

INDIANA SYMPHONY SOCIETY, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2020 AND 2019

CPAs / ADVISORS



INDIANA SYMPHONY SOCIETY, INC.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Indiana Symphony Society, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of the Indiana Symphony Society, Inc. (the Society), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

REPORT OF INDEPENDENT AUDITORS
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society 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.

Change in Accounting Principles

As discussed in Note 3 to the financial statements, effective September 1, 2019, the Society adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, and ASU 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. Our opinion is not modified with respect to these matters.

Blue & Co., LLC

Carmel, Indiana
November 19, 2020

INDIANA SYMPHONY SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2020 AND 2019

ASSETS		
	2020	2019
Cash	\$ 461,317	\$ 154,720
Receivables:		
Pledges, net (Note 4)	2,119,500	2,706,616
Government Grants	35,424	106,900
Accounts	32,379	252,990
Total Receivables	2,187,303	3,066,506
Prepaid Expenses and Other Assets	510,914	748,152
Property and Equipment, net (Note 2)	2,062,989	2,501,075
Interest in Net Assets of ISO Foundation	99,726,037	97,846,625
Total Assets	\$ 104,948,560	\$ 104,317,078
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ 788,415	\$ 1,243,498
Accrued Expenses	174,049	275,906
Other Liabilities	452,694	138,642
Deferred Revenue	1,681,061	4,018,189
Refundable Advance	2,929,185	-0-
Intercompany Loans (Note 6)	250,000	435,800
Bank Line of Credit (Note 7)	7,043,141	7,248,964
Pension Liability (Note 12)	3,324,551	4,504,299
Total Liabilities	16,643,096	17,865,298
Net Assets		
Net Assets Without Donor Restrictions		
General Operating	(9,241,313)	(9,202,015)
Pension Plan (Note 12)	(4,251,174)	(5,430,922)
Total Net Assets Without Donor Restrictions	(13,492,487)	(14,632,937)
Net Assets With Donor Restrictions		
Society (Note 8)	2,071,914	3,238,092
ISO Foundation (Note 8)	99,726,037	97,846,625
Total Net Assets With Donor Restrictions	101,797,951	101,084,717
Total Net Assets	88,305,464	86,451,780
Total Liabilities and Net Assets	\$ 104,948,560	\$ 104,317,078

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2020 (With Comparative Restated Total for the Year Ended August 31, 2019)

	2020							2019	
	Without Donor Restrictions				With Donor Restrictions			Total	Total
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total		
Revenue									
Earned Revenue									
Ticket Sales and Fee Income	\$ 5,858,901	\$ -0-	\$ -0-	\$ 5,858,901	\$ -0-	\$ -0-	\$ -0-	\$ 5,858,901	\$ 11,120,826
Facilities Income	406,142	-0-	-0-	406,142	-0-	-0-	-0-	406,143	643,080
Program Advertising	110,633	-0-	-0-	110,633	-0-	-0-	-0-	110,633	144,707
Education	166,270	-0-	-0-	166,270	-0-	-0-	-0-	166,270	164,329
Other	26,498	-0-	-0-	26,498	-0-	-0-	-0-	26,498	2,243
Total Earned Revenue	6,568,444	-0-	-0-	6,568,444	-0-	-0-	-0-	6,568,444	12,075,185
Contributed Income									
Annual Fund	4,535,317	-0-	-0-	4,535,317	1,794,957	-0-	1,794,957	6,330,274	7,292,082
Net Assets Released - Annual Fund (Note 8)	2,961,135	-0-	-0-	2,961,135	(2,961,135)	-0-	(2,961,135)	-0-	-0-
Total Contributed Income	7,496,452	-0-	-0-	7,496,452	(1,166,178)	-0-	(1,166,178)	6,330,274	7,292,082
ISO Foundation									
Net Assets Released (Note 8)	5,650,000	-0-	1,250,000	6,900,000	-0-	(6,900,000)	(6,900,000)	-0-	-0-
Service Fee	50,000	-0-	-0-	50,000	-0-	-0-	-0-	50,000	50,000
Total ISO Foundation	5,700,000	-0-	1,250,000	6,950,000	-0-	(6,900,000)	(6,900,000)	50,000	50,000
 Total Revenue	 19,764,896	 -0-	 1,250,000	 21,014,896	 (1,166,178)	 (6,900,000)	 (8,066,178)	 12,948,718	 19,417,267

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2020 (Continued) (With Comparative Restated Total for the Year Ended August 31, 2019)

	2020							2019	
	Without Donor Restrictions				With Donor Restrictions			Total	Total
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total		
Expenses									
Concert Related Expenses									
Orchestra Operations	8,884,490	-0-	-0-	8,884,490	-0-	-0-	-0-	8,884,490	11,303,119
Defined Benefit Pension Plan Expense (Notes 10 and 12)	-0-	507,174	-0-	507,174	-0-	-0-	-0-	507,174	467,589
Concert Production	3,148,723	-0-	-0-	3,148,723	-0-	-0-	-0-	3,148,723	7,313,204
Marketing	1,124,716	-0-	-0-	1,124,716	-0-	-0-	-0-	1,124,716	2,022,668
Total Concert Related Expenses	13,157,929	507,174	-0-	13,665,103	-0-	-0-	-0-	13,665,103	21,106,580
Departmental Expenses									
General and Administrative	2,478,678	-0-	-0-	2,478,678	-0-	-0-	-0-	2,478,678	2,662,709
Development	1,107,474	-0-	-0-	1,107,474	-0-	-0-	-0-	1,107,474	1,299,725
Patron Services	315,324	-0-	-0-	315,324	-0-	-0-	-0-	315,324	468,542
Education	693,131	-0-	-0-	693,131	-0-	-0-	-0-	693,131	800,301
Program Book	111,308	-0-	-0-	111,308	-0-	-0-	-0-	111,308	70,944
Other	103,687	-0-	-0-	103,687	-0-	-0-	-0-	103,687	108,833
Total Departmental Expenses	4,809,602	-0-	-0-	4,809,602	-0-	-0-	-0-	4,809,602	5,411,054
Facilities	1,345,266	-0-	1,250,000	2,595,266	-0-	-0-	-0-	2,595,266	2,824,802
Depreciation (Note 10)	491,397	-0-	-0-	491,397	-0-	-0-	-0-	491,397	490,303
Total Facilities and Depreciation	1,836,663	-0-	1,250,000	3,086,663	-0-	-0-	-0-	3,086,663	3,315,105
Total Expenses	19,804,194	507,174	1,250,000	21,561,368	-0-	-0-	-0-	21,561,368	29,832,739
Revenue Under Expenses before Nonoperating Gain	(39,298)	(507,174)	-0-	(546,472)	(1,166,178)	(6,900,000)	(8,066,178)	(8,612,650)	(10,415,472)
Nonoperating Gain									
Net Periodic Pension Benefit	-0-	372,115	-0-	372,115	-0-	-0-	-0-	372,115	484,612
Revenue Over (Under) Expenses	(39,298)	(135,059)	-0-	(174,357)	(1,166,178)	(6,900,000)	(8,066,178)	(8,240,535)	(9,930,860)
Other Changes in Net Assets									
Other Changes in Interest in Net Assets of ISO Foundation	-0-	-0-	-0-	-0-	-0-	8,779,412	8,779,412	8,779,412	4,941,225
Pension Liability Adjustment (Note 12)	-0-	1,314,807	-0-	1,314,807	-0-	-0-	-0-	1,314,807	(3,561,817)
Total Other Changes in Net Assets	-0-	1,314,807	-0-	1,314,807	-0-	8,779,412	8,779,412	10,094,219	1,379,408
Change in Net Assets	(39,298)	1,179,748	-0-	1,140,450	(1,166,178)	1,879,412	713,234	1,853,684	(8,551,452)
Net Assets, Beginning of Year	(9,202,015)	(5,430,922)	-0-	(14,632,937)	3,238,092	97,846,625	101,084,717	86,451,780	95,003,232
Net Assets, End of Year	\$ (9,241,313)	\$ (4,251,174)	\$ -0-	\$ (13,492,487)	\$ 2,071,914	\$ 99,726,037	\$ 101,797,951	\$ 88,305,464	\$ 86,451,780

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

STATEMENT OF ACTIVITIES (Restated) YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions				With Donor Restrictions			
	General	Pension	Facilities	Total	Society	ISO Foundation	Total	Total
	Operating	Plan						
Revenue								
Earned Revenue								
Ticket Sales and Fee Income	\$ 11,120,826	\$ -0-	\$ -0-	\$ 11,120,826	\$ -0-	\$ -0-	\$ -0-	\$ 11,120,826
Facilities Income	643,080	-0-	-0-	643,080	-0-	-0-	-0-	643,080
Program Advertising	144,707	-0-	-0-	144,707	-0-	-0-	-0-	144,707
Education	164,329	-0-	-0-	164,329	-0-	-0-	-0-	164,329
Other	2,243	-0-	-0-	2,243	-0-	-0-	-0-	2,243
Total Earned Revenue	12,075,185	-0-	-0-	12,075,185	-0-	-0-	-0-	12,075,185
Contributed Income								
Annual Fund	5,257,414	-0-	-0-	5,257,414	2,034,668	-0-	2,034,668	7,292,082
Net Assets Released - Annual Fund (Note 8)	3,109,687	-0-	-0-	3,109,687	(3,109,687)	-0-	(3,109,687)	-0-
Net Assets Released - Project Funding (Note 8)	300,000	-0-	-0-	300,000	(300,000)	-0-	(300,000)	-0-
Net Assets Released - Capital Assets	50,000	-0-	-0-	50,000	(50,000)	-0-	(50,000)	-0-
Total Contributed Income	8,717,101	-0-	-0-	8,717,101	(1,425,019)	-0-	(1,425,019)	7,292,082
ISO Foundation								
Net Assets Released (Note 8)	6,521,927	-0-	1,250,000	7,771,927	-0-	(7,771,927)	(7,771,927)	-0-
Service Fee	50,000	-0-	-0-	50,000	-0-	-0-	-0-	50,000
Total ISO Foundation	6,571,927	-0-	1,250,000	7,821,927	-0-	(7,771,927)	(7,771,927)	50,000
 Total Revenue	 27,364,213	 -0-	 1,250,000	 28,614,213	 (1,425,019)	 (7,771,927)	 (9,196,946)	 19,417,267

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

STATEMENT OF ACTIVITIES (Restated) YEAR ENDED AUGUST 31, 2019 (Continued)

	Without Donor Restrictions				With Donor Restrictions			
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total	Total
Expenses								
Concert Related Expenses								
Orchestra Operations	11,303,119	-0-	-0-	11,303,119	-0-	-0-	-0-	11,303,119
Defined Benefit Pension Plan Expense (Notes 10 and 12)	-0-	467,589	-0-	467,589	-0-	-0-	-0-	467,589
Concert Production	7,313,204	-0-	-0-	7,313,204	-0-	-0-	-0-	7,313,204
Marketing	2,022,668	-0-	-0-	2,022,668	-0-	-0-	-0-	2,022,668
Total Concert Related Expenses	20,638,991	467,589	-0-	21,106,580	-0-	-0-	-0-	21,106,580
Departmental Expenses								
General and Administrative	2,662,709	-0-	-0-	2,662,709	-0-	-0-	-0-	2,662,709
Development	1,299,725	-0-	-0-	1,299,725	-0-	-0-	-0-	1,299,725
Patron Services	468,542	-0-	-0-	468,542	-0-	-0-	-0-	468,542
Education	800,301	-0-	-0-	800,301	-0-	-0-	-0-	800,301
Program Book	70,944	-0-	-0-	70,944	-0-	-0-	-0-	70,944
Other	108,833	-0-	-0-	108,833	-0-	-0-	-0-	108,833
Total Departmental Expenses	5,411,054	-0-	-0-	5,411,054	-0-	-0-	-0-	5,411,054
Facilities	1,574,802	-0-	1,250,000	2,824,802	-0-	-0-	-0-	2,824,802
Depreciation (Note 10)	490,303	-0-	-0-	490,303	-0-	-0-	-0-	490,303
Total Facilities and Depreciation	2,065,105	-0-	1,250,000	3,315,105	-0-	-0-	-0-	3,315,105
Total Expenses	28,115,150	467,589	1,250,000	29,832,739	-0-	-0-	-0-	29,832,739
Revenue Under Expenses before Nonoperating Gain	(750,937)	(467,589)	-0-	(1,218,526)	(1,425,019)	(7,771,927)	(9,196,946)	(10,415,472)
Nonoperating Gain								
Net Periodic Pension Benefit	-0-	484,612	-0-	484,612	-0-	-0-	-0-	484,612
Revenue Over (Under) Expenses	(750,937)	17,023	-0-	(733,914)	(1,425,019)	(7,771,927)	(9,196,946)	(9,930,860)
Other Changes in Net Assets								
Other Changes in Interest in Net Assets of ISO Foundation	-0-	-0-	-0-	-0-	-0-	4,941,225	4,941,225	4,941,225
Pension Liability Adjustment (Note 12)	-0-	(3,561,817)	-0-	(3,561,817)	-0-	-0-	-0-	(3,561,817)
Total Other Changes in Net Assets	-0-	(3,561,817)	-0-	(3,561,817)	-0-	4,941,225	4,941,225	1,379,408
Change in Net Assets	(750,937)	(3,544,794)	-0-	(4,295,731)	(1,425,019)	(2,830,702)	(4,255,721)	(8,551,452)
Net Assets, Beginning of Year	(8,451,078)	(1,886,128)	-0-	(10,337,206)	4,663,111	100,677,327	105,340,438	95,003,232
Net Assets, End of Year	\$ (9,202,015)	\$ (5,430,922)	\$ -0-	\$ (14,632,937)	\$ 3,238,092	\$ 97,846,625	\$ 101,084,717	\$ 86,451,780

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
Operating Activities		
Change in Net Assets	\$ 1,853,684	\$ (8,551,452)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Non-Cash Items		
Change in Interest in Net Assets of ISO Foundation	(1,879,412)	2,830,702
Change in Unamortized Discount on Pledges	(16,383)	(73,416)
Bad Debt Expense	30,881	29,377
Depreciation	491,397	490,303
Defined Benefit Pension Plan Expense	507,174	467,589
Pension Liability Adjustment	(1,686,922)	2,951,371
Total Non-Cash Items	(2,553,265)	6,695,926
Changes in Operating Assets and Liabilities		
Receivables	864,705	2,177,250
Prepaid Expenses and Other Assets	237,238	(60,413)
Accounts Payable, Accrued Expenses, and Other Liabilities	(242,888)	(453,108)
Deferred Revenue	(2,337,128)	1,483,741
Refundable Advance	2,929,185	-0-
Net Cash Flows from Operating Activities	751,531	1,291,944
Investing Activities		
Capital Expenditures	(53,311)	(304,095)
Financing Activities		
Advances on Bank Line of Credit	9,993,143	16,436,953
Payments on Bank Line of Credit	(10,198,966)	(17,091,752)
Payments on Intercompany Loans	(185,800)	(246,600)
Related Party Advances	-0-	500,000
Payments on Related Party Advances	-0-	(500,000)
Net Cash Flows from Financing Activities	(391,623)	(901,399)
Net Change in Cash	306,597	86,450
Cash, Beginning of Year	154,720	68,270
Cash, End of Year	\$ 461,317	\$ 154,720
Supplemental Disclosure of Cash Flow Information		
Cash Payments for Interest	\$ 147,344	\$ 227,898

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

1. NATURE OF ACTIVITIES

The Indiana Symphony Society, Inc. (the Society) is a not-for-profit corporation formed in 1937 for the purpose of operating the Indianapolis Symphony Orchestra (ISO). The ISO is one of Indiana's best known cultural resources receiving national and international recognition and setting the highest musical standards within our community.

The Indianapolis Symphony Orchestra Foundation, Inc. (the ISO Foundation) is a separate entity that was formed in September 1990 for the purpose of educating the public by providing financial and other support to the Society. The ISO Foundation manages the endowment which was raised to support the ISO, the Hilbert Circle Theatre, and the Symphony Centre buildings. The ISO Foundation is under no obligation to transfer assets to the Society.

Due to the purpose for which the ISO Foundation was formed, the Society and the ISO Foundation are considered to be financially interrelated organizations even though they operate independently of each other and have separate Boards of Directors. Because the Society and the ISO Foundation are financially interrelated, the Society has recognized its interest in the net assets of the ISO Foundation in its financial statements. Additionally, based on the nature of the relationship between the ISO Foundation and the Society, and the purposes for which the ISO Foundation exists, the ISO Foundation qualifies under Internal Revenue Service guidelines as a functionally integrated Type III supporting organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

Cash

The Society maintains cash in bank deposits accounts, which, at times may exceed federally insured limits. The Society has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Pledges Receivable

Pledges receivable consist of unconditional pledges received from a broad base of contributors that are recognized as contributions when the promise is received. Amounts pledged relate to the Annual Fund.

Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges receivable that are expected to be collected in

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using United States Treasury Bill rates with maturities commensurate to the time period of expected collection of pledges. Discount rates used for the year ended August 31, 2020 ranged from 0.12% to 0.22% and for the year ended August 31, 2019 ranged from 1.41% to 1.75%. Amortization of the discount is included in Contributed Income.

Management estimates an allowance for uncollectible pledges receivable based on current economic conditions, historical trends, and current and past experience with their donor base. At August 31, 2020 and 2019, management determined that an allowance of \$154,747 and \$163,027, respectively, was necessary.

Government Grants Receivable

Government grants receivable represent amounts awarded by various government agencies and are considered unconditional contributions. Government grants receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectible government grants receivable based on current economic conditions, historical trends, and current and past experience with the individual grantors. Management determined that no allowance was necessary at August 31, 2020 and 2019.

Accounts Receivable

Accounts receivable (contract receivables) are stated at amounts expected to be received for tickets sold by third party vendors, run out performances, and program advertising. All amounts are due within one year. Accounts receivable had a balance at August 31, 2020 and 2019 and September 1, 2018 of \$32,379, \$252,990, and \$884,614, respectively.

Accounts are monitored on an ongoing basis and significant effort is made to collect all amounts due to the Society. After one year, amounts uncollected are written off as bad debts. No interest is charged on past due accounts.

Management estimates an allowance for uncollectible accounts receivable based on current economic conditions, historical trends, and current and past experience with their vendor base. Management determined that no allowance was necessary at August 31, 2020 and 2019 and September 1, 2018.

Property, Equipment and Depreciation

The Society capitalizes at cost all significant purchases of property and equipment acquired for use, including expenditures that substantially increase the useful lives of existing assets. Costs of ordinary maintenance and repairs are charged to expense as incurred. Depreciation is calculated using the straight-line method, including one-half year's depreciation in the year placed in service. Property and equipment are depreciated over their estimated useful lives, which range from three to thirty-nine years.

Contributed property and equipment are recorded at their fair value at the date of the gift. Assets donated with explicit restrictions regarding their use, and contributions of cash that must

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

be used to acquire property and equipment with specific directions about the period of use, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions as the donated or acquired assets are placed in service. The Society reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The major classes of property and equipment, along with their respective accumulated depreciation, are as follows at August 31:

	2020		
	Cost	Accumulated Depreciation	Net Book Value
Computer Equipment and Software	\$ 1,099,041	\$ 916,651	\$ 182,390
Musical Instruments and Orchestra Equipment	2,096,731	1,951,366	145,365
Stage Equipment	1,838,005	1,544,391	293,614
Transportation Equipment	59,513	50,328	9,185
Office Furniture and Equipment	189,984	189,984	-0-
Hilbert Circle Theatre Property	1,140,436	696,194	444,242
Leasehold Improvements	9,543,134	8,558,181	984,953
Construction in Progress	3,240	-0-	3,240
	\$ 15,970,084	\$ 13,907,095	\$ 2,062,989
	2019		
	Cost	Accumulated Depreciation	Net Book Value
Computer Equipment and Software	\$ 1,103,513	\$ 822,791	\$ 280,722
Musical Instruments and Orchestra Equipment	2,085,501	1,878,503	206,998
Stage Equipment	1,823,681	1,461,195	362,486
Transportation Equipment	80,195	63,679	16,516
Office Furniture and Equipment	189,984	189,984	-0-
Hilbert Circle Theatre Property	1,140,436	573,724	566,712
Leasehold Improvements	9,520,132	8,452,491	1,067,641
	\$ 15,943,442	\$ 13,442,367	\$ 2,501,075

Basis of Presentation

The financial statements report net assets and changes in net assets in classes that are based upon the existence or absence of restrictions on use that are placed by the Society and Foundation's donors, as follows:

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Society Net Assets Without Donor Restrictions – Society net assets without donor restrictions are not subject to donor-imposed stipulation. The only limits on the use of Society net assets without donor restrictions are the broad limits resulting from the nature of the Society, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The Society maintains four net assets without donor restrictions classifications, as follows:

General Operating - used to report contributions, revenues and expenses from the general operations of the Society.

Pension Plan - used to report the activity related to the pension liability adjustment computed according to the provisions of the Financial Accounting Standards Board (the FASB) Accounting Standards Codification (ASC) 715-20 and 30 related to the non-contributory pension plan administered by the Society for qualified employees.

Facilities - established to account for the grants received from the ISO Foundation for the Hilbert Circle Theatre and Symphony Centre and annual lease payments made to the ISO Foundation as discussed in Note 11.

Society Net Assets with Donor Restrictions – Society net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Society's unspent contributions are classified in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the Statements of Activities by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of property or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions, and are reclassified to net assets without donor restrictions as the specified asset is depreciated, unless the donor provides more specific directions about the period of its use.

ISO Foundation Net Assets with Donor Restrictions – ISO Foundation net assets are all classified as net assets with donor restrictions.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Included in this net asset class are the net assets without donor restriction of the ISO Foundation due to implied time restrictions since such payments will be made from the ISO Foundation to the Society in future periods. This net asset class is also used to account for the investment return from the Hilbert gift which is restricted for use for Hilbert Circle Theatre capital requirements, cost of maintenance, and operations.

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Also included in net assets with donor restrictions are donor restrictions requiring that the resources must be maintained by the ISO Foundation in perpetuity. Net assets increase when the ISO Foundation receives contributions for which donor-imposed restrictions limit the ISO Foundation's use of the asset and/or its economic benefits and which neither expire with the passage of time nor can be removed by the ISO Foundation's meeting certain requirements.

Revenue and Support Recognition

The Society recognizes revenue from the sale of tickets and performance fees at the time of the event at the stated price per ticket. Facilities income is recognized pro-rata over the term of each lease agreement or at the time of specific events. Ticket sales and performance fees collected in advance of concert performances and rental income collected in advance of the lease term or event date are deferred and recognized as revenue in the period to which they relate (contract liabilities). Deferred revenue has a balance at August 31, 2020 and 2019, and September 1, 2018 of \$1,681,062, \$4,018,189, and \$2,534,448, respectively.

Contributions from the general public, governmental agencies, philanthropic foundations, and other organizations are recognized as support in the period when cash, securities, or other assets, or an unconditional promise to give is received. Contributions that are not restricted by the donor or restricted by time are reported as an increase in net assets without donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction is met in the reporting period in which the revenue is received. Expirations of donor restrictions on net assets, either by fulfillment of the stipulated purpose or the passage of time, are reported as reclassifications between the applicable classes of net assets. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Annual fund contributions include amounts contributed to support operations or specific productions that have been included in the annual operating budget.

Concert Advertising Costs

The Society expenses direct response marketing costs in the year in which the related concert production occurs and all other concert advertising costs in the year incurred. Concert advertising expenses for the years ended August 31, 2020 and 2019 were \$1,024,907 and \$1,931,641, respectively. Prepaid advertising expenses are \$78,859 and \$103,060 as of August 31, 2020 and 2019, respectively, and are included in prepaid expenses and other assets.

Income Taxes

The Society is exempt from Federal and state income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and similar state law. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or

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performance of its exempt purpose. The Society's net advertising income is considered unrelated business income. The Society's related advertising expenses offset related income and no tax was paid during 2020 and 2019. Due to tax law changes, the Society's employee parking benefit is currently considered unrelated business income and generated unrelated business income tax to be paid during 2019. The law was repealed and a refund for the 2019 taxes paid was filed.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Society and recognize a tax liability if the Society has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Society, and has concluded that as of August 31, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Society is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Society has filed its federal and state income tax returns for periods through August 31, 2019. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Subsequent Events

The Society evaluated events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events were evaluated through November 19, 2020, which is the date the financial statements were available to be issued.

Recently Issued Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. As currently proposed by the FASB, the Society is be required to adopt this ASU in its year ending August 31, 2023. This ASU is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

The Society is presently evaluating the effects this ASU will have on its future financial statements, including related disclosures.

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3. CHANGE IN ACCOUNTING PRINCIPLES

ASU No. 2014-09

Effective September 1, 2019, the Society adopted the FASB ASU No. 2014-09, *Revenue from Contracts with Customers Topic 606* (ASC 606), as issued in May 2014 by the FASB, which supersedes the revenue recognition requirements in FASB ASC Topic 605, *Revenue Recognition*. The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services."

In accordance with ASC 606, the Society has adopted the requirements using the modified retrospective approach. Adoption of the new guidance resulted in changes to the Society's accounting policies for revenue recognition. As reflected in Note 2, the Society's accounts receivable are considered to be contract receivables and deferred revenue is considered to represent contract liabilities under this new standard. Under the modified retrospective approach, any cumulative effects of initial application are to be presented as an adjustment to the opening balance of net assets in the year of adoption. No adjustments to the opening net asset balances were necessary upon adoption by the Society.

ASU No. 2018-08

Effective September 1, 2019, the Society adopted the FASB ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASC 958). ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return on assets transferred or a right of release of a promisor's obligation to transfer assets. The adoption of ASU 2018-08 did not have a material impact on the 2020 financial statements.

ASU No. 2017-07

Effective September 1, 2019, the Society adopted the FASB ASU 2017-07 *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This standard requires entities to report the service cost component in the same line as other compensation costs arising from services rendered during the period and to report all other components of net periodic benefit/cost outside of revenue over (under) expenses before nonoperating items. The Society retrospectively restated the defined benefit pension plan expense and net periodic pension benefit/cost by removing the net periodic pension benefit/cost from defined benefit pension plan expense and separately reporting this outside of revenue under expenses before nonoperating gain. Service cost included in expenses for 2020 and 2019 was \$507,174 and \$467,589, respectively. The Society

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used the practical expedient allowable under the standard which permits the Society to use amounts disclosed in the 2019 pension footnote for the prior period restatement. The 2019 statement of financial position, statement of cash flows and total change in net assets were not impacted by the ASU.

The following table is a summary of the restatement for 2019:

	August 31, 2019		
	Originally Reported	Adjustment	Restated
Statement of Activities			
Defined Benefit Pension Plan Expense	\$ (17,023)	\$ 484,612	\$ 467,589
Total Concert Related Expenses	\$ 20,621,968	\$ 484,612	\$ 21,106,580
Total Expenses	\$ 29,348,127	\$ 484,612	\$ 29,832,739
Revenue Under Expenses Before Nonoperating Gain	\$ (9,930,860)	\$ (484,612)	\$ (10,415,472)
Nonoperating Gain			
Net Periodic Pension Benefit	\$ -0-	\$ 484,612	\$ 484,612
Revenue Under Expenses	\$ (9,930,860)	\$ -0-	\$ (9,930,860)

There was no significant impact on the Statement of Financial Position or the Statement of Cash Flows as a result of adopting this ASU.

4. PLEDGES RECEIVABLE

Pledges receivable consist of the following at August 31:

	2020	2019
Annual Fund	\$ 1,037,607	\$ 1,649,386
Lilly Endowment, Inc.	<u>1,237,000</u>	<u>1,237,000</u>
Total Pledges Receivable	2,274,607	2,886,386
Less Unamortized Discount	(360)	(16,743)
Less Allowance for Uncollectible Contributions	<u>(154,747)</u>	<u>(163,027)</u>
Net Pledges Receivable	<u>\$ 2,119,500</u>	<u>\$ 2,706,616</u>
Amounts Due In:		
Less Than One Year	\$ 2,103,534	\$ 2,657,856
One to Five Years	<u>171,073</u>	<u>228,530</u>
	<u>\$ 2,274,607</u>	<u>\$ 2,886,386</u>

5. REFUNDABLE ADVANCE UNDER PAYCHECK PROTECTION PROGRAM

On April 10, 2020, the Society received a low interest loan in the amount of \$2,929,185 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The PPP loan is unsecured, bears interest at 1% and funds advanced under the program are subject to forgiveness, if certain criteria are met, with the remaining balance repayable

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within two years of disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during covered period, and submit adequate documentation of such expenditures to qualify for loan forgiveness.

The Society has elected to treat this loan as a conditional contribution and will recognize the contribution when the conditions for loan forgiveness have been substantially met and the loan has been legally forgiven by the SBA. The proceeds from the PPP loan are recorded as a refundable advance in the liability section in the Statement of Financial Position at August 31, 2020.

6. INTERCOMPANY LOANS AND RELATED PARTY ADVANCES

On August 8, 2017, the ISO Foundation loaned \$304,000 to the Society under terms of an unsecured intercompany loan to cover upfront expenditures on two capital projects. Terms of the intercompany loan require quarterly principal payments of \$30,400 commencing September 30, 2017 with the final quarterly installment due on December 31, 2019. Interest is charged at the one month LIBOR rate, as defined in the loan agreement, plus 0.80% (0.975% at August 31, 2020) and was due and paid in full for the term of the loan on December 31, 2019. Amounts outstanding at August 31, 2020 and 2019 were \$-0- and \$60,800, respectively.

On June 29, 2018, the ISO Foundation issued a \$500,000 line of credit to the Society for working capital to support operations of the Society. Terms of the line of credit require annual principal payments of \$125,000, plus interest due, commencing December 31, 2018 with the final annual installment due on December 31, 2021. The amount available for borrowing by the Society under this line of credit will be reduced by the amount of the required annual principal payment on each annual installment due date. Interest is charged at the one month LIBOR rate, as defined in the loan agreement, plus 0.80% 0.975% at August 31, 2020). Amounts outstanding at August 31, 2020 and 2019 were \$250,000 and \$375,000, respectively.

During 2019, the Society received \$500,000 in short-term advances from multiple board members. All advances were repaid with interest prior to August 31, 2019.

7. BANK LINE OF CREDIT

The Society has a line of credit agreement for \$8,000,000 with an institutional lender which expires on January 31, 2021. At August 31, 2020 and 2019, there was \$7,043,141 and \$7,248,964, respectively, borrowed against this line. Interest is charged at the one month LIBOR rate, which is adjusted as of a specific date each month, as defined in the agreement, plus 0.80% (0.975% at August 31, 2020). The ISO Foundation has guaranteed the line of credit and pledged specific assets as collateral. The ISO Foundation's assets are pledged at a 75% advance ratio, therefore, the maximum amount to be pledged by the ISO Foundation is \$10,667,000.

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The Society's line of credit matures on January 31, 2021. It is the Society's intention to negotiate a renewal and extension of this credit facility, although no renewal commitments have yet been sought or received from the lender.

8. NET ASSETS

Net assets with donor restrictions are available to support the following purposes or periods at August 31:

	2020	2019
Society		
Annual Fund		
Pledges/Grants Restricted Due to Timing	\$ 679,634	\$ 1,721,307
Annual Productions	155,280	279,785
Operations in Future Years	1,237,000	1,237,000
Total Society	\$ 2,071,914	\$ 3,238,092
 ISO Foundation		
Net Assets Without Donor Restrictions		
of the ISO Foundation	\$ 58,426,803	\$ 56,480,687
Pledges Restricted Due to Timing	2,709,303	4,134,005
Educational Purposes	4,372,981	4,373,710
Hilbert Circle Theatre Annual Facility Expenses	8,997,828	8,710,904
General Purposes	21,544,084	21,044,084
Orchestra's Artistic Endeavors	3,675,038	3,103,235
Total ISO Foundation	\$ 99,726,037	\$ 97,846,625

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows during the years ended August 31:

	2020	2019
Purpose Restriction Accomplished		
Capital Improvements	\$ -0-	\$ 50,000
Project Funding	-0-	300,000
Annual Productions *	204,785	188,318
Expiration of Time Restrictions *	1,519,350	1,684,369
Current Year Operations *	1,237,000	1,237,000
ISO Foundation Grants to the Society	6,900,000	7,771,927
	\$ 9,861,135	\$ 11,231,614

* Amounts included in Net Assets Released – Annual Fund on the Statements of Activities

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9. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Society's financial assets as of August 31, 2020 and 2019 that are available to meeting general expenditures within one year of the Statement of Financial Position date; that is, amounts that are without donor restrictions or board designations limiting their use.

	2020	2019
Cash	\$ 461,317	\$ 154,720
Receivables:		
Pledges, net	2,119,500	2,706,616
Government Grants	35,424	106,900
Accounts	32,379	252,990
Total Receivables	2,187,303	3,066,506
Total Financial Assets	2,648,620	3,221,226
Pledges Receivable Due Beyond One Year	(171,073)	(228,530)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	2,477,547	2,992,696
Other Liquidity Resources		
Line of Credit	956,859	751,036
Draw From ISO Foundation *	4,400,000	6,473,072
Total Other Liquidity Resources	5,356,859	7,224,108
	<u>\$ 7,834,406</u>	<u>\$ 10,216,804</u>

*Draw tentatively approved by the ISO Foundation board pending final value updates and formulation of a multi-year draw formula being developed and modeled by the Foundation's investment advisor and board

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Receivables are subject to implied time restrictions, but are expected to be collected within one year.IS

The Society's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for subscriptions and single ticket on sale dates and a concentration of contributions received near the fiscal and calendar year ends. To manage liquidity, the Society maintains a line of credit of \$8,000,000 with a bank that is drawn upon as needed to manage cash flow and is then paid down when there is excess cash in the operating account (Note 7).

The ISO Foundation endowment of approximately \$99,000,000 is subject to an annual spending rate of 5%. However, additional funds could made available to the Society if requested by the Society and approved by the ISO Foundation.

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10. FUNCTIONAL EXPENSES

The costs of providing the programs and services of the Society are summarized below. Accordingly, certain costs have been allocated among the program and supporting services benefited based on actual direct expenditures and cost allocations of indirect expenses based on time by personnel. Expenses allocated include salaries and benefits, occupancy costs, professional services depreciation and other office overhead. Although the methods used were appropriate, other methods could produce different results. Expenses by program services and supporting services for the years ended August 31, 2020 and 2019, respectively, are as follows:

	2020			
	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and Benefits	\$ 10,375,658	\$ 1,043,745	\$ 831,830	\$ 12,251,233
Concert Production	3,148,723	-0-	-0-	3,148,723
Occupancy Costs	1,490,164	6,739	-0-	1,496,903
Marketing	623,542	-0-	-0-	623,542
Professional Services	350,168	612,203	150,589	1,112,960
Depreciation	411,417	72,597	7,383	491,397
Other	1,135,615	1,123,908	177,087	2,436,610
	\$ 17,535,287	\$ 2,859,192	\$ 1,166,889	\$ 21,561,368

	2019			
	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and Benefits	\$ 12,699,707	\$ 1,238,665	\$ 979,254	\$ 14,917,626
Concert Production	7,313,204	-0-	-0-	7,313,204
Occupancy Costs	1,878,446	516,833	51,229	2,446,508
Marketing	1,479,596	-0-	-0-	1,479,596
Professional Services	405,306	360,935	164,634	930,875
Depreciation	368,682	88,355	33,266	490,303
Other	1,215,139	877,521	161,967	2,254,627
	\$ 25,360,080	\$ 3,082,309	\$ 1,390,350	\$ 29,832,739

11. LEASES

Hilbert Circle Theatre

The Society has a lease agreement with the ISO Foundation for the Hilbert Circle Theatre (the Theatre), which expired August 31, 2018. The Society and ISO Foundation are in the process of negotiating renewal terms of this lease and expect to complete the renewal in 2021. In the

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NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

interim, both organizations are operating under the terms of the previous lease. The lease agreement requires annual rental payments of \$850,000. The Society is responsible for utilities, maintenance, insurance and other expenses incidental to the operations of the Theatre. During both 2020 and 2019, the ISO Foundation contributed the \$850,000 of annual rental expense back to the Society (Note 14).

The Society has a sublease with the ISO Foundation whereby the Society leases additional lobby space adjacent to Hilbert Circle Theatre. The lease agreement calls for escalating monthly payments and expired on January 31, 2020. The renewal of this lease is expected to be completed in 2021. Total rent expense after credits for incidental expenses under this lease for the years ended August 31, 2020 and 2019 was \$54,127 and \$130,572, respectively.

The Society has a lease with an unrelated party whereby the Society leases additional lobby space adjacent to the Hilbert Circle Theatre. The lease expires on January 21, 2021. The lease may be cancelled with at least twelve months' prior notice.

Symphony Centre

The Society has a lease agreement with the ISO Foundation for the Symphony Centre expiring August 31, 2023. At August 31, 2020, the lease agreement requires annual rental payments aggregating \$400,000. The lease agreement provides for rent increases if additional tenant improvements are incurred by the ISO Foundation. The Society is responsible for utilities, maintenance and other operating costs. During both 2020 and 2019, the ISO Foundation contributed the \$400,000 of annual rental expense back to the Society (Note 14).

The Society also subleases office space within the Symphony Centre to various third party organizations. These agreements have maturity dates through December 2022.

Victoria Centre

The Society has an operating lease for a portion of the Victoria Centre through January 31, 2020. The lease calls for escalating future minimum lease payments. Total rental expense under this lease for the years ended August 31, 2020 and 2019 was \$72,135 and \$70,716, respectively.

Fletcher Properties

The Society has an operating lease for warehouse space from Fletcher Properties that expires February 28, 2021. Total rental expense under this lease for both years ended August 31, 2020 and 2019 was \$42,657.

Conner Prairie

The Society has an operating lease with Conner Prairie for facilities used for the Symphony on the Prairie series, which expired September 30, 2019. The Society is in the process of negotiating renewal terms of this lease and expects to complete the renewal in 2021. Total rental expense under this lease for the years ended August 31, 2020 and 2019 was \$58,524 and \$662,544, respectively.

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Future Minimum Lease Payments

Future minimum lease payments required under the aforementioned operating leases are as follows:

Year Ending August 31,	Hilbert Circle Theatre	Symphony Centre	Victoria Centre	Fletcher Properties	Total
2021	\$ 56,077	\$ 400,000	\$ 71,164	\$ 21,329	\$ 548,570
2022	-0-	400,000	-0-	-0-	400,000
2023	-0-	400,000	-0-	-0-	400,000
Minimum Payments	56,077	1,200,000	71,164	21,329	1,348,570
Less: Sublease Rentals	-0-	(287,889)	-0-	-0-	(287,889)
	<u>\$ 56,077</u>	<u>\$ 912,111</u>	<u>\$ 71,164</u>	<u>\$ 21,329</u>	<u>\$ 1,060,681</u>

Total rent expense for the years ended August 31, 2020 and 2019 was \$1,557,901 and \$2,160,503, respectively, including \$1,250,000 for the rental of the Hilbert Circle Theatre and Symphony Centre. Rent expense includes additional rent for the Hilbert Circle Theatre lobby expansion of \$134,585 for both years ended August 31, 2020 and 2019. The additional rents are included in Facilities expense in General Operating on the Statements of Activities. Rent expense has not been reduced by sublease rentals received on the office operating leases amounting to \$216,978 and \$289,373 for the years ended August 31, 2020 and 2019, respectively.

12. PENSION PLANS

Defined Benefit Plan

The Society has a non-contributory defined benefit pension plan for employees covered by collective bargaining agreements (musicians with a hire date prior to October 16, 2012 and stagehands) and seven other former employees who were grandfathered into the plan and whose benefits have been frozen. The Society makes annual contributions to the defined benefit plan at least equal to the amount required to satisfy legal funding requirements.

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The following sets forth the funded status of the plan and amounts shown in the accompanying Statements of Financial Position at August 31:

	2020	2019
Unfunded Status		
Benefit Obligation (both projected and accumulated)	\$ 41,511,919	\$ 40,107,157
Fair Value of Plan Assets	38,187,368	35,602,858
	\$ (3,324,551)	\$ (4,504,299)
Amounts Recognized in the Statement of Financial Position		
Accrued Pension Benefits	\$ (3,324,551)	\$ (4,504,299)
Amounts Not Yet Recognized as Components of Net Periodic Pension Cost		
Net Loss	\$ 12,003,296	\$ 13,318,103
Cumulative periodic pension costs	247,878	112,819
Project Funding Pension Plan	(8,000,000)	(8,000,000)
Pension Plan Net Asset Deficit	\$ 4,251,174	\$ 5,430,922

The measurement dates used in determining the pension benefit measurements for plan assets and benefit obligations were August 31, 2020 and 2019, respectively.

The discount rate used in determining the actuarial present value of the projected benefit obligation was 2.23% and 2.74% for 2020 and 2019, respectively, and the expected long-term rate of return on assets was 7.50% for both 2020 and 2019.

The projected benefit obligation was computed using a \$25 monthly retirement benefit per year of service for office staff and a monthly retirement benefit per year of service for musicians as follows:

For benefit service credited as of August 31, 2007	\$ 86
For benefit service credited commencing on September 1, 2007 and before September 1, 2008	\$ 95
For benefit service credited commencing on September 1, 2008 and before September 1, 2009	\$ 105
For benefit service credited commencing on or after September 1, 2009 and before September 1, 2011	\$ 56
For benefit service credited commencing on or after September 1, 2011	\$ 86

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Net periodic pension cost for the defined benefit plan for the years ended August 31, 2020 and 2019 included the following components:

	2020	2019
Net Periodic Pension Cost		
Service Cost	\$ 507,174	\$ 467,589
Other Components		
Interest Costs	949,543	1,234,839
Return on Assets	(4,248,924)	(3,294,958)
Net Amortization and Deferral	2,927,266	1,575,507
	(372,115)	(484,612)
Net Periodic Pension Cost	\$ 135,059	\$ (17,023)

The amount included in the pension plan net asset deficit that is expected to be recognized as a component of net periodic pension cost during the year ending August 31, 2021 includes the amortization of the net loss of \$1,110,901.

The Society was not required to make a contribution to the plan during the years ended August 31, 2020 and 2019. However, the Society did make a contribution of \$125,834 to the plan during the year ending August 31, 2019. There are no participant contributions to the plan. Distributions from the plan were \$1,664,414 and \$1,597,345 during the years ended August 31, 2020 and 2019, respectively.

The amount of benefits expected to be paid, based on the same assumptions used to measure the benefit obligation (including, when applicable, benefits attributable to estimated future service) through 2029 are as follows:

Year Ending <u>August 31,</u>	
2021	\$ 1,899,141
2022	2,105,708
2023	2,181,598
2024	2,221,245
2025	2,302,087
2026 - 2030	11,328,895
	\$ 22,038,674

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The Society's pension plan assets by asset category are as follows at August 31:

	<u>2020</u>	<u>2019</u>
Mutual Funds		
Equity		
Disciplined Equity	\$ -0-	\$ 1,519,714
S&P 500 Equity	5,808,992	1,564,806
International Equity	5,229,922	3,952,675
Small/Mid Cap Equity	1,212,818	878,642
Emerging Markets Equity	1,205,825	896,826
Fixed Income		
High Yield Bond	1,185,590	936,149
Emerging Markets Debt	1,546,535	1,297,628
Intermediate Duration	8,788,149	8,717,802
Long Duration	8,953,750	9,794,041
Multi-Class		
Dynamic Asset Allocation Fund	-0-	1,224,064
U.S. Government Agencies	4,255,787	4,820,511
	<u>\$ 38,187,368</u>	<u>\$ 35,602,858</u>

The Society's investment strategy is based on an expectation that equity securities will outperform debt securities over the long term. Accordingly, the composition of the Society's plan assets is broadly characterized as a 30% to 50% and 50% to 70% allocation between equity and debt securities, respectively. The strategy utilizes indexed U.S. equity securities and actively managed investment grade debt securities with lesser allocations to high-yield and international debt securities. Plan assets consist of mutual funds and U.S. Government Agency obligations, which are considered to be Level 1 investments in the fair value hierarchy (based on unadjusted quoted prices for identical assets in active markets).

The Society attempts to mitigate investment risk by rebalancing between equity and debt classes as the Society's contributions and benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold. The expected long-term rate of return on plan assets is based on an independent advisor's projection of return on the target portfolio, reduced, as deemed appropriate, by management for conservatism and consistency.

Defined Contribution Plan

The Society has a 403(b) plan for eligible employees, as defined by the 403(b) plan. Under the 403(b) plan, the Society will match the staff employees' contributions up to 3% of eligible compensation. The Society will match contributions made by musicians covered under the collective bargaining agreement with at least 40 years credited benefit service up to 5% of eligible compensation. For musicians hired after October 16, 2012, the Society will contribute

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NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

8% of musicians' annual minimum salary covered under the collective bargaining agreement through the 2019–2020 season. Contributions to the 403(b) plan for the years ended August 31, 2020 and 2019 were \$226,028 and \$275,747, respectively.

13. SELF-FUNDED MEDICAL PLAN

The Society's medical, dental, and vision insurance is covered through a self-funded plan. The Society is liable for claims under the plan. The Society has stop-loss coverage to limit the exposure arising from these claims. Medical costs under the self-funded plan for the years ended August 31, 2020 and 2019, net of stop-loss reimbursements, were \$1,842,011 and \$2,317,107, respectively. These expenses were offset by employee contributions to the plan of \$154,676 and \$157,610, respectively.

The Society also offers a Health Savings Account to all employees covered under the high deductible option of the self-funded plan. Employer contributions to employee health savings accounts for the years ended August 31, 2020 and 2019 were \$136,541 and \$171,071, respectively.

14. INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.

The Society has an \$8,000,000 line of credit agreement with an institutional lender (Note 7) which is guaranteed by the ISO Foundation. The ISO Foundation has pledged assets as collateral for this line of credit.

The Society has one intercompany loan with the ISO Foundation at August 31, 2020 (two intercompany loans with ISO Foundation at August 31, 2019) (Note 6).

The Society has a service agreement with the ISO Foundation whereby the Society provides certain management services, including endowment fundraising, administrative services, office space and preparing financial records and reports. In return, the ISO Foundation paid the Society an annual fee of \$50,000 in 2020 and 2019, which is included in the Statements of Activities under ISO Foundation revenue.

The ISO Foundation contributed \$6,900,000 and \$7,771,927 to the Society during the years ended August 31, 2020 and 2019, respectively. The amounts contributed are included in the Statements of Activities as net assets released from restrictions.

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The contributions were in support of the following programs or activities:

	2020	2019
General Operating Fund		
General Operating	\$ 5,343,405	\$ 6,221,442
Education Grant	218,686	226,712
Pops Enhancement	41,254	42,768
Conductor Laureate	27,229	28,229
Other	19,426	2,776
	<u>5,650,000</u>	<u>6,521,927</u>
Facilities (Note 11)	1,250,000	1,250,000
	<u>\$ 6,900,000</u>	<u>\$ 7,771,927</u>

The contributed amounts above for 2020 include a 5% draw from the ISO Foundation's investment portfolio, plus an additional grant of \$1,081,572, which was recorded in General Operating activities in the Statement of Activities. The contributed amounts above for 2019 include a 5% draw from the ISO Foundation's investment portfolio, plus an additional grant of \$2,000,000 which was recorded in General Operating activities in the Statement of Activities.

The Society owed \$59,468 and \$30,654 to the ISO Foundation at August 31, 2020 and 2019, respectively, which includes interest payables on intercompany loans.

The Society operates under a business plan based on financially responsible operating draws from the ISO Foundation. The current business plan covers periods through 2020 which supports the Society's goal to strive to balance the budget, while maintaining financially responsible annual operating draws from the ISO Foundation. In light of the Coronavirus pandemic addressed in Note 18, the business plan for future periods is under review to address the financial implications resulting from the pandemic.

15. CONCENTRATIONS

At August 31, 2019, 23% and 19% of accounts receivable related to Symphony on the Prairie were due from Indiana Members Credit Union and The Kroger Company, respectively. There were no such concentrations in accounts receivable at August 31, 2020.

At August 31, 2020 and 2019, a pledge from the Lilly Endowment, Inc. comprised 54% and 43%, respectively, of the gross pledge receivable balance. At August 31, 2019, pledges from the Eli Lilly and Company Foundation comprised 10% of the gross pledge receivable balance. At August 31, 2019, pledges from The Kroger Company comprised 10% of the gross pledge receivable balance.

Contributions from the Lilly Endowment, Inc. represented approximately 21% and 19% of contributed income during the years ended August 31, 2020 and 2019, respectively.

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020 AND 2019

16. RISKS AND UNCERTAINTIES

The Society's defined benefit pension plan holds investments in debt and equity securities (Note 12). In addition, a substantial portion of the assets of the ISO Foundation are invested in a diversified long-term investment portfolio. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

The Society is subject to disputes, claims and lawsuits in the normal course of business and is insured against such risks when appropriate. Management determined that no liability for a potential loss from any currently pending disputes, claims or lawsuits was necessary at August 31, 2020 and 2019.

17. COLLECTIVE BARGAINING AGREEMENTS WITH MUSICIANS AND STAGEHANDS

The Society recognizes Indianapolis Musicians Local No. 3 of the American Federation of Musicians (Musicians' Union) and the International Alliance of Theatrical Stage Employees Local No. 30 (Stagehands' Union) as the collective bargaining agents for its musicians and stagehands, with respect to wages, hours and conditions of employment. The Society's current contract with the Musician's Union is effective through August 29, 2021. The Society's current contract with the Stagehand's Union is effective through August 31, 2023.

18. CORONAVIRUS

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may continue to adversely impact the local, regional, national and global economies. The extent to which COVID-19 continues to impact the Society's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of personnel, shortages of supplies, delays, loss of, or reduction to, contributions and funding, investment portfolio declines and reduced or abbreviated performance schedules.

During 2020 COVID-19 had a significant impact on the Society's financial operations. Total earned revenue, primarily from ticket sales and fee income, decreased by \$5,506,741 or 45.6%, during 2020 compared to 2019 due to the cancellation of performances and related activities. Contributions to the annual fund decreased \$961,808 or 13.2% in 2020 from 2019. Expenses in 2020 were closely monitored to reflect the revenue declines. Management believes the Society is taking appropriate actions to respond to the pandemic. However, the full impact of the pandemic is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.