

INDIANA SYMPHONY SOCIETY, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2021 AND 2020

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, 2021 and 2020, 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 audit of the 2021 financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The 2020 financial statements were not audited under *Government Auditing Standards* and were audited 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, 2021 and 2020, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.

Blue & Co., LLC

Carmel, Indiana
December 20, 2021

INDIANA SYMPHONY SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash	\$ 6,241,908	\$ 461,317
Receivables:		
Pledges, net (Note 3)	3,563,871	2,119,500
Government Grants	487,795	35,424
Accounts	165,083	32,379
Total Receivables	4,216,749	2,187,303
Prepaid Expenses and Other Assets	489,089	510,914
Property and Equipment, net (Note 2)	2,116,025	2,062,989
Interest in Net Assets of ISO Foundation	120,029,114	99,726,037
 Total Assets	 <u>\$ 133,092,885</u>	 <u>\$ 104,948,560</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ 1,309,339	\$ 788,415
Accrued Expenses	348,586	174,049
Other Liabilities	376,297	452,694
Deferred Revenue	1,642,870	1,681,061
Refundable Advance (Note 4)	-0-	2,929,185
Intercompany Loans (Note 5)	-0-	250,000
Bank Line of Credit (Note 6)	123,120	7,043,141
Bank Note Payable (Note 6)	2,500,000	-0-
Pension Liability (Note 12)	969,512	3,324,551
Total Liabilities	7,269,724	16,643,096
Net Assets		
Net Assets Without Donor Restrictions		
General Operating	4,399,246	(9,241,313)
Pension Plan (Note 12)	(1,896,135)	(4,251,174)
Total Net Assets Without Donor Restrictions	2,503,111	(13,492,487)
Net Assets With Donor Restrictions		
Society (Note 7)	3,290,936	2,071,914
ISO Foundation (Note 7)	120,029,114	99,726,037
Total Net Assets With Donor Restrictions	123,320,050	101,797,951
 Total Net Assets	 <u>125,823,161</u>	 <u>88,305,464</u>
 Total Liabilities and Net Assets	 <u>\$ 133,092,885</u>	 <u>\$ 104,948,560</u>

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2021 (With Comparative Total for the Year Ended August 31, 2020)

	2021							2020	
	Without Donor Restrictions				With Donor Restrictions				
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total	Total	Total
Revenue									
Earned Revenue									
Ticket Sales and Fee Income	\$ 2,897,208	\$ -0-	\$ -0-	\$ 2,897,208	\$ -0-	\$ -0-	\$ -0-	\$ 2,897,208	\$ 5,858,901
Facilities Income	235,474	-0-	-0-	235,474	-0-	-0-	-0-	235,475	406,142
Program Advertising	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	110,633
Education	53,640	-0-	-0-	53,640	-0-	-0-	-0-	53,640	166,270
Other	14,544	-0-	-0-	14,544	-0-	-0-	-0-	14,544	26,498
Total Earned Revenue	3,200,866	-0-	-0-	3,200,866	-0-	-0-	-0-	3,200,866	6,568,444
Contributed Income									
Annual Fund	5,198,485	-0-	-0-	5,198,485	2,957,499	-0-	2,957,499	8,155,984	6,330,274
Government Funding									
COVID-19 Funding (Note 9)	9,853,330	-0-	-0-	9,853,330	-0-	-0-	-0-	9,853,330	-0-
Other Government Funding	95,000	-0-	-0-	95,000	-0-	-0-	-0-	95,000	-0-
Net Assets Released - Annual Fund (Note 7)	1,738,477	-0-	-0-	1,738,477	(1,738,477)	-0-	(1,738,477)	-0-	-0-
Total Contributed Income	16,885,292	-0-	-0-	16,885,292	1,219,022	-0-	1,219,022	18,104,314	6,330,274
ISO Foundation									
Net Assets Released (Note 7)	4,487,047	-0-	1,250,000	5,737,047	-0-	(5,737,047)	(5,737,047)	-0-	-0-
Service Fee	50,000	-0-	-0-	50,000	-0-	-0-	-0-	50,000	50,000
Total ISO Foundation	4,537,047	-0-	1,250,000	5,787,047	-0-	(5,737,047)	(5,737,047)	50,000	50,000
Total Revenue	24,623,205	-0-	1,250,000	25,873,205	1,219,022	(5,737,047)	(4,518,025)	21,355,180	12,948,718

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2021 (Continued) (With Comparative Total for the Year Ended August 31, 2020)

	2021							2020	
	Without Donor Restrictions				With Donor Restrictions			Total	Total
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total		
Expenses									
Concert Related Expenses									
Orchestra Operations	3,038,755	-0-	-0-	3,038,755	-0-	-0-	-0-	3,038,755	8,884,490
Defined Benefit Pension Plan Expense (Notes 10 and 12)	-0-	477,170	-0-	477,170	-0-	-0-	-0-	477,170	507,174
Concert Production	1,883,010	-0-	-0-	1,883,010	-0-	-0-	-0-	1,883,010	3,148,723
Marketing	662,072	-0-	-0-	662,072	-0-	-0-	-0-	662,072	1,124,716
Total Concert Related Expenses	5,583,837	477,170	-0-	6,061,007	-0-	-0-	-0-	6,061,007	13,665,103
Departmental Expenses									
General and Administrative	1,931,090	-0-	-0-	1,931,090	-0-	-0-	-0-	1,931,090	2,478,678
Development	945,540	-0-	-0-	945,540	-0-	-0-	-0-	945,540	1,107,474
Patron Services	200,266	-0-	-0-	200,266	-0-	-0-	-0-	200,266	315,324
Education	520,702	-0-	-0-	520,702	-0-	-0-	-0-	520,702	693,131
Program Book	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	111,308
Other	39,746	-0-	-0-	39,746	-0-	-0-	-0-	39,746	103,687
Total Departmental Expenses	3,637,344	-0-	-0-	3,637,344	-0-	-0-	-0-	3,637,344	4,809,602
Facilities									
Depreciation (Note 10)	1,208,968	-0-	1,250,000	2,458,968	-0-	-0-	-0-	2,458,968	2,595,266
Total Facilities and Depreciation	484,170	-0-	-0-	484,170	-0-	-0-	-0-	484,170	491,397
	1,693,138	-0-	1,250,000	2,943,138	-0-	-0-	-0-	2,943,138	3,086,663
Total Expenses	10,914,319	477,170	1,250,000	12,641,489	-0-	-0-	-0-	12,641,489	21,561,368
Revenue Over (Under) Expenses before Nonoperating Gain (Loss)									
	13,708,886	(477,170)	-0-	13,231,716	1,219,022	(5,737,047)	(4,518,025)	8,713,691	(8,612,650)
Nonoperating Gain (Loss)									
Loss on Disposal of Property and Equipment	(68,327)	-0-	-0-	(68,327)	-0-	-0-	-0-	(68,327)	-0-
Net Periodic Pension Benefit	-0-	1,026,831	-0-	1,026,831	-0-	-0-	-0-	1,026,831	372,115
Revenue Over (Under) Expenses	13,640,559	549,661	-0-	14,190,220	1,219,022	(5,737,047)	(4,518,025)	9,672,195	(8,240,535)
Other Changes in Net Assets									
Other Changes in Interest in Net Assets of ISO Foundation	-0-	-0-	-0-	-0-	-0-	26,040,124	26,040,124	26,040,124	8,779,412
Pension Liability Adjustment (Note 12)	-0-	1,805,378	-0-	1,805,378	-0-	-0-	-0-	1,805,378	1,314,807
Total Other Changes in Net Assets	-0-	1,805,378	-0-	1,805,378	-0-	26,040,124	26,040,124	27,845,502	10,094,219
Change in Net Assets	13,640,559	2,355,039	-0-	15,995,598	1,219,022	20,303,077	21,522,099	37,517,697	1,853,684
Net Assets, Beginning 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
Net Assets, End of Year	\$ 4,399,246	\$ (1,896,135)	\$ -0-	\$ 2,503,111	\$ 3,290,936	\$ 120,029,114	\$ 123,320,050	\$ 125,823,161	\$ 88,305,464

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions				With Donor Restrictions			
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total	Total
Revenue								
Earned Revenue								
Ticket Sales and Fee Income	\$ 5,858,901	\$ -0-	\$ -0-	\$ 5,858,901	\$ -0-	\$ -0-	\$ -0-	\$ 5,858,901
Facilities Income	406,142	-0-	-0-	406,142	-0-	-0-	-0-	406,142
Program Advertising	110,633	-0-	-0-	110,633	-0-	-0-	-0-	110,633
Education	166,270	-0-	-0-	166,270	-0-	-0-	-0-	166,270
Other	26,498	-0-	-0-	26,498	-0-	-0-	-0-	26,498
Total Earned Revenue	6,568,444	-0-	-0-	6,568,444	-0-	-0-	-0-	6,568,444
Contributed Income								
Annual Fund	4,535,317	-0-	-0-	4,535,317	1,794,957	-0-	1,794,957	6,330,274
Net Assets Released - Annual Fund (Note 7)	2,961,135	-0-	-0-	2,961,135	(2,961,135)	-0-	(2,961,135)	-0-
Total Contributed Income	7,496,452	-0-	-0-	7,496,452	(1,166,178)	-0-	(1,166,178)	6,330,274
ISO Foundation								
Net Assets Released (Note 7)	5,650,000	-0-	1,250,000	6,900,000	-0-	(6,900,000)	(6,900,000)	-0-
Service Fee	50,000	-0-	-0-	50,000	-0-	-0-	-0-	50,000
Total ISO Foundation	5,700,000	-0-	1,250,000	6,950,000	-0-	(6,900,000)	(6,900,000)	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

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2020 (Continued)

	Without Donor Restrictions				With Donor Restrictions			
	General	Pension	Facilities	Total	Society	ISO Foundation	Total	Total
	Operating	Plan						
Expenses								
Concert Related Expenses								
Orchestra Operations	8,884,490	-0-	-0-	8,884,490	-0-	-0-	-0-	8,884,490
Defined Benefit Pension Plan Expense (Notes 10)	-0-	507,174	-0-	507,174	-0-	-0-	-0-	507,174
Concert Production	3,148,723	-0-	-0-	3,148,723	-0-	-0-	-0-	3,148,723
Marketing	1,124,716	-0-	-0-	1,124,716	-0-	-0-	-0-	1,124,716
Total Concert Related Expenses	13,157,929	507,174	-0-	13,665,103	-0-	-0-	-0-	13,665,103
Departmental Expenses								
General and Administrative	2,478,678	-0-	-0-	2,478,678	-0-	-0-	-0-	2,478,678
Development	1,107,474	-0-	-0-	1,107,474	-0-	-0-	-0-	1,107,474
Patron Services	315,324	-0-	-0-	315,324	-0-	-0-	-0-	315,324
Education	693,131	-0-	-0-	693,131	-0-	-0-	-0-	693,131
Program Book	111,308	-0-	-0-	111,308	-0-	-0-	-0-	111,308
Other	103,687	-0-	-0-	103,687	-0-	-0-	-0-	103,687
Total Departmental Expenses	4,809,602	-0-	-0-	4,809,602	-0-	-0-	-0-	4,809,602
Facilities								
Depreciation (Note 10)	1,345,266	-0-	1,250,000	2,595,266	-0-	-0-	-0-	2,595,266
	491,397	-0-	-0-	491,397	-0-	-0-	-0-	491,397
Total Facilities and Depreciation	1,836,663	-0-	1,250,000	3,086,663	-0-	-0-	-0-	3,086,663
Total Expenses	19,804,194	507,174	1,250,000	21,561,368	-0-	-0-	-0-	21,561,368
Revenue Under Expenses before Nonoperating	(39,298)	(507,174)	-0-	(546,472)	(1,166,178)	(6,900,000)	(8,066,178)	(8,612,650)
Nonoperating Gain								
Net Periodic Pension Benefit	-0-	372,115	-0-	372,115	-0-	-0-	-0-	372,115
Revenue Over (Under) Expenses	(39,298)	(135,059)	-0-	(174,357)	(1,166,178)	(6,900,000)	(8,066,178)	(8,240,535)
Other Changes in Net Assets								
Other Changes in Interest in Net Assets of ISO Fo	-0-	-0-	-0-	-0-	-0-	8,779,412	8,779,412	8,779,412
Pension Liability Adjustment (Note 12)	-0-	1,314,807	-0-	1,314,807	-0-	-0-	-0-	1,314,807
Total Other Changes in Net Assets	-0-	1,314,807	-0-	1,314,807	-0-	8,779,412	8,779,412	10,094,219
Change in Net Assets	(39,298)	1,179,748	-0-	1,140,450	(1,166,178)	1,879,412	713,234	1,853,684
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
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

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED AUGUST 31, 2021 AND 2020

	2021	2020
Operating Activities		
Change in Net Assets	\$ 37,517,697	\$ 1,853,684
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	(20,303,077)	(1,879,412)
Change in Unamortized Discount on Pledges	5,606	(16,383)
Bad Debt Expense	44,071	30,881
Loss on Disposal of Property and Equipment	68,327	-0-
Depreciation	484,170	491,397
Defined Benefit Pension Plan Expense	477,170	507,174
Pension Liability Adjustment	<u>(2,832,209)</u>	<u>(1,686,922)</u>
Total Non-Cash Items	(22,055,942)	(2,553,265)
Changes in Operating Assets and Liabilities		
Receivables	(2,079,123)	864,705
Prepaid Expenses and Other Assets	21,825	237,238
Accounts Payable, Accrued Expenses, and Other Liabilities	619,064	(242,888)
Deferred Revenue	(38,191)	(2,337,128)
Refundable Advance	<u>(2,929,185)</u>	<u>2,929,185</u>
Net Cash Flows from Operating Activities	11,056,145	751,531
Investing Activities		
Capital Expenditures	(605,533)	(53,311)
Financing Activities		
Payments on Intercompany Loans	(250,000)	(185,800)
Advances on Bank Line of Credit	6,338,543	9,993,143
Payments on Bank Line of Credit	(13,258,564)	(10,198,966)
Borrowings on Bank Note Payable	<u>2,500,000</u>	<u>-0-</u>
Net Cash Flows from Financing Activities	<u>(4,670,021)</u>	<u>(391,623)</u>
Net Change in Cash	5,780,591	306,597
Cash, Beginning of Year	<u>461,317</u>	<u>154,720</u>
Cash, End of Year	<u>\$ 6,241,908</u>	<u>\$ 461,317</u>
Supplemental Disclosure of Cash Flow Information		
Cash Payments for Interest	\$ 56,435	\$ 147,344

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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.

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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 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, 2021 ranged from 0.07% to 0.59% and for the year ended August 31, 2020 ranged from 0.12% to 0.22%. 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, 2021 and 2020, management determined that an allowance of \$157,417 and \$154,747, respectively, was necessary.

Government Grants Receivable

Government grants receivable represent amounts awarded by various government agencies. 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 as of August 31, 2021 and 2020.

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 as of August 31, 2021 and 2020 and September 1, 2019 of \$165,083, \$32,379, and \$252,990, 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 as of August 31, 2021 and 2020 and September 1, 2019.

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

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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 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 as of August 31:

	2021		
	Cost	Accumulated Depreciation	Net Book Value
Computer Equipment and Software	\$ 933,546	\$ 762,396	\$ 171,150
Musical Instruments and Orchestra Equipment	2,096,731	2,024,241	72,490
Stage Equipment	1,838,006	1,619,441	218,565
Transportation Equipment	59,513	55,373	4,140
Office Furniture and Equipment	189,984	189,984	-0-
Hilbert Circle Theatre Property	1,219,878	812,444	407,434
Leasehold Improvements	9,807,207	8,682,641	1,124,566
Construction in Progress	117,680	-0-	117,680
	\$ 16,262,545	\$ 14,146,520	\$ 2,116,025
	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

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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:

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.

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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.

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 as of August 31, 2021 and 2020, and September 1, 2019 of \$1,642,870, \$1,681,061, and \$4,018,189, 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, 2021 and 2020 were \$597,812 and

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

\$1,024,907, respectively. Prepaid advertising expenses are \$11,229 and \$78,859 as of August 31, 2021 and 2020, 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 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 2021 and 2020.

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, 2021 and 2020, 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, 2020. 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 December 20, 2021, which is the date the financial statements were available to be issued.

Upcoming Accounting Standards Updates

On September 17, 2020, the FASB issued an Accounting Standards Update (ASU) No. 2020-07, *Not-for-profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard is intended to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including information on how those assets are used and how they are valued. This ASU requires that an NFP present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition,

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

there are expanded disclosure requirements. The Society will be required to adopt this ASU in the year ending August 31, 2022.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. As currently proposed by the FASB, the Society will 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 these ASUs will have on its future financial statements, including related disclosures.

3. PLEDGES RECEIVABLE

Pledges receivable consist of the following as of August 31:

	2021	2020
Annual Fund	\$ 2,490,254	\$ 1,037,607
Lilly Endowment, Inc.	<u>1,237,000</u>	<u>1,237,000</u>
Total Pledges Receivable	3,727,254	2,274,607
Less Unamortized Discount	(5,966)	(360)
Less Allowance for Uncollectible Contributions	<u>(157,417)</u>	<u>(154,747)</u>
Net Pledges Receivable	<u>\$ 3,563,871</u>	<u>\$ 2,119,500</u>
Amounts Due In:		
Less Than One Year	\$ 3,057,754	\$ 2,103,534
One to Five Years	<u>669,500</u>	<u>171,073</u>
	<u>\$ 3,727,254</u>	<u>\$ 2,274,607</u>

4. 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 was unsecured with interest at 1% and funds advanced under the program were subject to forgiveness, if certain criteria were met, with the remaining balance repayable within two years of disbursement. The PPP loan was forgivable to the extent that employers incurred and spent the funds on qualified expenditures, which included payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined by the PPP guidance. In addition, employers were required to maintain specified employment and wage

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

levels during covered period, and submit adequate documentation of such expenditures to qualify for loan forgiveness.

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

On August 25, 2021, the Society was legally released by its creditor and notified by the SBA that its PPP loan had been forgiven in its entirety. The PPP loan was recognized as contributed income in the amount of \$2,929,185 in the Statement of Activities for the year ended August 31, 2021 (Note 9).

5. INTERCOMPANY LOANS

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 is 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 80 basis points (0.883% and 0.975% as of August 31, 2021 and 2020, respectively). Amounts outstanding as of August 31, 2021 and 2020 were \$-0- and \$250,000, respectively.

6. BANK LINE OF CREDIT AND BANK NOTE PAYABLE

During 2021, the Society entered into loan agreement with an institutional lender in which it is a co-borrower with the ISO Foundation (Note 14). The agreement provides for a \$3,000,000 line of credit for the Society, a \$2,000,000 line of credit for the ISO Foundation (both expire on July 31, 2024) and a \$2,500,000 term loan for the Society. The term loan is payable in monthly installments through July 31, 2026.

The Society has borrowings against its line of credit of \$123,120 and a term loan balance of \$2,500,000 as of August 31, 2021, both of which are reflected as liabilities of the Society in the Statement of Financial Position. The ISO Foundation has no borrowings against its line of credit as of August 31, 2021. Interest on each facility is at the Bloomberg Short-Term Bank Yield Daily Floating Rate plus 80 basis points (0.81% as of August 31, 2021). The loan agreement is secured by a pledge of certain ISO Foundation investments (\$17,422,900 as of August 31, 2021). The loan agreement is subject to certain restrictive covenants. As of August 31, 2021, the Society believed it was in compliance with these restrictive covenants.

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

As of August 31, 2020, the Society had a line of credit agreement for \$8,000,000 with an institutional lender with outstanding borrowings in the amount of \$7,043,141. Interest was 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%. The ISO Foundation had guaranteed the line of credit and pledged specific assets as collateral. The ISO Foundation's assets were pledged at a 75% advance ratio, therefore, the maximum amount to be pledged by the ISO Foundation on this facility was \$10,667,000 as of August 31, 2020. This facility expired on January 31, 2021.

7. NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Society		
Annual Fund		
Pledges/Grants Restricted Due to Time	\$ 1,805,527	\$ 679,634
Annual Productions	248,409	155,280
Operations in Future Years	<u>1,237,000</u>	<u>1,237,000</u>
Total Society	<u>\$ 3,290,936</u>	<u>\$ 2,071,914</u>
ISO Foundation		
Net Assets Without Donor Restrictions of the ISO Foundation	\$ 74,566,987	\$ 58,426,803
Pledges Restricted Due to Time	2,835,780	2,709,303
Educational Purposes	5,425,828	4,372,981
Hilbert Circle Theatre Annual Facility Expenses	11,002,959	8,997,828
General Purposes	21,544,084	21,544,084
Orchestra's Artistic Endeavors	<u>4,653,476</u>	<u>3,675,038</u>
Total ISO Foundation	<u>\$ 120,029,114</u>	<u>\$ 99,726,037</u>

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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:

	2021	2020
Purpose Restriction Accomplished		
Annual Productions *	\$ 80,280	\$ 204,785
Expiration of Time Restrictions *	421,197	1,519,350
Current Year Operations *	1,237,000	1,237,000
ISO Foundation Grants to the Society	5,737,047	6,900,000
	<u>\$ 7,475,524</u>	<u>\$ 9,861,135</u>

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

8. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Society's financial assets available to meet 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, as of August 31:

	2021	2020
Cash	\$ 6,241,908	\$ 461,317
Receivables:		
Pledges, net	3,563,871	2,119,500
Government Grants	487,795	35,424
Accounts	165,083	32,379
Total Receivables	<u>4,216,749</u>	<u>2,187,303</u>
Total Financial Assets	10,458,657	2,648,620
Pledges Receivable Due Beyond One Year	<u>(669,500)</u>	<u>(171,073)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	9,789,157	2,477,547
Other Liquidity Resources		
Line of Credit #	2,876,880	956,859
Draw From ISO Foundation *	<u>4,680,307</u>	<u>4,400,000</u>
Total Other Liquidity Resources	<u>7,557,187</u>	<u>5,356,859</u>
	<u>\$ 17,346,344</u>	<u>\$ 7,834,406</u>

Excludes \$500,000 line of credit expiring December 2021

*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

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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.

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 \$3,000,000 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 6).

The ISO Foundation endowment of approximately \$120,000,000 is subject to an annual spending rate of 5%. However, additional funds could be made available to the Society if requested by the Society and approved by the ISO Foundation.

9. CORONAVIRUS (COVID-19) FUNDING

In response to the COVID-19 pandemic, the Employee Retention Credit (ERC) Program was established by the Coronavirus Aid, Relief, and Economic Security Act. The ERC is a fully refundable tax credit for employers equal to 70 percent of qualified wages (including allocable qualified health plan expenses) that eligible employers pay their employees. The ERC applies to qualified wages paid in calendar year 2021. The credit is 70% of the first \$10,000 in wages per employee in each quarter of calendar year 2021, meaning the ERC is worth up to \$7,000 per quarter and up to \$28,000 per calendar year, for each employee.

The Shuttered Venue Operators Grant (SVOG) Program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, amended by the American Rescue Plan Act. The SVOG covers eligible entities such as live venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theatre operators or owners, and talent representatives. Grants under the SVOG may be up to 45% of an eligible entity's gross revenue earned with a maximum amount of available for a single award of \$10,000,000. The SVOG covers qualified lost revenues and expenses as defined by the SVOG guidance.

During the year ended August 31, 2021, the Society received government grants as a result of applications for various COVID-19 funding relief. Total government grants related to COVID-19 funding are recorded in the Statement of Activities. For the year ended August 31, 2021 the COVID-19 funding is summarized below:

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NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

Shuttered Venue Operators Grant	\$	5,399,220
Employee Retention Credits		1,366,702
PPP Loan Forgiveness (Note 4)		2,929,185
Other		158,223
		9,853,330
	\$	9,853,330

Subsequent to August 31, 2021, the Society was approved for second SVOG grant of \$2,699,710.

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, 2021 and 2020, respectively, are as follows:

	2021			
	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and Benefits	\$ 4,264,778	\$ 723,904	\$ 655,048	\$ 5,643,730
Concert Production	1,883,011	-0-	-0-	1,883,011
Occupancy Costs	1,677,515	477,124	48,031	2,202,670
Marketing	314,960	-0-	-0-	314,960
Professional Services	346,633	602,687	163,226	1,112,546
Depreciation	409,574	67,711	6,886	484,171
Other	269,424	603,712	127,265	1,000,401
	\$ 9,165,895	\$ 2,475,138	\$ 1,000,456	\$ 12,641,489

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

	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	1,764,293	468,842	46,994	2,280,129
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	861,486	661,805	130,093	1,653,384
	\$ 17,535,287	\$ 2,859,192	\$ 1,166,889	\$ 21,561,368

11. LEASES

Hilbert Circle Theatre

The Society has a lease agreement with the ISO Foundation for the Hilbert Circle Theatre (the Theatre), which expired in 2018. The Society and ISO Foundation are in the process of negotiating renewal terms of this lease and expect to complete the renewal in 2022. In the 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 2021 and 2020, 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, which expired in 2020. The Society and ISO Foundation are in the process of negotiating renewal terms of this lease and expect to complete the renewal in 2022. In the interim, both organizations are operating under the terms of the previous lease. Total rent expense, after credits for incidental expenses, under this lease for the years ended August 31, 2021 and 2020 was \$56,077 and \$54,127, 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 was renewed during 2021 and now expires on January 31, 2036. The new lease agreement calls for escalating rent monthly payments. Due to the straight line recognition of rent expense, with actual payments escalating throughout the lease term, the Society has recognized a deferred rent liability related to this lease in the amount of \$75,325 which is in Accrued Expenses on the Statement of Financial Position as of August 31, 2021.

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

Symphony Centre

The Society has a lease agreement with the ISO Foundation for the Symphony Centre expiring August 31, 2023. At August 31, 2021 and 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 2021 and 2020, 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 which expired July 31, 2021, but continuing on a month to month basis. Total rental expense under this lease for the years ended August 31, 2021 and 2020 was \$71,164 and \$72,135, respectively.

Fletcher Properties

The Society had an operating lease for warehouse space from Fletcher Properties that expired February 28, 2021 and was renewed through February 28, 2024. Total rental expense under this lease for the years ended August 31, 2021 and 2020 was \$43,328 and \$42,657, respectively.

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, 2021. Under terms of this agreement, the Society is required to pay a base rent of \$250,000 and additional rent amounts based on a calculation of net profits, as defined in the agreement, split equally between Conner Prairie and the Society. This agreement will automatically renew for one year unless either party provides written notice within 90 days of the expiration date. As of the date the financial statements were available to be issued, neither the Symphony nor Connor Prairie had indicated intentions to terminate the lease. Total rental expense under this lease for the years ended August 31, 2021 and 2020 was \$573,403 and \$58,524, respectively.

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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	Fletcher Properties	Total
2022	\$ 72,893	\$ 400,000	\$ 44,000	\$ 516,893
2023	126,162	400,000	44,000	570,162
2024	128,222	-0-	22,000	150,222
2025	130,277	-0-	-0-	130,277
2026	132,339	-0-	-0-	132,339
Thereafter	<u>1,347,035</u>	<u>-0-</u>	<u>110,000</u>	<u>1,457,035</u>
Minimum Payments	1,936,928	800,000	220,000	2,956,928
Less: Sublease Rentals	<u>-0-</u>	<u>(147,968)</u>	<u>-0-</u>	<u>(147,968)</u>
	<u>\$ 1,936,928</u>	<u>\$ 652,032</u>	<u>\$ 220,000</u>	<u>\$ 2,808,960</u>

Total rent expense for the years ended August 31, 2021 and 2020 was \$2,081,572 and \$1,557,901, 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 \$56,077 and \$134,585 for the years ended August 31, 2021 and 2020, respectively. 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 \$196,426 and \$216,978 for the years ended August 31, 2021 and 2020, respectively. Sublease rental income is included in Facilities Income on the Statements of Activities.

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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NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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

	2021	2020
Unfunded Status		
Benefit Obligation (both projected and accumulated)	\$ 40,049,298	\$ 41,511,919
Fair Value of Plan Assets	39,079,786	38,187,368
	\$ (969,512)	\$ (3,324,551)
Amounts Recognized in the Statement of Financial Position		
Pension Liability	\$ (969,512)	\$ (3,324,551)
Amounts Not Yet Recognized as Components of Net Periodic Pension Cost (NPPC)		
Net Loss, Beginning of Year	\$ 12,003,296	\$ 13,318,103
Amount Recognized in NPPC	(1,110,901)	(1,273,509)
Net (Gain) Loss on Projected Benefit Obligation	(687,703)	1,795,368
Net Gain on Plan Assets	(6,774)	(1,836,666)
Net Loss, End of Year	\$ 10,197,918	\$ 12,003,296

The components of the Pension Plan Net Asset Deficit as of August 31, 2021 and 2020 are included in the table below. The portion labeled Project Funding relates to the accumulation of donor contributions there were designated by the donor to fund the defined benefit plan.

	2021	2020
Components of Pension Plan Net Asset Deficit		
Net Loss, End of Year	\$ (10,197,918)	\$ (12,003,296)
Cumulative Periodic Pension Costs	301,783	(247,878)
Project Funding	8,000,000	8,000,000
Pension Plan Net Asset Deficit, End of Year	\$ (1,896,135)	\$ (4,251,174)

The measurement dates used in determining the pension benefit measurements for plan assets and benefit obligations were August 31, 2021 and 2020, respectively.

The discount rate used in determining the actuarial present value of the projected benefit obligation was 2.40% and 2.23% for 2021 and 2020, respectively, and the expected long-term rate of return on assets was 7.50% for both 2021 and 2020.

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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

Net periodic pension cost for the defined benefit plan for the years ended August 31, 2021 and 2020 included the following components:

	<u>2021</u>	<u>2020</u>
Net Periodic Pension Cost		
Service Cost	\$ 477,170	\$ 507,174
Other Components		
Interest Costs	649,085	949,543
Return on Assets	(2,925,983)	(4,248,924)
Net Amortization and Deferral	<u>1,250,067</u>	<u>2,927,266</u>
	<u>(1,026,831)</u>	<u>(372,115)</u>
Net Periodic Pension Cost	<u>\$ (549,661)</u>	<u>\$ 135,059</u>

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, 2022 includes the amortization of the net loss of \$874,554.

The Society was not required to make a contribution to the plan during the years ended August 31, 2021 and 2020. There are no participant contributions to the plan. Distributions from the plan were \$2,033,565 and \$1,664,414 during the years ended August 31, 2021 and 2020, respectively.

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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 2031 are as follows:

Year Ending <u>August 31,</u>	
2022	\$ 1,953,121
2023	2,169,990
2024	2,262,694
2025	2,356,430
2026	2,372,726
2027 - 2031	<u>11,500,754</u>
	<u>\$ 22,615,715</u>

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

	2021	2020
Mutual Funds		
Equity		
S&P 500 Equity	\$ 4,536,439	\$ 5,808,992
International Equity	3,770,610	5,229,922
Small/Mid Cap Equity	761,859	1,212,818
Emerging Markets Equity	748,626	1,205,825
Fixed Income		
High Yield Bond	752,491	1,185,590
Emerging Markets Debt	755,438	1,546,535
Intermediate Duration	13,629,405	8,788,149
Long Duration	9,214,456	8,953,750
U.S. Government Agencies	<u>4,910,462</u>	<u>4,255,787</u>
	<u>\$ 39,079,786</u>	<u>\$ 38,187,368</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

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

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 8% of musicians' annual minimum salary covered under the collective bargaining agreement through the 2019–2020 season. The 8% employer voluntary non-elective contribution for musicians hired after October 16, 2012 was suspended effective June 6, 2020 and throughout the 2020-2021 fiscal year. In addition, the 5% employer match for musicians who have exceeded 40 years of service was also suspended on June 6, 2020 and throughout the 2020-2021 fiscal year. The 3% employer match for administrative staff was suspended on June 6, 2020 but was reinstated on September 12, 2020. Contributions to the 403(b) plan for the years ended August 31, 2021 and 2020 were \$48,700 and \$226,028, 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, 2021 and 2020, net of stop-loss reimbursements, were \$1,169,934 and \$1,842,011, respectively. These expenses were offset by employee contributions to the plan of \$57,381 and \$154,676, 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, 2021 and 2020 were \$116,350 and \$136,541, respectively.

14. INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.

The Society is a co-borrower with the ISO Foundation on a loan agreement with an institutional lender which provides the Society with a \$3,000,000 line of credit agreement and a \$2,500,000 term loan, and provides the ISO Foundation with a \$2,000,000 line of credit agreement (Note 6). The lines of credit expire on July 31, 2024 and the term loan is payable through July 31, 2026. As of August 31, 2020, the Society had an \$8,000,000 line of credit agreement with an institutional

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

lender which was guaranteed by the ISO Foundation (Note 6). Outstanding borrowings against the Society's lines of credit amounted to \$123,120 and \$7,043,141 as of August 31, 2021 and 2020, respectively. The balance of the term loan was \$2,500,000 as of August 31, 2021. The ISO Foundation did not have any outstanding borrowings on the line of credit as of August 31, 2021. The ISO Foundation and the Society have guaranteed the credit facilities and the ISO has pledge specific investments as collateral (Note 6).

The Society had one intercompany loan with the ISO Foundation as of August 31, 2020 (Note 5). The note was repaid during fiscal 2021.

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 2021 and 2020, which is included in the Statements of Activities under ISO Foundation revenue.

The ISO Foundation contributed \$5,737,047 and \$6,900,000 to the Society during the years ended August 31, 2021 and 2020, respectively. The amounts contributed are included in the Statements of Activities as net assets released from restrictions.

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

	2021	2020
General Operating Fund		
General Operating	\$ 4,487,047	\$ 5,343,405
Education Grant	-0-	218,686
Pops Enhancement	-0-	41,254
Conductor Laureate	-0-	27,229
Other	-0-	19,426
	<u>4,487,047</u>	<u>5,650,000</u>
Facilities (Note 12)	<u>1,250,000</u>	<u>1,250,000</u>
	<u>\$ 5,737,047</u>	<u>\$ 6,900,000</u>

The contributed amounts above for 2021 include a 5% draw from the ISO Foundation's investment portfolio. 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 Society owed \$59,468 to the ISO Foundation as of August 31, 2020, 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 supports the Society's goal to strive to

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

balance the budget, while maintaining financially responsible annual operating draws from the ISO Foundation. Considering the COVID-19 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

As of August 31, 2021, 63% of accounts receivable were due from two organizations with individual percentages of 32% and 31%. There were no such concentrations in accounts receivable as of August 31, 2020.

As of August 31, 2021 and 2020, a pledge from the Lilly Endowment, Inc. comprised 33% and 54%, respectively, of the gross pledge receivable balance. As of August 31, 2021, pledges from two other donors comprised 30% of the gross pledge receivable balance, with individual percentages of 16% and 14%.

Contributions from the Lilly Endowment, Inc. represented approximately 17% and 21% of contributed income (excluding government grants) during the years ended August 31, 2021 and 2020, respectively.

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, 2021 and 2020.

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 ended August 29, 2021. Subsequent to August 31, 2021, the Society and

INDIANA SYMPHONY SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021 AND 2020

the Musician's Union agreed to a new collective bargaining agreement through August 31, 2024. The Society's current contract with the Stagehand's Union is effective through August 31, 2023.

18. COVID-19

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. 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.

REPORTING UNDER *GOVERNMENT AUDITING STANDARDS*



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Indiana Symphony Society, Inc. (the Society), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Carmel, Indiana
December 20, 2021