

INDIANA SYMPHONY SOCIETY, INC.

FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

INDIANA SYMPHONY SOCIETY, INC.
Indianapolis, Indiana

FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

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REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of Indiana Symphony Society, Inc. (the Society), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The financial statements of Society for the year ended August 31, 2021, were audited by other auditors, who expressed an unmodified opinion on those statements on December 20, 2021.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Crowe LLP
Crowe LLP

Indianapolis, Indiana
March 21, 2023

INDIANA SYMPHONY SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash	\$ 5,518,457	\$ 6,241,908
Receivables:		
Pledges, net (Note 3)	2,612,683	3,563,871
Government Grants	77,500	487,795
Accounts	103,749	165,083
Total receivables	2,793,932	4,216,749
Prepaid expenses and other assets	961,419	489,089
Property and equipment, net (Note 2)	1,715,281	2,116,025
Interest in net assets of ISO Foundation	117,563,964	120,029,114
	\$ 128,553,053	\$ 133,092,885
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	\$ 1,359,445	\$ 1,309,339
Accrued expenses	468,272	348,586
Other liabilities	382,984	376,297
Deferred revenue	2,755,832	1,642,870
Bank line of credit (Note 6)	-	123,120
Bank note payable (Note 6)	-	2,500,000
Pension liability (Note 12)	1,732,330	969,512
Total current liabilities	6,698,863	7,269,724
Net assets		
Net assets without donor restrictions		
General operating	4,230,833	4,399,246
Pension plan	(2,658,953)	(1,896,135)
Total net assets without donor restrictions	1,571,880	2,503,111
Net assets with donor restrictions		
Society (Note 7)	2,718,346	3,290,936
ISO Foundation (Note 7)	117,563,964	120,029,114
Total net assets with donor restrictions	120,282,310	123,320,050
Total net assets	121,854,190	125,823,161
	\$ 128,553,053	\$ 133,092,885

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2022
(With Comparative Total for the Year Ended August 31, 2021)

	2022							2021	
	Without Donor Restrictions				With Donor Restrictions			Total	
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total		
Revenue									
Earned Revenue									
Ticket sales and fee income	\$ 7,118,562	\$ -	\$ -	\$ 7,118,562	\$ -	\$ -	\$ -	\$ 7,118,562	\$ 2,897,208
Facilities income	606,961	-	-	606,961	-	-	-	606,961	235,474
Program advertising	54,507	-	-	54,507	-	-	-	54,507	-
Education	44,339	-	-	44,339	-	-	-	44,339	53,640
Other	33,938	-	-	33,938	-	-	-	33,938	14,544
Total earned income	7,858,307	-	-	7,858,307	-	-	-	7,858,307	3,200,866
Contributed income									
Annual fund	3,935,472	-	-	3,935,472	2,057,312	-	2,057,312	5,992,784	8,155,984
Government funding									
Covid-19 Funding (Note 9)	3,506,672	-	-	3,506,672	-	-	-	3,506,672	9,853,330
Other government funding	77,500	-	-	77,500	-	-	-	77,500	95,000
Net assets released - annual fund (Note 7)	2,629,902	-	-	2,629,902	(2,629,902)	-	(2,629,902)	-	-
Total contributed income	10,149,546	-	-	10,149,546	(572,590)	-	(572,590)	9,576,956	18,104,314
ISO Foundation									
Net assets released (Note 7)	4,630,307	-	1,250,000	5,880,307	-	(5,880,307)	(5,880,307)	-	-
Service Fee	50,000	-	-	50,000	-	-	-	50,000	50,000
Total ISO Foundation	4,680,307	-	1,250,000	5,930,307	-	(5,880,307)	(5,880,307)	50,000	50,000
Total revenue	22,688,160	-	1,250,000	23,938,160	(572,590)	(5,880,307)	(6,452,897)	17,485,263	21,355,180
Expenses									
Concert related expenses									
Orchestra operations	8,758,860	-	-	8,758,860	-	-	-	8,758,860	3,038,755
Defined benefit pension plan expense	-	435,984	-	435,984	-	-	-	435,984	477,170
Concert production	6,168,258	-	-	6,168,258	-	-	-	6,168,258	1,883,010
Marketing	1,339,676	-	-	1,339,676	-	-	-	1,339,676	662,072
Total concert related expenses	16,266,794	435,984	-	16,702,778	-	-	-	16,702,778	6,061,007

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2022
(With Comparative Total for the Year Ended August 31, 2021)

	2022							2021	
	Without Donor Restrictions				With Donor Restrictions			Total	Total
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total		
Expenses (Continued)									
Departmental expenses									
General and administrative	2,152,456	-	-	2,152,455	-	-	-	2,152,455	1,931,090
Development	1,050,226	-	-	1,050,226	-	-	-	1,050,226	945,540
Patron services	487,630	-	-	487,630	-	-	-	487,630	200,266
Education	379,381	-	-	379,381	-	-	-	379,381	520,702
Program book	71,739	-	-	71,739	-	-	-	71,739	-
Other	110,392	-	-	110,392	-	-	-	110,392	39,746
Total departmental expenses	<u>4,251,824</u>	<u>-</u>	<u>-</u>	<u>4,251,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,251,823</u>	<u>3,637,344</u>
Facilities	1,837,214	-	1,250,000	3,087,214	-	-	-	3,087,214	2,458,968
Depreciation (Note 10)	446,836	-	-	446,836	-	-	-	446,836	484,170
Total facilities and depreciation	<u>2,284,050</u>	<u>-</u>	<u>1,250,000</u>	<u>3,534,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,534,050</u>	<u>2,943,138</u>
Total expenses	<u>22,802,668</u>	<u>435,984</u>	<u>1,250,000</u>	<u>24,488,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,488,651</u>	<u>12,641,489</u>
Revenue over (under) expenses before nonoperating gain (loss)	(114,508)	(435,984)	-	(550,491)	(572,590)	(5,880,307)	(6,452,897)	(7,003,388)	8,713,691
Nonoperating Gain (Loss)									
Loss on disposal of property and equipment	(53,905)	-	-	(53,905)	-	-	-	(53,905)	(68,327)
Net periodic pension benefit	-	1,269,781	-	1,269,781	-	-	-	1,269,781	1,026,831
Revenue over (under) expenses	<u>(168,413)</u>	<u>833,797</u>	<u>-</u>	<u>665,385</u>	<u>(572,590)</u>	<u>(5,880,307)</u>	<u>(6,452,897)</u>	<u>(5,787,512)</u>	<u>9,672,195</u>
Other change in net assets									
Other changes in interest in net assets of ISO Foundation	-	-	-	-	-	3,415,157	3,415,157	3,415,157	26,040,124
Pension liability adjustment (Note 12)	-	(1,596,615)	-	(1,596,615)	-	-	-	(1,596,615)	1,805,378
Total other changes in net assets	<u>-</u>	<u>(1,596,615)</u>	<u>-</u>	<u>(1,596,615)</u>	<u>-</u>	<u>3,415,157</u>	<u>3,415,157</u>	<u>1,818,542</u>	<u>27,845,502</u>
Changes in net assets	(168,413)	(762,818)	-	(931,230)	(572,590)	(2,465,150)	(3,037,740)	(3,968,970)	37,517,697
Net assets at beginning of year	4,399,246	(1,896,135)	-	2,503,111	3,290,936	120,029,114	123,320,050	125,823,161	88,305,464
Net assets at end of year	<u>\$ 4,230,833</u>	<u>\$ (2,658,953)</u>	<u>\$ -</u>	<u>\$ 1,571,880</u>	<u>\$ 2,718,346</u>	<u>\$ 117,563,964</u>	<u>\$ 120,282,310</u>	<u>\$ 121,854,191</u>	<u>\$ 125,823,161</u>

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2021

	2021							Total
	Without Donor Restrictions				With Donor Restrictions			
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total	
Revenue								
Earned Revenue								
Ticket sales and fee income	\$ 2,897,208	\$ -	\$ -	\$ 2,897,208	\$ -	\$ -	\$ -	\$ 2,897,208
Facilities income	235,474	-	-	235,474	-	-	-	235,474
Program advertising	-	-	-	-	-	-	-	-
Education	53,640	-	-	53,640	-	-	-	53,640
Other	14,544	-	-	14,544	-	-	-	14,544
Total earned income	3,200,866	-	-	3,200,866	-	-	-	3,200,866
Contributed income								
Annual fund	5,198,485	-	-	5,198,485	2,957,499	-	2,957,499	8,155,984
Government funding								
Covid-19 Funding (Note 9)	9,853,330	-	-	9,853,330	-	-	-	9,853,330
Other government funding	95,000	-	-	95,000	-	-	-	95,000
Net assets released - annual fund (Note 7)	1,738,477	-	-	1,738,477	(1,738,477)	-	(1,738,477)	-
Total contributed income	16,885,292	-	-	16,885,292	1,219,022	-	1,219,022	18,104,314
ISO Foundation								
Net assets released (Note 7)	4,487,047	-	1,250,000	5,737,047	-	(5,737,047)	(5,737,047)	-
Service Fee	50,000	-	-	50,000	-	-	-	50,000
Total ISO Foundation	4,537,047	-	1,250,000	5,787,047	-	(5,737,047)	(5,737,047)	50,000
Total revenue	24,623,205	-	1,250,000	25,873,205	1,219,022	(5,737,047)	(4,518,025)	21,355,180
Expenses								
Concert related expenses								
Orchestra operations	3,038,755	-	-	3,038,755	-	-	-	3,038,755
Defined benefit pension plan expense	-	477,170	-	477,170	-	-	-	477,170
Concert production	1,883,010	-	-	1,883,010	-	-	-	1,883,010
Marketing	662,072	-	-	662,072	-	-	-	662,072
Total concert related expenses	5,583,837	477,170	-	6,061,007	-	-	-	6,061,007

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2021

	2021							Total
	Without Donor Restrictions				With Donor Restrictions			
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total	
Expenses (Continued)								
Departmental expenses								
General and administrative	1,931,090	-	-	1,931,090	-	-	-	1,931,090
Development	945,540	-	-	945,540	-	-	-	945,540
Patron services	200,266	-	-	200,266	-	-	-	200,266
Education	520,702	-	-	520,702	-	-	-	520,702
Program book	-	-	-	-	-	-	-	-
Other	39,746	-	-	39,746	-	-	-	39,746
Total departmental expenses	<u>3,637,344</u>	<u>-</u>	<u>-</u>	<u>3,637,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,637,344</u>
Facilities	1,208,968	-	1,250,000	2,458,968	-	-	-	2,458,968
Depreciation (Note 10)	484,170	-	-	484,170	-	-	-	484,170
Total facilities and depreciation	<u>1,693,138</u>	<u>-</u>	<u>1,250,000</u>	<u>2,943,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,943,138</u>
Total expenses	<u>10,914,319</u>	<u>477,170</u>	<u>1,250,000</u>	<u>12,641,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,641,489</u>
Revenue over (under) expenses before nonoperating gain (loss)	13,708,886	(477,170)	-	13,231,716	1,219,022	(5,737,047)	(4,518,025)	8,713,691
Nonoperating Gain (Loss)								
Loss on disposal of property and equipment	(68,327)	-	-	(68,327)	-	-	-	(68,327)
Net periodic pension benefit	-	1,026,831	-	1,026,831	-	-	-	1,026,831
Revenue over (under) expenses	<u>13,640,559</u>	<u>549,661</u>	<u>-</u>	<u>14,190,220</u>	<u>1,219,022</u>	<u>(5,737,047)</u>	<u>(4,518,025)</u>	<u>9,672,195</u>
Other change in net assets								
Other changes in interest in net assets of ISO Foundation	-	-	-	-	-	26,040,124	26,040,124	26,040,124
Pension liability adjustment (Note 12)	-	1,805,378	-	1,805,378	-	-	-	1,805,378
Total other changes in net assets	<u>-</u>	<u>1,805,378</u>	<u>-</u>	<u>1,805,378</u>	<u>-</u>	<u>26,040,124</u>	<u>26,040,124</u>	<u>27,845,502</u>
Changes in net assets	13,640,559	2,355,039	-	15,995,598	1,219,022	20,303,077	21,522,099	37,517,697
Net assets at beginning of year	(9,241,313)	(4,251,174)	-	(13,492,487)	2,071,914	99,726,037	101,797,951	88,305,464
Net assets at end of year	<u>\$ 4,399,246</u>	<u>\$ (1,896,135)</u>	<u>\$ -</u>	<u>\$ 2,503,111</u>	<u>\$ 3,290,936</u>	<u>\$ 120,029,114</u>	<u>\$ 123,320,050</u>	<u>\$ 125,823,161</u>

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (3,968,970)	\$ 37,517,697
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Net cash from operating activities		
Non-cash items		
Change in interest in net assets of ISO Foundation	2,465,150	(20,303,077)
Change in in unamortized discount on pledges	64,412	5,606
Bad debt expense	68,853	44,071
Loss on disposal of property and equipment	53,906	68,327
Depreciation	446,835	484,170
Defined benefit pension plan expense	435,984	477,170
Pension liability adjustment	326,834	(2,832,209)
Changes in assets and liabilities		
Receivables	1,289,552	(2,079,123)
Prepaid expenses and other assets	(472,330)	21,825
Accounts payable, accrued expenses, and other liabilities	176,479	619,064
Deferred revenue	1,112,962	(38,191)
Refundable advance	-	(2,929,185)
Net cash flows from operating activities	1,999,667	11,056,145
 Cash flows from investing activities		
Capital expenditures	(99,998)	(605,533)
 Cash flows from financing activities		
Payments on intercompany loans	-	(250,000)
Advances on bank line of credit	-	6,338,543
Payments on bank line of credit	(123,120)	(13,258,564)
Payments on bank note payable	(2,500,000)	-
Borrowings on bank note payable	-	2,500,000
Net cash flows from financing activities	(2,623,120)	(4,670,021)
 Net change in cash and cash equivalents	(723,451)	5,780,591
 Cash and cash equivalents, beginning of year	6,241,908	461,317
 Cash and cash equivalents, end of year	\$ 5,518,457	\$ 6,241,908
 Supplemental disclosures of cash flow information		
Cash payments for interest	\$ 8,214	\$ 56,435

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 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.

NOTE 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 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 years ended August 31, 2022 and 2021 ranged from 0.07% to 3.50%. 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, 2022 and 2021, management determined that an allowance of \$109,061 and \$157,417, respectively, was necessary.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021.

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, 2022 and 2021 of \$103,749 and \$165,083, 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, 2022 and 2021.

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 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:

	2022		
	Cost	Accumulated Depreciation	Net Book Value
Computer equipment and software	\$ 646,483	\$ 552,972	\$ 93,511
Musical instruments and orchestra Equipment	1,617,272	1,599,937	17,335
Stage equipment	1,556,570	1,408,820	147,750
Transportation equipment	59,512	58,132	1,380
Office furniture and equipment	140,082	140,082	-
Hilbert Circle Theatre property	1,176,511	863,807	312,704
Leasehold improvements	4,491,689	3,349,086	1,142,603
	\$ 9,688,119	\$ 7,972,836	\$ 1,715,283

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	2021		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
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	-
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	-	117,680
	\$ 16,262,545	\$ 14,146,520	\$ 2,116,025

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 three 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 the 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, 2022 and 2021 of \$2,755,832 and \$1,642,870, 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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021 were \$1,269,216 and \$597,812, respectively. Prepaid advertising expenses are \$90,763 and \$11,229 as of August 31, 2022 and 2021, 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 United States 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 2022 and 2021.

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, 2022 and 2021, 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, 2021. 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).

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

Subsequent Events: The Society evaluates 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 have been evaluated through March 21, 2023, which is the date the financial statements were available to be issued.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of the following at August 31:

	<u>2022</u>	<u>2021</u>
Annual fund	\$ 1,555,122	\$ 2,490,254
Lilly Endowment, Inc.	1,237,000	1,237,000
Total pledges receivable	<u>2,792,122</u>	<u>3,727,254</u>
Less unamortized discount	(70,378)	(5,966)
Less allowance for uncollectible contributions	<u>(109,061)</u>	<u>(157,417)</u>
Net pledges receivable	<u><u>\$ 2,612,683</u></u>	<u><u>\$ 3,563,871</u></u>
Amounts due in:		
Less than one year	\$ 2,187,122	\$ 3,057,754
One to five years	<u>605,000</u>	<u>669,500</u>
	<u><u>\$ 2,792,122</u></u>	<u><u>\$ 3,727,254</u></u>

NOTE 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 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).

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 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 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%. The loan was paid off in December 2021.

NOTE 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 \$0 and \$123,120 and a term loan balance of \$0 and \$2,500,000 as of August 31, 2022 and 2021, respectively. Interest on each facility is at the Bloomberg Short-Term Bank Yield Daily Floating Rate plus 80 basis points. The loan agreement is secured by a pledge of certain ISO Foundation investments (\$8,669,194 and \$17,422,900 as of August 31, 2022 and 2021, respectively). The loan agreement is subject to certain restrictive covenants. As of August 31, 2022, the Society believed it was in compliance with these restrictive covenants.

NOTE 7 – NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Society		
Annual fund		
Pledges/grants restricted due to time	\$ 1,424,396	\$ 1,805,527
Annual productions	56,950	248,409
Operations in future years	<u>1,237,000</u>	<u>1,237,000</u>
 Total Society	 <u>\$ 2,718,346</u>	 <u>\$ 3,290,936</u>
ISO Foundation		
Net assets without donor restrictions		
of the ISO Foundation	\$ 72,183,062	\$ 74,566,987
Pledges restricted due to time	2,965,538	2,835,780
Educational purposes	5,267,155	5,425,828
Hilbert Circle Theatre annual facility expenses	10,986,048	11,002,959
General purposes	21,544,084	21,544,084
Orchestra's artistic endeavors	<u>4,618,077</u>	<u>4,653,476</u>
 Total ISO Foundation	 <u>\$ 117,563,964</u>	 <u>\$ 120,029,114</u>

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 7 – NET ASSETS (Continued)

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:

	<u>2022</u>	<u>2021</u>
Purpose restriction accomplished		
Annual productions *	\$ 248,409	\$ 80,280
Expiration of time restrictions *	1,144,493	421,197
Current year operations *	1,237,000	1,237,000
ISO Foundation grants to the Society	<u>5,880,307</u>	<u>5,737,047</u>
	<u>\$ 8,510,209</u>	<u>\$ 7,475,524</u>

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

NOTE 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:

	<u>2022</u>	<u>2021</u>
Cash	\$ 5,518,457	\$ 6,241,908
Receivables:		
Pledges, net	2,612,683	3,563,871
Government grants	77,500	487,795
Accounts	<u>103,749</u>	<u>165,083</u>
Total receivables	<u>2,793,932</u>	<u>4,216,749</u>
Total financial assets	8,312,389	10,458,657
Pledges receivable due beyond one year	<u>(605,000)</u>	<u>(669,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	7,707,389	9,789,157
Other liquidity resources		
Draw from ISO Foundation *	<u>5,090,436</u>	<u>4,680,307</u>
Total other liquidity resources	<u>5,090,436</u>	<u>4,680,307</u>
	<u>\$ 12,797,825</u>	<u>\$ 14,469,464</u>

*Draw tentatively approved by the ISO Foundation board pending final value updates and formulation of a multi-year draw formula 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.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 8 – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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 \$111,000,000 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.

NOTE 9 – COVID-19 FUNDING

As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, in fiscal year 2021 the Society determined it was eligible to apply for Employee Retention Credit (ERC) from the Coronavirus Aid, Relief and Economic Security (CARES) Act. The ERC is a fully refundable tax credit for employers equal to 50 percent of qualified wages (up to a maximum of \$10,000 for all calendar quarters) that eligible employers pay their employees. Under the conditions of the ERC, qualified entities must have incurred a significant decline in gross receipts when compared to operations prior to the pandemic (in fiscal year 2019). The credit is related to a percentage of an employee's 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 Society had determined that it met the eligibility conditions noted above and recognized revenue of \$657,210 and \$1,366,702 for the years ended August 31, 2022 and 2021, respectively. The ERC funding is included within the governments grants line on the statement of activities.

During the years ended August 31, 2022 and 2021, the Society received governments grants as a result of applications for various COVID-19 funding relief. 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. Grant under the SVOG may be 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 2021 the Society was awarded allocation of SVOG totaling \$8,098,830. As of August 31, 2022 and 2021 the Society recognized as grant revenue \$2,699,610 and \$5,399,220, respectively. The SVOG funding is included within the governments grants line on the statement of activities.

Total government grants related to COVID-19 funding recorded in the Statement of Activities for the years ended August 31, 2022 and 2021 are summarized below:

	<u>2022</u>	<u>2021</u>
Shuttered venue operators grant	\$ 2,699,610	\$ 5,399,220
Employee retention credits	657,210	1,366,702
PPP loan forgiveness (note 4)	-	2,929,185
Other	<u>149,852</u>	<u>158,223</u>
	<u>\$ 3,506,672</u>	<u>\$ 9,853,330</u>

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 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, 2022 and 2021, respectively, are as follows:

	2022			
	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries and benefits	\$ 9,712,028	\$ 988,842	\$ 647,741	\$ 11,348,611
Concert production	6,168,258	-	-	6,168,258
Occupancy costs	2,071,944	532,863	53,771	2,658,578
Marketing	730,132	-	-	730,132
Professional services	486,147	435,034	177,765	1,098,946
Depreciation	382,121	58,741	5,973	446,835
Other	1,085,717	728,580	222,994	2,037,291
	<u>\$ 20,636,347</u>	<u>\$ 2,744,060</u>	<u>\$ 1,108,244</u>	<u>\$ 24,488,651</u>

	2021			
	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Total</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries and benefits	\$ 4,264,778	\$ 723,904	\$ 655,048	\$ 5,643,730
Concert production	1,883,011	-	-	1,883,011
Occupancy costs	1,677,515	477,124	48,031	2,202,670
Marketing	314,960	-	-	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
	<u>\$ 9,165,895</u>	<u>\$ 2,475,138</u>	<u>\$ 1,000,456</u>	<u>\$ 12,641,489</u>

(Continued)

NOTE 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 2023. 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 2022 and 2021, the ISO Foundation contributed the \$850,000 of annual rental expense back to the Society (Note 14).

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 31, 2036. The lease agreement calls for escalating rent monthly payments. Due to the straight line recognition of rent expense, with actual payments escalating throughout the term, the Society has recognized a deferred rent liability to this lease in the amount of \$131,560 and \$75,325 which is in Accrued Expenses on the Statement of Financial Position as of August 31, 2022 and 2021, respectively. Total rent expense, after credits for incidental expenses under this lease for the years ended August 31, 2022 and 2021 was \$72,893 and \$56,077, respectively.

Symphony Centre

The Society has a lease agreement with the ISO Foundation for the Symphony Centre expiring August 31, 2023. At August 31, 2022 and 2021, 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 2022 and 2021, 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 had 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, 2022 and 2021 was \$89,030 and \$71,164, 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, 2022 and 2021 was \$44,000 and \$43,328, respectively.

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 11 – LEASES (Continued)

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, 2022. Under terms of this agreement, the Society was 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 automatically renews 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, 2022 and 2021 was \$722,087 and \$573,403, respectively.

Palladium

During 2022, the Society had a one day lease for concert space at The Palladium at the Center for the Performing Arts. Total rental expense under the lease was \$15,081.

Future Minimum Lease Payments

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

<u>Year ending August 31,</u>	<u>Hilbert Circle Theatre</u>	<u>Symphony Centre</u>	<u>Fletcher Properties</u>	<u>Total</u>
2023	\$ 126,162	\$ 400,000	\$ 44,000	\$ 570,162
2024	128,222	-	22,000	150,222
2025	130,277	-	-	130,277
2026	132,339	-	-	
2027	134,404	-	-	134,404
Thereafter	<u>1,212,630</u>	<u>-</u>	<u>-</u>	<u>1,212,630</u>
Minimum payments	1,864,034	400,000	66,000	2,330,034
Less: Sublease Rentals	<u>-</u>	<u>(31,576)</u>	<u>-</u>	<u>(31,576)</u>
	<u>\$ 1,864,034</u>	<u>\$ 368,424</u>	<u>\$ 66,000</u>	<u>\$ 2,298,458</u>

Total rent expense for the years ended August 31, 2022 and 2021 was \$2,193,091 and \$2,081,572, 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 \$72,893 and \$56,077 for the years ended August 31, 2022 and 2021, 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 \$212,173 and \$196,426 for the years ended August 31, 2022 and 2021, respectively. Sublease rental income is included in Facilities Income on the Statements of Activities.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 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.

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

	<u>2022</u>	<u>2021</u>
Unfunded Status		
Benefit obligation (both projected and accumulated)	\$ 32,070,722	\$ 40,049,298
Fair value of plan assets	<u>30,338,392</u>	<u>39,079,786</u>
	<u>\$ (1,732,330)</u>	<u>\$ (969,512)</u>
Amounts recognized in the statement of financial position		
Pension liability	<u>\$ (1,732,330)</u>	<u>\$ (969,512)</u>
Amounts not yet recognized as components of net periodic pension cost (NPPC)		
Net loss, beginning of year	\$ 10,197,918	\$ 12,003,296
Amount recognized in NPPC	(874,554)	(1,110,901)
Net (Gain) loss on projected benefit obligation	(7,168,742)	(687,703)
Net gain on plan assets	<u>9,639,911</u>	<u>(6,774)</u>
Net loss, end of year	<u>\$ 11,794,533</u>	<u>\$ 10,197,918</u>

The components of the Pension Plan Net Asset Deficit as of August 31, 2022 and 2021 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.

	<u>2022</u>	<u>2021</u>
Components of pension plan net asset deficit		
Net loss, end of year	\$ (11,794,533)	\$ (10,197,918)
Cumulative periodic pension costs	1,135,580	301,783
Project funding	<u>8,000,000</u>	<u>8,000,000</u>
	<u>\$ (2,658,953)</u>	<u>\$ (1,896,135)</u>

The measurement dates used in determining the pension benefit measurements for plan assets and benefit obligations were August 31, 2022 and 2021, respectively.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2022 and 2021

NOTE 12 – PENSION PLANS (Continued)

The discount rate used in determining the actuarial present value of the projected benefit obligation was 4.35% and 2.40% for 2022 and 2021, respectively, and the expected long-term rate of return on assets was 7.50% for both 2022 and 2021.

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 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, 2022 and 2021 included the following components:

	<u>2022</u>	<u>2021</u>
Net periodic pension cost		
Service Cost	\$ 435,984	\$ 477,170
Other components		
Interest costs	707,303	649,085
Return on assets	6,823,619	(2,925,983)
Net amortization and deferral	<u>(8,800,703)</u>	<u>1,250,067</u>
	<u>\$ (833,797)</u>	<u>\$ (549,661)</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 \$1,127,222.

The Society was not required to make a contribution to the plan during the years ended August 31, 2022 and 2021. There are no participant contributions to the plan. Distributions from the plan were \$1,917,775 and \$2,033,565 during the years ended August 31, 2022 and 2021, respectively.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 – PENSION PLANS (Continued)

The number 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:

<u>Year ending August 31</u>	
2023	\$ 2,101,711
2024	2,238,896
2025	2,324,145
2026	2,340,349
2027	2,345,161
2028-2032	<u>11,039,247</u>
	<u>\$ 22,389,509</u>

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

	<u>2022</u>	<u>2021</u>
Mutual funds		
Equity		
S&P 500 Equity	\$ 3,028,353	\$ 4,536,439
International Equity	2,549,447	3,770,610
Small/mid cap Equity	503,997	761,859
Emerging markets Equity	511,729	748,626
Fixed income		
High yield bond	513,760	752,491
Emerging markets debt	512,534	755,438
Intermediate duration	9,354,887	13,629,405
Long duration	8,811,777	9,214,456
U.S. government agencies	<u>4,551,908</u>	<u>4,910,462</u>
	<u>\$ 30,338,392</u>	<u>\$ 39,079,786</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).

(Continued)

NOTE 12 – PENSION PLANS (Continued)

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 8% of musicians' annual minimum salary covered under the collective bargaining agreement. 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, 2022 and 2021 were \$256,923 and \$48,700, respectively.

NOTE 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, 2022 and 2021, net of stop-loss reimbursements, were \$764,774 and \$1,169,934, respectively. These expenses were offset by employee contributions to the plan of \$139,192 and \$57,381, 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, 2022 and 2021 were \$156,791 and \$116,350, respectively.

NOTE 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. Outstanding borrowings against the Society's lines of credit amounted to \$0 and \$123,120 as of August 31, 2022 and 2021, respectively. The balance of the term loan was \$0 and \$2,500,000 as of August 31, 2022 and 2021, respectively. 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).

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 – INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC. (Continued)

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 2022 and 2021, which is included in the Statements of Activities under ISO Foundation revenue.

The ISO Foundation contributed \$5,880,307 and \$5,737,047 to the Society during the years ended August 31, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
General operating fund		
General operating	\$ 4,227,358	\$ 4,487,047
Education grant	271,111	-
Pops enhancement	51,143	-
Conductor laureate	33,757	-
Other	46,938	-
	<u>4,630,307</u>	<u>4,487,047</u>
Facilities (note 12)	<u>1,250,000</u>	<u>1,250,000</u>
	<u>\$ 5,880,307</u>	<u>\$ 5,737,047</u>

The contributed amounts above for 2022 and 2021 include a 5% draw from the ISO Foundation's investment portfolio which was recorded in General Operating Activities in the Statement of Activities.

The Society owed \$1,000 to the ISO Foundation as of August 31, 2022 for Society expenses paid by the Foundation.

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 balance the budget, while maintaining financially responsible annual operating draws from the ISO Foundation. Considering the COVID-19 pandemic, the business plan for future periods is under review to address the financial implications resulting from the pandemic.

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INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 15 - CONCENTRATIONS

As of August 31, 2022, 88% of accounts receivable were due from three organizations with individual percentages of 48%, 29%, and 11%. As of August 31, 2021, 63% of accounts receivable were due from two organizations with individual percentages of 32% and 31%.

As of August 31, 2022 and 2021, a pledge from the Lilly Endowment, Inc. comprised 44% and 33%, respectively, of the gross pledge receivable balance. As of August 31, 2022, pledges from one other donor comprised 21% of gross pledge receivable balance. At 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 21% and 17% of contributed income (excluding government grants) during the years ended August 31, 2022 and 2021, respectively.

NOTE 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, 2022 and 2021.

NOTE 17 - COLLECTIVE BARGAINING AGREEMENTS WITH MUSICIANS AND STAGEHANDS

The Society recognizes Indianapolis Musicians Local No. 3 of the American Federation of Musicians (Musician's Union) and the International Alliance of Theatrical Stage Employees Local No. 30 (Stagehand's 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 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.