,575)	(15,468)
Deferred revenue	1,078,200	329,958
Net cash provided by (used in) operating activities	<u>6,337,639</u>	<u>(792,620)</u>
Investing activities		
Purchases of property and equipment	(15,252)	(285,916)
Proceeds from sale of equipment	1,800	5,000
Net proceeds from sale of long-term investments	1,335,623	1,840,152
Net cash provided by investing activities	<u>1,322,171</u>	<u>1,559,236</u>
Financing activities		
Proceeds from line of credit	6,970,676	12,058,803
Payments on line of credit	(7,349,214)	(12,656,792)
Net cash used in financing activities	<u>(378,538)</u>	<u>(597,989)</u>
Net increase in cash and cash equivalents	7,281,272	168,627
Cash and cash equivalents:		
Beginning of the year	1,615,160	1,446,533
End of the year	<u>\$ 8,896,432</u>	<u>\$ 1,615,160</u>

See accompanying notes to financial statements

Utah Symphony & Opera

Notes to Financial Statements

August 31, 2020 and 2019

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 (the Guild) serves as a supporting division within the Symphony & Opera, which exists to increase public recognition of 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.

Adoption of New Accounting Standards

As of September 1, 2019 the Organization adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU did not impact the Organization's financial position or change in net assets.

As of September 1, 2019, the Organization also adopted ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU assists not-for-profit entities in determining whether grants should be accounted for as contributions or exchange transactions, and whether a contribution should be considered conditional. The adoption of this ASU generally results in more grants being accounted for as contributions instead of exchange transactions, as well as more contributions being considered conditional, resulting in a deferral of their recognition until they are determined to be unconditional. The Organization adopted this ASU on a modified prospective basis by applying the guidance to any agreements not yet completed as of the date of adoption and agreements entered into after the date of adoption. No change in net assets resulted from the adoption of this ASU.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Risks and Uncertainties

Risks and uncertainties are inherent with the Collective Bargaining Agreement (CBA) that the Organization has with the American Federation 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, 2018 and is set to expire August 31, 2022. The Organization furloughed the musicians May 30th. In August, a waiver to the CBA was agreed upon which reduced the salaries and adjusted work rules. This waiver allowed the Organization to resume operations in September 2020.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of August 31, 2020, the Organization had cash of approximately \$8,396,000 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.

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.

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 the following net asset categories:

Net assets without donor restriction: Represent the portion of expendable funds that are available to support the Organization’s operations.

Net assets with donor restriction: Represent amounts that are specifically restricted by donors for various programs of future periods. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor stipulates that the resources be maintained in perpetuity.

See Notes 9, 10, and 11 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 maintaining the purchasing power 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, the original value of subsequent gifts to the 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.

Earnings on endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with donor stipulation or the standard of prudence prescribed by UPMIFA.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Fund Accounting and Net Asset Classifications (continued)

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 investments classified in net assets without donor restrictions, including those held within the Board Designated Fund, are included in the change in net assets without donor restrictions in the statements of activities. Net realized and unrealized gains and losses on investments are included in the changes in net assets with or without donor restrictions according to the classification of the related investments in the statements of activities. Realized gains and losses are determined using the specific identification method. Investment related expenses were approximately \$68,000 and \$90,000 for the years ended August 31, 2020 and 2019, respectively and are netted with income (loss) on investments.

Effective September 1, 2002, the Symphony & Opera's Board of Trustees adopted a resolution to transfer five percent of the value of Donor Restricted Funds and Board Designated Endowment Funds 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. Subsequent to year end the Symphony & Opera's Board of Trustees approved 4.75% draw for fiscal year 2021.

The Organization's Investment Policy states a range of 55% to 75% of investments may be equities in the investment mix of equities and fixed income. The Investment Advisor Guidelines state the equity target is 65%. 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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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 carrying value 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.

Revenue Recognition and Deferred Revenue

The majority of the Organization's revenue stems from donor contributions, grants, and performance ticket sales. Revenue is measured as the amount of consideration that the Organization expects to receive in exchange for goods or services. Revenue is recognized after the Organization has (1) identified the customer contract, (2) identified the performance obligation in the contract, (3) determined the transaction price, (4) allocated the transaction price to the performance obligation in the contract and 5) recognized revenue when the performance obligation has been satisfied.

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 net assets with donor restrictions 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, these contributions are reclassified to net assets without donor restriction and reported in the statement of activities as contributions 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 \$213,000 and \$310,000 is included on the statement of activities for the years ended August 31, 2020 and 2019, respectively.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Revenue Recognition and Deferred Revenue (continued)

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, 2020 and 2019, approximately \$745,000 and \$599,000, respectively, was recorded as a receivable without donor restrictions and increase in grants and fees without donor restriction for amounts which tax collections are known that will be received subsequent to year end. As of August 31, 2020 and 2019, approximately \$482,000 and \$788,000, respectively, were recorded as a receivable with donor restrictions and increase in grants and fees with donor restrictions as the amounts for which tax collections to be received subsequent to year-end have been estimated.

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 with donor restrictions. As of August 31, 2020 and 2019, the discount on these pledges was approximately \$55,000 and \$110,000, respectively. These contributions represent unconditional promises to donate within the next one to five 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>2020</u>	<u>2019</u>
Program expenses:		
Advertising expenses	\$ 696,480	\$ 1,163,703
Production expenses	54,075	88,555
Management and general and fundraising expenses	48,764	67,312
	<u>\$ 799,319</u>	<u>\$ 1,319,570</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 \$1,858,000 and \$2,890,000 for the years ended August 31, 2020 and 2019, 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 on income pertaining to its exempt purposes. 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, 2020, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to conform to the 2020 presentation.

Subsequent Events

Management has evaluated subsequent events that have occurred through March 24, 2021, the date the financial statements were available to be issued, and determined that no additional disclosures are required to be made.

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, 2020:

	Without Donor Restriction	With Donor Restrictions		Total
		Time and Purpose Restrictions	Permanently Restricted	
Accounts and grants receivable	\$ 774,043	\$ 482,027	\$ –	\$ 1,256,070
Contributions receivable, less than one year	3,000	478,768	–	481,768
Contributions receivable, over one year	–	585,809	–	585,809
Endowment contributions receivable	–	–	335,787	335,787
	<u>\$ 777,043</u>	<u>\$ 1,546,604</u>	<u>\$ 335,787</u>	<u>\$ 2,659,434</u>

As of August 31, 2020, approximately \$860,000 (56% of time and purpose restricted receivables) was receivable from Donor A and approximately \$153,000 and \$150,000 (55% and 45% of permanently restricted receivables) were due from Donors B and C, respectively.

During the year ended August 31, 2020, government grants received from Salt Lake County totaled \$2.1 million. As of August 31, 2020, receivables from Salt Lake County totaled approximately \$1,227,000 (31% of time and purpose restricted receivables and 96% of receivables without donor restrictions).

The net balance of accounts, grants, and contributions receivable consist of the following as of August 31, 2019:

	Without Donor Restriction	With Donor Restrictions		Total
		Time and Purpose Restrictions	Permanently Restricted	
Accounts and grants receivable	\$ 795,065	\$ 788,104	\$ –	\$ 1,583,169
Contributions receivable, less than one year	5,241,740	726,575	–	5,968,315
Contributions receivable, over one year	–	979,512	–	979,512
Endowment contributions receivable	–	–	624,141	624,141
	<u>\$ 6,036,805</u>	<u>\$ 2,494,191</u>	<u>\$ 624,141</u>	<u>\$ 9,155,137</u>

Utah Symphony & Opera

Notes to Financial Statements (continued)

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

All accounts and contributions receivable as of August 31, 2020 are receivable within one to five years as noted below:

	Accounts, Grants, and Contributions	Endowment	Total
Current through August 31, 2021	\$ 1,739,300	\$ 216,000	\$ 1,955,300
From September 1, 2021 to August 31, 2025	585,809	119,787	705,596
	2,325,109	335,787	2,660,896
Less estimated uncollectible receivables	(1,462)	–	(1,462)
	\$ 2,323,647	\$ 335,787	\$ 2,659,434

All accounts and contributions receivable as of August 31, 2019 are receivable within one to six years as noted below:

	Accounts, Grants, and Contributions	Endowment	Total
Current through August 31, 2020	\$ 7,588,553	\$ 333,000	\$ 7,921,553
From September 1, 2020 to August 31, 2025	979,652	291,141	1,270,793
	8,568,205	624,141	9,192,346
Less estimated uncollectible receivables	(37,209)	–	(37,209)
	\$ 8,530,996	\$ 624,141	\$ 9,155,137

Utah Symphony & Opera

Notes to Financial Statements (continued)

3. Investments

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

	<u>2020</u>	<u>2019</u>
Long-term investments:		
Corporate stocks	\$ 21,796,745	\$ 18,950,289
Corporate bonds	5,909,084	6,198,391
Government bonds	4,230,832	3,686,813
Instrument loans	55,980	62,764
Money market	2,579,263	3,332,252
	<u>\$ 34,571,904</u>	<u>\$ 32,230,509</u>
Other investments:		
Art	\$ 50,848	\$ 50,848
Real estate	6,900	6,900
	<u>\$ 57,748</u>	<u>\$ 57,748</u>

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

	<u>For the Year Ended August 31, 2020</u>					
	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>			<u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>	<u>Time and Purpose Restrictions</u>	<u>Permanently Restricted</u>		
Interest	\$ 2,292	\$ 54,768	\$ 10,198	\$ 277,752	\$ 345,010	
Dividends	-	28,430	3,705	354,642	386,777	
	<u>2,292</u>	<u>83,198</u>	<u>13,903</u>	<u>632,394</u>	<u>731,787</u>	
Unrealized losses	(137)	286,440	33,113	2,248,849	2,568,265	
Realized gains	2,199	34,975	3,646	404,308	445,128	
Management fees	(3,453)	(11,973)	(1,993)	(50,743)	(68,162)	
	<u>(1,391)</u>	<u>309,442</u>	<u>34,766</u>	<u>2,602,414</u>	<u>2,945,231</u>	
Investment gains before transfers	901	392,640	48,669	3,234,808	3,677,018	
Transfers *	1,658,706	(142,795)	(127,288)	(1,388,623)	-	
Investment income (losses), net of transfers	<u>\$ 1,659,607</u>	<u>\$ 249,845</u>	<u>\$ (78,619)</u>	<u>\$ 1,846,185</u>	<u>\$ 3,677,018</u>	

Utah Symphony & Opera

Notes to Financial Statements (continued)

3. Investments (continued)

	For the Year Ended August 31, 2019				
	Without Donor Restrictions		With Donor Restrictions		Total
	Undesignated	Board Designated	Time and Purpose Restrictions	Permanently Restricted	
Interest	\$ 1,756	\$ 21,011	\$ 8,285	\$ 234,803	\$ 265,855
Dividends	3,684	32,642	13,497	362,889	412,712
	<u>5,440</u>	<u>53,653</u>	<u>21,782</u>	<u>597,692</u>	<u>678,567</u>
Unrealized gains	(17,926)	(91,353)	(32,782)	(957,055)	(1,099,116)
Realized gains	13,996	73,290	30,833	840,717	958,836
Management fees	(6,831)	(7,694)	(2,601)	(72,967)	(90,093)
	<u>(10,761)</u>	<u>(25,757)</u>	<u>(4,550)</u>	<u>(189,305)</u>	<u>(230,373)</u>
Investment gains (losses) before transfers	(5,321)	27,896	17,232	408,387	448,194
Transfers*	<u>1,635,803</u>	<u>(141,328)</u>	<u>(116,438)</u>	<u>(1,378,037)</u>	<u>—</u>
Investment income (losses), net of transfers	<u>\$ 1,630,482</u>	<u>\$ (113,432)</u>	<u>\$ (99,206)</u>	<u>\$ (969,650)</u>	<u>\$ 448,194</u>

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

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).

Utah Symphony & Opera

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

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, 2020 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Corporate stocks	\$ 21,796,745	\$ -	\$ -	\$ 21,796,745
Corporate bonds	-	5,909,084	-	5,909,084
Government bonds	-	4,230,832	-	4,230,832
Instrument loans	-	-	55,980	55,980
Money market fund	2,579,263	-	-	2,579,263
Total	\$ 24,376,008	\$ 10,139,916	\$ 55,980	\$ 34,571,904

Assets measured at fair value on a recurring basis as of August 31, 2019 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Corporate stocks	\$ 18,950,289	\$ -	\$ -	\$ 18,950,289
Corporate bonds	-	6,198,391	-	6,198,391
Government bonds	-	3,686,813	-	3,686,813
Instrument loans	-	-	62,764	62,764
Money market fund	3,332,252	-	-	3,332,252
Total	\$ 22,282,541	\$ 9,885,204	\$ 62,764	\$ 32,230,509

Level 3 assets are summarized as below:

	Instrument Loans
Balance as of September 1, 2018	\$ 84,358
Net gains (realized/unrealized/interest)	3,716
Net purchases/loans and settlements/payments	(25,310)
Balance as of August 31, 2019	62,764
Net gains (realized/unrealized/interest)	2,741
Net purchases/loans and settlements/payments	(9,525)
Balance as of August 31, 2020	\$ 55,980

Utah Symphony & Opera

Notes to Financial Statements (continued)

5. Land, Building and Equipment

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

	<u>2020</u>	<u>2019</u>
Land	\$ 229,500	\$ 229,500
Building and improvements	5,802,985	5,802,984
Production sets	2,024,961	2,024,961
Hall equipment	639,947	639,947
Office equipment	484,845	484,845
Production equipment	254,773	254,773
Vehicles	98,476	95,513
Construction in process	27,943	30,654
	<u>9,563,430</u>	<u>9,563,177</u>
Less accumulated depreciation	<u>(6,241,080)</u>	<u>(5,891,192)</u>
	<u>\$ 3,322,350</u>	<u>\$ 3,671,985</u>

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 \$292,000 and \$419,000 for the years ended August 31, 2020 and 2019, respectively.

6. Line of Credit

The Organization has a revolving line of credit with a financial institution. The line of credit has a borrowing capacity up to a maximum of \$2,090,000 on a sliding scale against certain Board Designated Funds. The line of credit is secured by certain assets of the Board Designated Funds 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% (3.5% as of August 31, 2020). The Organization had \$0 and \$378,539 outstanding under the line of credit as of August 31, 2020 and 2019, respectively. The line of credit matures May 31, 2021, at which time the Organization intends to apply for renewal.

Interest expense for the years ended August 31, 2020 and 2019 was \$16,993 and \$41,807, respectively. Cash paid for interest was \$15,489 and \$39,086 for the years ended August 31, 2020 and 2019, respectively. Interest expense is recorded in management and general expenses.

Utah Symphony & Opera

Notes to Financial Statements (continued)

7. Deferred Revenue

During April 2020, the Organization obtained a loan from Zions Bank under the Paycheck Protection Program (PPP), a component of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). PPP loans are forgivable if conditions involving maintenance of payroll and employee headcount and certain other conditions are satisfied. The Organization has elected to account for the PPP loan as a refundable advance under ASC 958 and considers the funds a conditional contribution (grant). Management submitted its application for forgiveness of \$2,051,995 of the funds before August 31, 2020 and believes that the conditions for partial loan forgiveness have been substantially met and the loan will be forgiven by the Small Business Administration (SBA). Accordingly, the Organization has recognized \$2,051,995 of the funds received as grant revenue in the accompanying statement of activities for the year ended August 31, 2020. The remaining \$757,405 of the funds were recorded as deferred revenue as of August 31, 2020.

8. 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 of 3%. The principal balance of the note payable as of August 31, 2020 and 2019 was \$50,000. 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 2019, the Organization performed the required concerts to receive the credit. Accrued interest on the note was \$1,504 and \$2,721 as of August 31, 2020 and 2019, 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 2020, 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.

9. Net Assets Without Donor Restrictions

Net assets without donor restrictions 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 net asset without donor restrictions section of the statements of activities.

The Board Designated Fund consists of funds without 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>2020</u>	<u>2019</u>
Board Endowment	\$ 5,268,583	\$ 5,135,045
Utah Opera Surplus Endowment Fund	2,447,768	2,309,432
Guild Fund	37,548	47,560
Board Designated Reserve Fund	27	22,053
	<u>\$ 7,753,926</u>	<u>\$ 7,514,090</u>

Utah Symphony & Opera

Notes to Financial Statements (continued)

9. Net Assets Without Donor Restrictions (continued)

Certain assets underlying the Board Endowment Fund have been pledged as security on the line of credit. The Symphony & Opera's Board of Trustees has authorized the Executive Committee to authorize the use of up to \$1,000,000 of the Board Endowment Fund for short term needs. Use of any additional amounts requires a two-thirds vote of the Board to access such funds. The Board Designated 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, 2020 and 2019, there was approximately \$0 and \$495,000 transferred between the Board Designated Reserve Fund and the Operating Fund, respectively.

10. Time and Purpose Restricted Net Assets

As of August 31, net assets with time or purpose donor restrictions are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Funds for use in future periods	\$ 1,886,133	\$ 2,222,116
Opera Production Studio Expansion	1,005,442	1,084,060
Funds for a specified purpose	1,298,330	226,366
Governmental grants received for use in future periods	557,028	863,104
Deer Valley Music Festival	430,163	427,620
	<u>\$ 5,177,096</u>	<u>\$ 4,823,266</u>

All amounts released from time and purpose restrictions during the years ended August 31, 2020 and 2019 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 net assets with time and purpose restrictions 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, 2020 and 2019, approximately \$127,000 and \$116,000, 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)

11. 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 4% - 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>2020</u>	<u>2019</u>
General Operations for Symphony	\$ 13,559,689	\$ 12,710,457
General Operations for Symphony & Opera	13,003,838	12,255,045
Elizabeth Brown Dee Fund for Music in the Schools	1,523,713	1,572,917
General Operations for Deer Valley Music Festival	1,008,542	931,981
Park City Enhancement (Capital Improvements)	986,602	951,499
Opera Ensemble/Education Programs	801,855	756,537
General Operations for Opera	696,861	657,477
Instrument Loan Fund	390,196	353,327
Symphony Chorus	128,900	121,611
Orchestra Refreshment Fund	12,036	12,000
	<u>\$ 32,112,232</u>	<u>\$ 30,322,851</u>

12. 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 adopted a rehabilitation plan that reduces benefits paid and requires employers to pay a surcharge on contributions to the fund. In June 2016, the AFM-EPW certified the plan to be in "Critical and Declining" status. The surcharge start date was June 1, 2010. This surcharge is currently 9% of contributions. The Organization has been notified of an additional 10% surcharge to take effect after current collective bargaining agreement expires on August 31, 2022.

Utah Symphony & Opera

Notes to Financial Statements (continued)

12. 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 \$708,000 and \$665,000 for the years ended August 31, 2020 and 2019, respectively.

13. 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' they manage. The total amount due under terms of the agreement is \$595,000, with a specified amount due following each performance. As of August 31, 2020, the Symphony & Opera had fulfilled \$385,000 of the total contract based on performances held to date. The remaining balance of the contract will be payable as performances are held in future years. The contract is subject to renegotiation should attendance at the performances fall below an amount specified in the contract.

The Organization has entered into employment agreements with certain members of management. The terms of each agreement are different. However, one or all of these agreements include stipulated base salary, bonus potential, vacation benefits, severance, and non-competition agreements.

The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of events. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The related financial impact and duration cannot be reasonably estimated at this time.

14. Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. All direct costs are charged to the related functional area. Indirect costs are allocated to the functional areas based on estimates made by management taking into account the nature of the expense and how it relates to the functional area. Salaries and related expenses are allocated based on the department to which the employee belongs. The Organization's significant indirect costs of rent and office costs, and depreciation and amortization are allocated to the functional areas based upon the employees who occupy the space. The Symphony and Opera's expenses by functional category are as follows:

Utah Symphony & Opera

Notes to Financial Statements (continued)

14. Functional Expenses (continued)

	Year Ended August 31, 2020			
	Program	Management and General	Fund- Raising	Total
Salaries and wages	\$ 10,893,291	\$ 1,189,753	\$ 592,809	\$ 12,675,853
Marketing	1,858,039	-	461	1,858,500
Guest artists	1,724,826	-	-	1,724,826
Production	1,228,782	-	-	1,228,782
Other	229	424,951	26,272	451,452
Depreciation	134,783	230,104	-	364,887
Rent	180,668	61,067	-	241,735
Professional	-	210,400	20,000	230,400
Set and costume rental	161,292	-	-	161,292
Guild	-	-	95,281	95,281
Cultivation events	-	-	94,441	94,441
Bad debts	-	5,623	(20,648)	(15,025)
	\$ 16,181,910	\$ 2,121,898	\$ 808,616	\$ 19,112,424

	Year Ended August 31, 2019			
	Program	Management and General	Fund- Raising	Total
Salaries and wages	\$ 12,907,396	\$ 1,203,828	\$ 619,487	\$ 14,730,711
Guest artists	3,257,274	-	-	3,257,274
Marketing	2,889,823	-	-	2,889,823
Production	1,805,951	-	-	1,805,951
Other	1,962	522,735	32,337	557,034
Rent	442,803	67,797	-	510,600
Depreciation	109,290	220,826	-	330,116
Cultivation events	-	-	307,771	307,771
Set and costume rental	179,621	-	-	179,621
Guild	-	-	166,155	166,155
Professional	1,500	68,539	951	70,990
Bad debts	-	6,354	6,925	13,279
	\$ 21,595,620	\$ 2,090,079	\$ 1,133,626	\$ 24,819,325

Utah Symphony & Opera

Notes to Financial Statements (continued)

15. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following as of August 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,271,381	\$ 370,139
Time restricted cash available for general operations within one year	2,323,290	820,898
Investments	1,790,101	1,452,493
Promises to give, net	<u>777,043</u>	<u>6,036,805</u>
Total financial assets	11,161,815	8,680,335
Less amounts not available to be used within one year:		
Board designated funds	<u>(7,753,926)</u>	<u>(7,514,090)</u>
Financial assets available to be used for general expenditure within one year	<u>\$ 3,407,889</u>	<u>\$ 1,166,245</u>

The Organization regularly monitors liquidity in order to meet its operating needs and other contractual commitments using budgets and cash flow projections, while also striving to maximize the investment of its available funds.

Operations are funded primarily from ticket sales, donations, and earnings on investments. The Organization's receivables are due from corporate, government, foundation, and individual donors. Credit risk associated with receivables is considered to be limited because the amounts are due primarily from known donors.

As described in Note 6, the Organization has \$2,090,000 available under its line of credit agreement with a bank that expires May 31, 2021.

The statements of cash flows identify the sources and uses of the Organization's cash that generated positive (negative) cash flows from operating activities during the years ended August 31, 2020 and 2019 of approximately \$6,338,000 and (\$793,000), respectively.