

Right Answers, Right Here.



TANNER

Accountants & Advisors

UTAH SYMPHONY & OPERA

Financial Statements
As of August 31, 2023 and 2022 and
for the Years then Ended

Together with Independent Auditors' Report

Utah Symphony & Opera Financial Statements

As of August 31, 2023 and 2022 and
for the Years then Ended

Contents

| | |
|--|------|
| Independent Auditors' Report..... | 1-2 |
| Audited Financial Statements | |
| Statements of Financial Position | 3-4 |
| Statements of Activities | 5-6 |
| Statements of Cash Flows | 7-8 |
| Notes to Financial Statements | 9-24 |

INDEPENDENT AUDITORS' REPORT

To The Board of Trustees Utah Symphony & Opera

Opinion

We have audited the accompanying financial statements of the Utah Symphony & Opera (the Organization), a Utah nonprofit organization, which comprise the statements of financial position as of August 31, 2023 and 2022, the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utah Symphony & Opera as of August 31, 2023 and 2022, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Utah Symphony & Opera and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Utah Symphony & Opera's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utah Symphony & Opera's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utah Symphony & Opera's ability to continue as a going concern for a reasonable period of time.

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

Recently Adopted Accounting Pronouncement

As discussed in Note 1 to the financial statements, the Utah Symphony & Opera changed its method of accounting for leases due to the adoption of Accounting Standards Update No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Tanner LLC
February 27, 2024

Utah Symphony & Opera
Statement of Financial Position
August 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,736,649 | \$ 468,762 | \$ 3,205,411 |
| Accounts and grants receivable <i>(Note 2)</i> | 868,348 | 684,528 | 1,552,876 |
| Contributions receivable, less than one year, net <i>(Note 2)</i> | 14,442 | 794,120 | 808,562 |
| Interest and dividends receivable | - | 10,188 | 10,188 |
| Prepaid expenses | 588,027 | - | 588,027 |
| Total current assets | 4,207,466 | 1,957,598 | 6,165,064 |
| Contributions receivable, over one year <i>(Note 2)</i> | - | 314,782 | 314,782 |
| Endowment contributions receivable, net <i>(Note 2)</i> | - | 470,864 | 470,864 |
| Long-term investments <i>(Notes 3 and 4)</i> | 11,243,568 | 37,968,151 | 49,211,719 |
| Other investments <i>(Note 3)</i> | 57,748 | - | 57,748 |
| Land, building and equipment, net <i>(Note 5)</i> | 2,652,814 | - | 2,652,814 |
| Right-of-use asset <i>(Note 6)</i> | 526,602 | - | 526,602 |
| Total assets | <u>\$ 18,688,198</u> | <u>\$ 40,711,395</u> | <u>\$ 59,399,593</u> |
| Liabilities and net assets | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | \$ 1,501,371 | \$ - | \$ 1,501,371 |
| Line of credit <i>(Note 7)</i> | - | - | - |
| Deferred revenue | 2,776,686 | - | 2,776,686 |
| Current portion of operating lease liability <i>(Note 6)</i> | 56,524 | - | 56,524 |
| Total current liabilities | 4,334,581 | - | 4,334,581 |
| Operating lease liability, net of current portion <i>(Note 6)</i> | 478,583 | - | 478,583 |
| Total Liabilities | <u>4,813,164</u> | <u>-</u> | <u>4,813,164</u> |
| Commitments and contingencies <i>(Note 12)</i> | | | |
| Net assets: | | | |
| Without donor restrictions <i>(Note 8):</i> | 13,875,034 | - | 13,875,034 |
| With donor restrictions: | | | |
| Time and purpose restrictions <i>(Note 9)</i> | - | 3,140,048 | 3,140,048 |
| Permanently restricted <i>(Note 10)</i> | - | 37,571,347 | 37,571,347 |
| Total net assets | 13,875,034 | 40,711,395 | 54,586,429 |
| Total liabilities and net assets | <u>\$ 18,688,198</u> | <u>\$ 40,711,395</u> | <u>\$ 59,399,593</u> |

Utah Symphony & Opera
Statement of Financial Position
August 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 6,168,292 | \$ 1,291,803 | \$ 7,460,095 |
| Accounts and grants receivable (Note 2) | 1,024,238 | 825,049 | 1,849,287 |
| Contributions receivable, less than one year, net (Note 2) | 40,000 | 1,853,518 | 1,893,518 |
| Interest and dividends receivable | - | 5,501 | 5,501 |
| Prepaid expenses | 810,693 | - | 810,693 |
| Total current assets | <u>8,043,223</u> | <u>3,975,871</u> | <u>12,019,094</u> |
| Contributions receivable, over one year (Note 2) | - | 528,978 | 528,978 |
| Endowment contributions receivable, net (Note 2) | - | 967,949 | 967,949 |
| Long-term investments (Notes 3 and 4) | 8,221,750 | 35,154,301 | 43,376,051 |
| Other investments (Note 3) | 57,748 | - | 57,748 |
| Land, building and equipment, net (Note 5) | 2,643,614 | - | 2,643,614 |
| Total assets | <u>\$ 18,966,335</u> | <u>\$ 40,627,099</u> | <u>\$ 59,593,434</u> |
| Liabilities and net assets | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | \$ 932,022 | \$ - | \$ 932,022 |
| Line of credit (Note 7) | - | - | - |
| Deferred revenue | 2,346,742 | - | 2,346,742 |
| Total current liabilities | <u>3,278,764</u> | <u>-</u> | <u>3,278,764</u> |
| Commitments and contingencies (Note 12) | | | |
| Net assets: | | | |
| Without donor restrictions (Note 8): | 15,687,571 | - | 15,687,571 |
| With donor restrictions: | | | |
| Time and purpose restrictions (Note 9) | - | 5,381,727 | 5,381,727 |
| Permanently restricted (Note 10) | - | 35,245,372 | 35,245,372 |
| Total net assets | <u>15,687,571</u> | <u>40,627,099</u> | <u>56,314,670</u> |
| Total liabilities and net assets | <u>\$ 18,966,335</u> | <u>\$ 40,627,099</u> | <u>\$ 59,593,434</u> |

Utah Symphony & Opera

Statement of Activities

Year Ended August 31, 2023

| | Without Donor Restrictions | | | With Donor Restrictions | | Total |
|---|----------------------------|------------------|---------------|-------------------------------|------------------------|---------------|
| | Operating | Board Designated | Total | Time and Purpose Restrictions | Permanently Restricted | |
| Revenues: | | | | | | |
| Performance revenues | \$ 7,096,814 | \$ - | \$ 7,096,814 | \$ - | \$ - | \$ 7,096,814 |
| Government grants and fees: | | | | | | |
| Awarded | 5,242,258 | - | 5,242,258 | 688,540 | - | 5,930,798 |
| Released from restriction | 825,049 | - | 825,049 | (825,049) | - | - |
| Total government grants and fees | 6,067,307 | - | 6,067,307 | (136,509) | - | 5,930,798 |
| Contributions: | | | | | | |
| Awarded | 6,117,084 | 174,489 | 6,291,573 | 1,249,266 | 448,932 | 7,989,771 |
| In-kind | 562,995 | - | 562,995 | - | - | 562,995 |
| Released from restriction and reclassified | 3,213,071 | - | 3,213,071 | (3,213,071) | - | - |
| Total contributions | 9,893,150 | 174,489 | 10,067,639 | (1,963,805) | 448,932 | 8,552,766 |
| Other: | | | | | | |
| Set and costume rentals | 249,937 | - | 249,937 | - | - | 249,937 |
| Other income | 207,243 | - | 207,243 | - | - | 207,243 |
| Investment income, net of transfers (Notes 1 and 3) | 1,751,665 | 528,381 | 2,280,046 | (163,255) | 1,877,043 | 3,993,834 |
| Total other | 2,208,845 | 528,381 | 2,737,226 | (163,255) | 1,877,043 | 4,451,014 |
| Total revenues | 25,266,116 | 702,870 | 25,968,986 | (2,263,569) | 2,325,975 | 26,031,392 |
| Expenses (Note 13): | | | | | | |
| Program expenses | 23,925,263 | - | 23,925,263 | - | - | 23,925,263 |
| Management and general | 2,656,963 | - | 2,656,963 | - | - | 2,656,963 |
| Fundraising | 1,190,029 | 9,268 | 1,199,297 | (21,890) | - | 1,177,407 |
| Total expenses | 27,772,255 | 9,268 | 27,781,523 | (21,890) | - | 27,759,633 |
| Change in net assets before reserve transfer | (2,506,139) | 693,602 | (1,812,537) | (2,241,679) | 2,325,975 | (1,728,241) |
| Operating reserve transfer | 2,510,000 | (2,510,000) | - | - | - | - |
| Change in net assets | 3,861 | (1,816,398) | (1,812,537) | (2,241,679) | 2,325,975 | (1,728,241) |
| Net assets at beginning of the year | 3,524,756 | 12,162,815 | 15,687,571 | 5,381,727 | 35,245,372 | 56,314,670 |
| Net assets at end of the year | \$ 3,528,617 | \$ 10,346,417 | \$ 13,875,034 | \$ 3,140,048 | \$ 37,571,347 | \$ 54,586,429 |

Utah Symphony & Opera

Statement of Activities

Year Ended August 31, 2022

| | Without Donor Restrictions | | | With Donor Restrictions | | Total |
|---|----------------------------|------------------|---------------|-------------------------------|------------------------|---------------|
| | Operating | Board Designated | Total | Time and Purpose Restrictions | Permanently Restricted | |
| Revenues: | | | | | | |
| Performance revenues | \$ 6,562,624 | \$ - | \$ 6,562,624 | \$ - | \$ - | \$ 6,562,624 |
| Government grants and fees: | | | | | | |
| Awarded | 5,828,026 | - | 5,828,026 | 825,049 | - | 6,653,075 |
| Released from restriction | 3,957,986 | - | 3,957,986 | (3,957,986) | - | - |
| Total government grants and fees | 9,786,012 | - | 9,786,012 | (3,132,937) | - | 6,653,075 |
| Contributions: | | | | | | |
| Awarded | 7,021,767 | 457,671 | 7,479,438 | 2,966,882 | 1,409,629 | 11,855,949 |
| In-kind | 341,024 | - | 341,024 | - | - | 341,024 |
| Released from restriction | 1,312,621 | - | 1,312,621 | (1,312,621) | - | - |
| Total contributions | 8,675,412 | 457,671 | 9,133,083 | 1,654,261 | 1,409,629 | 12,196,973 |
| Other: | | | | | | |
| Set and costume rentals | 369,208 | - | 369,208 | - | - | 369,208 |
| Other income | 28,033 | - | 28,033 | - | - | 28,033 |
| Investment loss, net of transfers (Notes 1 and 3) | (13,297) | (623,100) | (636,397) | (149,459) | (4,839,121) | (5,624,977) |
| Total other | 383,944 | (623,100) | (239,156) | (149,459) | (4,839,121) | (5,227,736) |
| Total revenues | 25,407,992 | (165,429) | 25,242,563 | (1,628,135) | (3,429,492) | 20,184,936 |
| Expenses (Note 13): | | | | | | |
| Program expenses | 21,288,003 | - | 21,288,003 | - | - | 21,288,003 |
| Management and general | 2,424,411 | - | 2,424,411 | - | - | 2,424,411 |
| Fundraising | 1,004,239 | 58,025 | 1,062,264 | 24,828 | - | 1,087,092 |
| Total expenses | 24,716,653 | 58,025 | 24,774,678 | 24,828 | - | 24,799,506 |
| Change in net assets before reserve transfer | | | | | | |
| | 691,339 | (223,454) | 467,885 | (1,652,963) | (3,429,492) | (4,614,570) |
| Operating reserve transfer | (650,000) | 650,000 | - | - | - | - |
| Change in net assets | 41,339 | 426,546 | 467,885 | (1,652,963) | (3,429,492) | (4,614,570) |
| Net assets at beginning of the year | 3,483,417 | 11,736,269 | 15,219,686 | 7,034,690 | 38,674,864 | 60,929,240 |
| Net assets at end of the year | \$ 3,524,756 | \$ 12,162,815 | \$ 15,687,571 | \$ 5,381,727 | \$ 35,245,372 | \$ 56,314,670 |

Utah Symphony & Opera

Statements of Cash Flows

Year Ended August 31, 2023

| | Without Donor Restriction | With Donor Restriction | Total |
|---|------------------------------|---------------------------|---------------------|
| Operating activities | | | |
| Changes in net assets | \$ (1,812,537) | \$ 84,296 | \$ (1,728,241) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization expense | 341,542 | - | 341,542 |
| Amortization of ROU Asset | 65,960 | - | 65,960 |
| Bad debt expense | 68,778 | (21,890) | 46,888 |
| Interest and dividends restricted for long-term investments | 356,420 | 806,347 | 1,162,767 |
| Net realized and unrealized gains on long-term investments | (395,293) | (2,545,461) | (2,940,754) |
| Changes in operating assets and liabilities: | | | |
| Accounts and grants receivable | 142,670 | 140,521 | 283,191 |
| Contributions receivable | (30,000) | 1,792,569 | 1,762,569 |
| Interest and dividends receivable | - | (4,687) | (4,687) |
| Prepaid expenses | 222,666 | - | 222,666 |
| Accounts payable and accrued expenses | 569,349 | - | 569,349 |
| Deferred revenue | 429,944 | - | 429,944 |
| Operating lease liability | (57,455) | - | (57,455) |
| Net cash provided by (used in) operating activities | <u>(97,956)</u> | <u>251,695</u> | <u>153,739</u> |
| Investing activities | | | |
| Purchases of property and equipment | (350,742) | - | (350,742) |
| Net purchases of long-term investments | <u>(2,982,945)</u> | <u>(1,074,736)</u> | <u>(4,057,681)</u> |
| Net cash used in investing activities | <u>(3,333,687)</u> | <u>(1,074,736)</u> | <u>(4,408,423)</u> |
| Financing activities | | | |
| Proceeds from line of credit | 300,000 | - | 300,000 |
| Payments on line of credit | <u>(300,000)</u> | <u>-</u> | <u>(300,000)</u> |
| Net cash used in financing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net decrease in cash and cash equivalents | (3,431,643) | (823,041) | (4,254,684) |
| Cash and cash equivalents: | | | |
| Beginning of the year | 6,168,292 | 1,291,803 | 7,460,095 |
| End of the year | <u>\$ 2,736,649</u> | <u>\$ 468,762</u> | <u>\$ 3,205,411</u> |

Utah Symphony & Opera
Statements of Cash Flows
Year Ended August 31, 2022

| | Without Donor Restriction | With Donor Restriction | Total |
|---|--------------------------------------|-----------------------------------|---------------------|
| Operating activities | | | |
| Changes in net assets | \$ 467,885 | \$ (5,082,455) | \$ (4,614,570) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | 348,382 | - | 348,382 |
| Bad debt expense | 8,999 | 24,828 | 33,827 |
| Interest and dividends restricted for long-term investments | (134,364) | (751,422) | (885,786) |
| Net realized and unrealized losses on long-term investments | 770,898 | 5,741,719 | 6,512,617 |
| Changes in operating assets and liabilities: | | | |
| Accounts and grants receivable | 1,707,398 | (290,605) | 1,416,793 |
| Contributions receivable | 14,500 | (1,714,111) | (1,699,611) |
| Interest and dividends receivable | - | (5,424) | (5,424) |
| Prepaid expenses | (222,121) | - | (222,121) |
| Accounts payable and accrued expenses | (337,333) | (47) | (337,380) |
| Deferred revenue | (637,184) | - | (637,184) |
| Net cash provided by (used in) operating activities | <u>1,987,060</u> | <u>(2,077,517)</u> | <u>(90,457)</u> |
| Investing activities | | | |
| Purchases of property and equipment | (17,695) | - | (17,695) |
| Net purchases of long-term investments | (2,321,999) | (436,774) | (2,758,773) |
| Net cash used in investing activities | <u>(2,339,694)</u> | <u>(436,774)</u> | <u>(2,776,468)</u> |
| Financing activities | | | |
| Net cash provided by financing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net decrease in cash and cash equivalents | (352,634) | (2,514,291) | (2,866,925) |
| Cash and cash equivalents: | | | |
| Beginning of the year | 6,520,926 | 3,806,094 | 10,327,020 |
| End of the year | <u>\$ 6,168,292</u> | <u>\$ 1,291,803</u> | <u>\$ 7,460,095</u> |

Utah Symphony & Opera

Notes to Financial Statements

1. Significant Accounting Policies

Description of Business and Operations

The Utah Symphony & Opera (the 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 the 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.

The 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 152 individuals on a full-time basis and approximately 16 individuals on a part-time basis. Members of the American Federation of Musicians Local 104 union make up approximately 51% of the total full-time employees of the Organization. The current CBA was entered into on September 1, 2018 and expired on August 31, 2023. In May 2023, a new CBA was entered into and is effective as of September 1, 2023, and is set to expire August 31, 2027.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of August 31, 2023, there was approximately \$281,000 that was federally insured. The organization has approximately \$3,289,000 held in short-term bond funds without donor restriction and \$2,384,000 held in short-term bond funds with donor restrictions. The Organization manages risks in investments by diversifying its holdings. 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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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.

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 for support of the Organization's operations.

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

See Notes 8, 9, and 10 for additional discussion of these net asset categories.

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

Consistent with UPMIFA, the Organization seeks to maintain the purchasing power 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, endowment returns on donor-restriction endowments, net of operating distributions, remain in the investment pool as net assets with donor restrictions and endowment returns on board designated endowment funds remain in the investment pool as net assets without donor restrictions.

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 donor restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts creating a deficit. These deficits generally result when unfavorable market fluctuations occur shortly after the investment of newly established endowments.

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 net assets without donor restrictions investments, including those held within the Board Designated Fund, are included in net assets without donor restrictions 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 net assets with donor restrictions investment income in the statements of activities. Realized gains and losses are determined using the specific identification method. Investment related expenses were approximately \$110,000 and \$107,000 for the years ended August 31, 2023 and 2022, respectively and are netted against income (loss) on investments.

The Symphony & Opera's Board of Trustees adopted a resolution to transfer between four and five percent of the value of Donor Permanently Restricted Funds and Board Endowment Funds Without Restriction annually for use in its operations. If needed, the amounts are transferred from the respective fund to the Operating Fund. The annual draw for the year ending August 31, 2023 was 4.25% of the average market value of investments for the 12 calendar quarters beginning September 30, 2021. No transfer was made for fiscal year 2022.

The Organization has engaged Principal Group as its Investment Advisor. 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 is currently maintaining an equity target of approximately 72%. The Organization has approximately 2% of investments in a private equity investment. The remaining 26% is in fixed income, cash and cash equivalents. The investment of funds is intended to support the long-term financial viability of the Organization. Investment objectives encompass (1) seeking appropriate risk-adjusted returns, while limiting fees and expenses, (2) providing liquidity to meet forecasted cash needs, while coordinating cash withdrawals with portfolio income and (3) preserving donated capital by seeking investments to grow principal faster than the rate of inflation, while avoiding significant loss in market value, as part of a market cycle.

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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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.

Recently Adopted Accounting Pronouncement

Effective September 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards update No. 2016-02, *Leases* (Topic 842). The Organization has elected the package of practical expedients permitted in Topic 842. Accordingly, the Organization accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under Topic 842, (b) whether classification of the leases would be different in accordance with Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of September 1, 2022) would have met the definition of initial direct costs in Topic 842 at lease commencement. The Organization also adopted the private company practical expedient to use the risk-free rate as the discount rate in estimating the operating lease liability as of September 1, 2022. As a result of the adoption of the new lease accounting guidance and under a modified retrospective approach, the Organization recognized on September 1, 2022 an operating lease liability of \$592,562, which represents the present value of the remaining lease payments at the time of adoption, discounted using the applicable risk-free rate of 3.36%, and an operating lease right-of-use asset of \$592,562.

Lease Commitments

The Organization reviews all contracts and determines if the arrangement is or contains a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. For all arrangements where it is determined that a lease exists, the related right-of-use assets and lease liabilities are recorded within the balance sheet as either operating or finance leases. At inception or modification, the Organization calculates the present value of lease payments using the implicit rate determined from the contract or the risk-free discount rate, which is determined by using a period comparable with that of the lease term. The present value is adjusted for prepaid lease payments, lease incentives, and initial direct costs (e.g. commissions). The Organization's leases may require fixed rental payments, variable lease payments based on usage or sales and fixed non-lease costs relating to the leased asset. Variable lease payments are generally not included in the measurement of the right-of-use assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term. Fixed non-lease costs, for example common-area maintenance costs, taxes, insurance, and maintenance, are included in the measurement of the right-of-use asset and lease liability as the Organization does not separate lease and non-lease components.

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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Contributions received are considered to be available for use unless specifically restricted by the donor. Conditional contributions, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Organization 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 (when a time restriction ends or a purpose restriction is fulfilled) contributions are reclassified to net assets without donor restriction and reported in the statement of activities as contributions released from restriction.

The Organization rents 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 \$250,000 and \$369,000 is included on the statement of activities for the years ended August 31, 2023 and 2022, respectively.

Deferred revenue arises from advance ticket sales, including refundable gift certificates, and is recognized as revenue when the performance for which the tickets have been sold occurs. The Organization segregates cash to cover deferred revenue in excess of prepaid expenses associated with future programming.

As part of the Zoo, Arts and Parks Sales Tax Initiative passed in 1996 and reaffirmed in November 2015, the Utah Symphony & Opera receives funds from Salt Lake County (the County) and records revenues based on an estimate of revenues to be collected. As of August 31, 2023 and 2022, approximately \$817,000 and \$955,000, respectively, was recorded in accounts and grants receivable without donor restrictions and increase in government grants and fees without donor restriction for amounts for which tax collections are known that will be received subsequent to year-end. As of August 31, 2023 and 2022, approximately \$672,000 and \$416,000, 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 on the line of credit, which was 8.54% as of August 31, 2023, and recorded in the current period as restricted revenue and contributions receivable with donor restrictions. As of August 31, 2023 and 2022, the discount on these pledges was approximately \$81,000 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, meeting the criteria to be recorded, and materials that are used in the operations of the Organization. These donated services and materials are recorded at estimated fair value.

Utah Symphony & Opera

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

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:

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Program expenses: | | |
| Production expenses | \$ 246,114 | \$ 107,684 |
| Advertising expenses | 105,860 | 76,936 |
| Management and general and fundraising expenses | 211,021 | 156,404 |
| | <u>\$ 562,995</u> | <u>\$ 341,024</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 (see Note 15).

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 \$2,239,000 and \$1,572,000 for the years ended August 31, 2023 and 2022, respectively.

Income Tax Status

The Internal Revenue Service has ruled that the 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 to maintain its tax-exempt qualification. As of August 31, 2023, 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 February 27, 2024, 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 consist of the following as of August 31, 2023:

| | Without Donor Restriction | With Donor Restrictions | | Total |
|--|------------------------------|-------------------------------------|---------------------------|---------------------|
| | | Time and Purpose Restrictions | Permanently Restricted | |
| Accounts and grants receivable | \$ 868,348 | \$ 684,528 | \$ - | \$ 1,552,876 |
| Contributions receivable, less than one year | 14,442 | 794,120 | - | 808,562 |
| Contributions receivable, over one year | - | 314,782 | - | 314,782 |
| Endowment contributions receivable | - | - | 470,864 | 470,864 |
| | <u>\$ 882,790</u> | <u>\$ 1,793,430</u> | <u>\$ 470,864</u> | <u>\$ 3,147,084</u> |

As of August 31, 2023, approximately \$590,000 (33% of time and purpose restricted receivables) was receivable from Donor A.

During the year ended August 31, 2023 and 2022, government grants recognized as income from Salt Lake County totaled \$2,929,000 and \$2,927,000, respectively. As of August 31, 2023, receivables from Salt Lake County totaled approximately \$1,489,000 (37% of time and purpose restricted receivables and 93% of unrestricted receivables).

The COVID-19 pandemic caused business disruption through mandated and voluntary closings of events. The Organization was able to resume performances in the year ending August 31, 2021, and recognized government grants from CARES and Shuttered Venue Operators Grant received, as well as Employee Tax Retention Credit totaling \$4,629,000, during the year ended August 31, 2022.

The net balance of accounts, grants, and contributions receivable consist of the following as of August 31, 2022:

| | Without Donor Restriction | With Donor Restrictions | | Total |
|--|------------------------------|-------------------------------------|---------------------------|---------------------|
| | | Time and Purpose Restrictions | Permanently Restricted | |
| Accounts and grants receivable | \$ 1,024,238 | \$ 825,049 | \$ - | \$ 1,849,287 |
| Contributions receivable, less than one year | 40,000 | 1,853,518 | - | 1,893,518 |
| Contributions receivable, over one year | - | 528,978 | - | 528,978 |
| Endowment contributions receivable | - | - | 967,949 | 967,949 |
| | <u>\$ 1,064,238</u> | <u>\$ 3,207,545</u> | <u>\$ 967,949</u> | <u>\$ 5,239,732</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, 2023 are receivable within one to five years as noted below:

| | Accounts, Grants and Contributions | Endowment | Total |
|---|--|------------|--------------|
| Current through August 31, 2024 | \$ 2,425,376 | \$ 33,000 | \$ 2,458,376 |
| From September 1, 2024 to August 31, 2028 | 318,494 | 437,864 | 756,358 |
| | 2,743,870 | 470,864 | 3,214,734 |
| Less estimated uncollectible receivables | (67,650) | - | (67,650) |
| | \$ 2,676,220 | \$ 470,864 | \$ 3,147,084 |

All accounts and contributions receivable as of August 31, 2022 are receivable within one to six years as noted below:

| | Accounts, Grants and Contributions | Endowment | Total |
|---|--|------------|--------------|
| Current through August 31, 2023 | \$ 3,776,787 | \$ 358,000 | \$ 4,134,787 |
| From September 1, 2023 to August 31, 2028 | 528,978 | 609,949 | 1,138,927 |
| | 4,305,765 | 967,949 | 5,273,714 |
| Less estimated uncollectible receivables | (33,982) | - | (33,982) |
| | \$ 4,271,783 | \$ 967,949 | \$ 5,239,732 |

3. Investments

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

| | 2023 | 2022 |
|--------------------------------|---------------|---------------|
| Long-term investments: | | |
| Corporate stock funds | \$ 30,173,301 | \$ 26,812,305 |
| Corporate bond funds | 8,702,014 | 6,361,708 |
| Government bond funds | 5,800,958 | 8,867,872 |
| Money market funds | 2,285,936 | 86,614 |
| Private equity | 2,187,711 | 1,210,106 |
| Instruments loans to musicians | 61,799 | 37,446 |
| | \$ 49,211,719 | \$ 43,376,051 |
| Other investments: | | |
| Art | \$ 50,848 | \$ 50,848 |
| Real estate | 6,900 | 6,900 |
| | \$ 57,748 | \$ 57,748 |

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, 2023 | | | | |
|-----------------------------------|--------------------------------------|------------------|-----------------------------|------------------------|--------------|
| | Without Donor Restrictions | | With Donor Restrictions | | |
| | Unrestricted | Board Designated | Time and Purpose Restricted | Permanently Restricted | Total |
| | | | | | |
| Interest and dividends | \$ 87,369 | \$ 269,051 | \$ 20,079 | \$ 786,268 | \$ 1,162,767 |
| Unrealized gains | - | 270,035 | 49,850 | 1,774,241 | 2,094,126 |
| Realized gains | 485 | 124,772 | 18,925 | 702,446 | 846,628 |
| Management fees | (2,758) | (14,968) | (2,109) | (89,852) | (109,687) |
| Investment gain, before transfers | 85,096 | 648,890 | 86,745 | 3,173,103 | 3,993,834 |
| Transfers | 1,666,569 | (120,509) | (250,000) | (1,296,060) | - |
| Investment gain, net of transfers | \$ 1,751,665 | \$ 528,381 | \$ (163,255) | \$ 1,877,043 | \$ 3,993,834 |

| | For the Year Ended, August, 31, 2022 | | | | |
|------------------------|--------------------------------------|------------------|-----------------------------|------------------------|----------------|
| | Without Donor Restrictions | | With Donor Restrictions | | |
| | Unrestricted | Board Designated | Time and Purpose Restricted | Permanently Restricted | Total |
| | | | | | |
| Interest and dividends | \$ 16,354 | \$ 119,027 | \$ 22,774 | \$ 741,456 | \$ 899,611 |
| Unrealized losses | (29,751) | (806,124) | (197,200) | (6,388,126) | (7,421,201) |
| Realized gains | 3,086 | 82,867 | 31,361 | 1,015,933 | 1,133,247 |
| Management fees | (2,986) | (18,870) | (6,394) | (208,384) | (236,634) |
| Investment losses | \$ (13,297) | \$ (623,100) | \$ (149,459) | \$ (4,839,121) | \$ (5,624,977) |

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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including type of investment, whether the investment is new or not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, determining fair value requires more judgement. Because of the inherent uncertainty of valuation, estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgement exercised by management in determining fair value is greatest for investments categorized in level 3.

Assets measured at fair value on a recurring basis as of August 31, 2023 are summarized as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|----------------------|-------------|---------------------|----------------------|
| Corporate stock funds | \$ 30,173,301 | \$ - | \$ - | \$ 30,173,301 |
| Corporate bond funds | 8,702,014 | - | - | 8,702,014 |
| Government bond funds | 5,800,958 | - | - | 5,800,958 |
| Money market funds | 2,285,936 | - | - | 2,285,936 |
| Private equity funds | - | - | 2,187,711 | 2,187,711 |
| Instrument loans to musicians | - | - | 61,799 | 61,799 |
| Total | \$ 46,962,209 | \$ - | \$ 2,249,510 | \$ 49,211,719 |

Assets measured at fair value on a recurring basis as of August 31, 2022 are summarized as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|----------------------|-------------|---------------------|----------------------|
| Corporate stock funds | \$ 26,812,305 | \$ - | \$ - | \$ 26,812,305 |
| Corporate bond funds | 6,361,708 | - | - | 6,361,708 |
| Government bond funds | 8,867,872 | - | - | 8,867,872 |
| Money market funds | 86,614 | - | - | 86,614 |
| Private equity funds | - | - | 1,210,106 | 1,210,106 |
| Instrument loans to musicians | - | - | 37,446 | 37,446 |
| Total | \$ 42,128,499 | \$ - | \$ 1,247,552 | \$ 43,376,051 |

The following is a reconciliation of assets for which Level 3 inputs were used in determining the value for investments for the years ended August 31, 2023 and 2022:

| | Private equity funds | Instrument loans to musicians |
|---|----------------------|-------------------------------|
| Balance as of Sept 1, 2021 | \$ - | \$ 51,739 |
| Total gains/(losses) (realized/unrealized/interest) | 362,422 | 2,188 |
| Net purchases/loans and settlements/payments | 847,684 | (16,481) |
| Balance as of August 31, 2022 | 1,210,106 | 37,446 |
| Total gains/(losses) (realized/unrealized/interest) | 352,128 | 2,462 |
| Net purchases/loans and settlements/payments | 625,477 | 21,891 |
| Balance as of August 31, 2023 | \$ 2,187,711 | \$ 61,799 |

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:

| | 2023 | 2022 |
|-------------------------------|--------------|--------------|
| Land | \$ 229,500 | \$ 229,500 |
| Building and improvements | 5,951,398 | 5,816,783 |
| Production sets | 1,178,892 | 2,039,286 |
| Hall equipment | 608,602 | 639,947 |
| Production equipment | 453,478 | 254,773 |
| Office equipment | 332,978 | 484,845 |
| Vehicles | 98,476 | 98,476 |
| Construction in process | 21,912 | 28,389 |
| | 8,875,236 | 9,591,999 |
| Less accumulated depreciation | (6,222,422) | (6,948,385) |
| | \$ 2,652,814 | \$ 2,643,614 |

6. Leases

The Organization leases certain office, storage and performance space, as well as lodging and equipment under operating leases. During the year ended August 31, 2023, the Organization recognized lease expense of \$623,577, which consisted of \$84,777 from amortization of its right-of-use asset and accretion of its lease liability in the statement of activities, \$33,300 of short-term lease expense and \$505,500 of variable lease expenses. The weighted average discount rate was 3.36% with a weighted average term remaining of 6.92 years as of August 31, 2023.

As of August 31, 2023, future undiscounted cash flows of the operating lease are as follows:

| Years ending August 31, | |
|---|------------|
| 2024 | \$ 78,564 |
| 2025 | 80,921 |
| 2026 | 83,343 |
| 2027 | 85,840 |
| 2028 | 88,411 |
| Thereafter | 184,869 |
| Total undiscounted future minimum lease payments | 601,948 |
| Less imputed interest | (66,841) |
| Present value of future operating lease liability | \$ 535,107 |

For the year ended August 31, 2022, lease expense of \$402,000 was recognized in the statement of activities.

Utah Symphony & Opera

Notes to Financial Statements (continued)

7. Line of Credit

The Organization has a revolving line of credit with a financial institution. As of August 31, 2023, use of the line of credit was limited to \$1,800,000 by the financial institution. The Board has permitted management to utilize this line of credit at its discretion. The line of credit is secured by \$2,384,000 of the Board Restricted Investment Fund (see Note 8) as designated by the Board. The line of credit bears interest at prime rate less 0.25% (8.54% as of August 31, 2023). The Organization had \$-0- outstanding under the line of credit as of August 31, 2023 and 2022. The line of credit matures June 2, 2024, at which time the Organization intends to apply for renewal.

Interest expense for the years ended August 31, 2023 and 2022 was \$6,937 and \$503, respectively. Interest expense is recorded in management and general expenses.

8. 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 net assets without donor restrictions section of the statements of activities.

The Board Designated Fund consists of funds without donor or legal restrictions but has been set aside through Board resolutions until such time the Board removes the restrictions to utilize such funds. As of August 31, the fund consists of the following:

| | 2023 | 2022 |
|----------------------------------|----------------------|----------------------|
| Board Restricted Investment Fund | \$ 6,439,056 | \$ 5,948,692 |
| Utah Opera Surplus Fund | 2,580,392 | 2,456,909 |
| Operating Reserve Fund | 1,283,256 | 3,707,406 |
| Guild Operating Funds | 43,713 | 49,808 |
| Total Board Designated Fund | <u>\$ 10,346,417</u> | <u>\$ 12,162,815</u> |

The Board has pledged \$2,384,000 of the Board Designated Fund as security on the line of credit; certain of these Funds require a two-thirds vote of the Board to access the balance of these funds. Upon approval of the Executive Committee of the Board the Operating Reserve Fund can be 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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

9. 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:

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Funds for use in future periods | \$ 1,448,652 | \$ 2,375,492 |
| Opera Production Studio Expansion | 877,856 | 1,041,111 |
| Governmental grants received for use in future periods | 688,540 | 825,049 |
| Deer Valley Music Festival | 125,000 | 271,290 |
| Funds for a specified purpose | - | 868,785 |
| | \$ 3,140,048 | \$ 5,381,727 |

All amounts released from restrictions during the years ended August 31, 2023 and 2022 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 donor 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, 2023 and 2022, approximately \$250,000 and \$-0-, respectively, were transferred from the Opera Production Studio Expansion Purpose Restricted Fund to offset costs associated with the operations and maintenance of this building.

10. Permanently Restricted Net Assets

Permanently restricted net assets represent the Donor Restricted Endowment Funds of the Symphony and the Opera, which consist primarily of investments restricted in perpetuity by the donor of the assets, managed in compliance with the provisions of UPMIFA. 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 to fund general operations.

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

| | 2023 | 2022 |
|---|----------------------|----------------------|
| General Operations for Symphony & Opera | \$ 15,364,637 | \$ 14,068,322 |
| General Operations for Symphony | 15,245,452 | 14,259,217 |
| Elizabeth Brown Dee Fund for Music in the Schools | 2,457,963 | 2,321,043 |
| General Operations for Deer Valley Music Festival | 1,114,585 | 1,061,205 |
| Park City Enhancement (Capital Improvements) | 1,090,149 | 1,037,943 |
| Opera Ensemble/Education Programs | 886,163 | 843,723 |
| General Operations for Opera | 820,550 | 1,104,365 |
| Instrument Loan Fund | 449,395 | 413,924 |
| Symphony Chorus | 142,453 | 135,630 |
| | \$ 37,571,347 | \$ 35,245,372 |

Utah Symphony & Opera

Notes to Financial Statements (continued)

11. Retirement Programs

All of the Symphony musicians, except one, 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). One Symphony musician has elected to use a Section 401(k) retirement plan. The Organization contributes on behalf of each musician an amount equal to 8%, or 9%, for musicians employed for 15 years or more, of that musician's base salary. 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 increased the contribution rate to 8.72% or 9.81% until March 1, 2023 when an additional surcharge increased the contribution rate to 9.59% or 10.70%, depending on years of service. The surcharge was approximately \$84,000 and \$50,000 for the years ended August 31, 2023 and 2022, respectively. The American Rescue Plan Act of 2021 provides financial assistance to troubled multiemployer pension plans. The AFM-EPW filed for relief in October 2023, after higher priority groups. We cannot yet assess the financial impact of any potential relief on the Organization.

The cost to the Symphony & Opera of contributions to the above retirement programs incurred by the Operating Fund was approximately \$703,000 and \$627,000 for the years ended August 31, 2023 and 2022, respectively.

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 these plans, subject to limitations established by the IRC. The Organization has discretion on making additional contributions to full-time non-union member's retirement accounts. During August 31, 2023 and 2022, the Organization contributed approximately \$100,000 and \$338,000, respectively. The contributed funds are held in individual accounts with an outside manager.

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' 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, 2023, the Symphony & Opera had fulfilled \$530,000 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.

Utah Symphony & Opera

Notes to Financial Statements (continued)

13. 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:

| | Year Ended August 31, 2023 | | | |
|------------------------|----------------------------|---------------------------|---------------------|----------------------|
| | Program | Management and General | Fundraising | Total |
| Salaries and wages | \$ 14,855,001 | \$ 1,434,343 | \$ 622,850 | \$ 16,912,194 |
| Guest Artists | 3,326,951 | - | - | 3,326,951 |
| Production | 2,755,853 | - | - | 2,755,853 |
| Marketing | 2,238,899 | - | - | 2,238,899 |
| Other | 3,920 | 806,916 | 34,863 | 845,699 |
| Rent | 484,799 | 84,773 | - | 569,572 |
| Cultivation Events | 344 | - | 476,758 | 477,102 |
| Depreciation | 120,244 | 221,298 | - | 341,542 |
| Professional | 22,400 | 96,413 | - | 118,813 |
| Set and Costume Rental | 116,852 | - | - | 116,852 |
| Bad Debts | - | 13,220 | 33,668 | 46,888 |
| Guild | - | - | 9,268 | 9,268 |
| | \$ 23,925,263 | \$ 2,656,963 | \$ 1,177,407 | \$ 27,759,633 |

| | Year Ended August 31, 2022 | | | |
|------------------------|----------------------------|---------------------------|---------------------|----------------------|
| | Program | Management and General | Fundraising | Total |
| Salaries and wages | \$ 13,923,596 | \$ 1,456,911 | \$ 693,147 | \$ 16,073,654 |
| Guest Artists | 2,936,815 | - | - | 2,936,815 |
| Production | 2,112,444 | - | - | 2,112,444 |
| Marketing | 1,572,371 | - | - | 1,572,371 |
| Other | 1,654 | 510,485 | 17,810 | 529,949 |
| Rent | 465,716 | 74,082 | - | 539,798 |
| Cultivation Events | 18 | - | 266,284 | 266,302 |
| Depreciation | 123,824 | 224,559 | - | 348,383 |
| Professional | - | 158,374 | 18,000 | 176,374 |
| Set and Costume Rental | 151,565 | - | - | 151,565 |
| Bad Debts | - | - | 33,827 | 33,827 |
| Guild | - | - | 58,024 | 58,024 |
| | \$ 21,288,003 | \$ 2,424,411 | \$ 1,087,092 | \$ 24,799,506 |

Utah Symphony & Opera

Notes to Financial Statements (continued)

14. 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:

| | 2023 | 2022 |
|---|--------------|--------------|
| Cash and cash equivalents | \$ 2,736,649 | \$ 6,168,292 |
| Time restricted cash available for general operations within one year | 413,762 | 1,125,571 |
| Investments | 11,243,568 | 8,195,081 |
| Promises to give, note | 882,790 | 1,064,238 |
| Total financial assets | 15,276,769 | 16,553,182 |
| Less amounts not available to be used within one year: | | |
| Board Designated funds | (10,346,417) | (11,486,146) |
| Financial assets available to be used for general expenditure within one year | \$ 4,930,352 | \$ 5,067,036 |

The Organization regularly monitors liquidity 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, grants, 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 7, the Organization has \$1,800,000 available under its line of credit agreement with a bank, which expires June 2, 2024.

The statement of cash flows identifies the sources and uses of the Organization's cash. During the year ended August 31, 2023, operating activities generated positive cash flows of approximately \$154,000. During the year ended August 31, 2022, the Organization used approximately \$90,000 of cash in operating activities.

15. Related Party Transactions

During the years ended August 31, 2023 and 2022, the Organization received donations from board members totaling approximately \$1,375,000 and \$2,031,000, respectively.

During the years ended August 31, 2023 and 2022, the Organization purchased approximately \$1,322,000 and \$752,000, respectively, of advertising from a company owned by a board member, which included in-kind expenses of \$106,000 and \$56,000, respectively. The board member does not actively work on the Organization's account and the majority of advertising dollars noted above merely passed through the advertising company to the advertising medium. Management has determined that the purchases were conducted at arm's length.

The Organization is the named beneficiary and has board membership of a foundation. During the years ended August 31, 2023 and 2022, the Organization received donations and recognized revenue from the foundation of \$250,000 and \$250,000, respectively. Management has determined that the foundation should not be consolidated as the Organization does not exercise control over the foundation's activities.