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Independent Auditors' Report

**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:

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

**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.





## **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

# TANNER Notes to Financial Statements (continued)

### Independent Auditors' Report

#### 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

**TANNER** Notes to Financial Statements (continued)

## Independent Auditors' Report

**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	<u>11,161,815</u>	<u>8,680,335</u>
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.