

INDIANA SYMPHONY SOCIETY, INC.

FINANCIAL STATEMENTS

August 31, 2023 and 2022

INDIANA SYMPHONY SOCIETY, INC.

FINANCIAL STATEMENTS
August 31, 2023 and 2022

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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, 2023 and 2022, and the related statements of activities and cash flows for the years 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 2 to the consolidated financial statements, the Society has adopted Accounting Standards Update (ASU) 2016-02 – *Leases (Topic 842)* for the year ended August 31, 2023. Our opinion is not modified with respect to this matter.

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.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and fluid.

Crowe LLP

Indianapolis, Indiana
January 17, 2024

INDIANA SYMPHONY SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash	\$ 3,897,698	\$ 5,518,457
Receivables:		
Pledges, net (Note 3)	2,712,095	2,612,683
Government grants	28,589	77,500
Accounts receivable	<u>414,381</u>	<u>103,749</u>
Total receivables	3,155,065	2,793,932
Prepaid expenses and other assets	1,033,784	961,419
Right-of-use asset	3,103,442	-
Property and equipment, net (Note 2)	1,645,405	1,715,281
Interest in net assets of ISO Foundation	<u>114,730,338</u>	<u>117,563,964</u>
	<u>\$ 127,565,732</u>	<u>\$ 128,553,053</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,132,766	\$ 1,359,445
Accrued expenses	314,279	468,272
Other liabilities	408,627	382,984
Deferred revenue	3,211,642	2,755,832
Lease liability	3,263,000	-
Pension liability (Note 11)	<u>1,283,670</u>	<u>1,732,330</u>
Total current liabilities	9,613,984	6,698,863
Net assets		
Net assets without donor restrictions		
General operating	1,977,741	4,230,833
Pension plan	<u>(2,210,293)</u>	<u>(2,658,953)</u>
Total net assets without donor restrictions	(232,552)	1,571,880
Net assets with donor restrictions		
Society (Note 6)	3,453,962	2,718,346
ISO Foundation (Note 6)	<u>114,730,338</u>	<u>117,563,964</u>
Total net assets with donor restrictions	<u>118,184,300</u>	<u>120,282,310</u>
Total net assets	<u>117,951,748</u>	<u>121,854,190</u>
	<u>\$ 127,565,732</u>	<u>\$ 128,553,053</u>

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2023
(With Comparative Figures for 2022)

	2023						2022		
	Without Donor Restrictions			With Donor Restrictions			Total	Total	
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation			Total
Revenue									
Earned revenue									
Ticket sales and fee income	\$ 8,981,266	\$ -	\$ -	\$ 8,981,266	\$ -	\$ -	\$ -	\$ 8,981,266	\$ 7,118,562
Facilities income	634,470	-	-	634,470	-	-	-	634,470	606,961
Program advertising	65,475	-	-	65,475	-	-	-	65,475	54,507
Education	41,276	-	-	41,276	-	-	-	41,276	44,339
Other	123,549	-	-	123,549	-	-	-	123,549	33,938
Total earned income	9,846,036	-	-	9,846,036	-	-	-	9,846,036	7,858,307
Contributed income									
Annual fund	4,631,378	-	-	4,631,378	2,919,341	-	2,919,341	7,550,719	5,992,784
Government funding									
Covid-19 Funding (Note 8)	-	-	-	-	-	-	-	-	3,506,672
Other government funding	145,220	-	-	145,220	-	-	-	145,220	77,500
Net assets released – annual fund (Note 6)	2,183,725	-	-	2,183,725	(2,183,725)	-	(2,183,725)	-	-
Total contributed income	6,960,323	-	-	6,960,323	735,616	-	735,616	7,695,939	9,576,956
ISO Foundation									
Net assets released (Note 6)	5,040,436	-	1,250,000	6,290,436	-	(6,290,436)	(6,290,436)	-	-
Service fee	50,000	-	-	50,000	-	-	-	50,000	50,000
Total ISO Foundation	5,090,436	-	1,250,000	6,340,436	-	(6,290,436)	(6,290,436)	50,000	50,000
Total revenue	21,896,795	-	1,250,000	23,146,795	735,616	(6,290,436)	(5,554,820)	17,591,975	17,485,263
Expenses									
Concert related expenses									
Orchestra operations	9,150,138	-	-	9,150,138	-	-	-	9,150,138	8,758,860
Defined benefit pension plan expense	-	261,167	-	261,167	-	-	-	261,167	435,984
Concert production	5,959,515	-	-	5,959,515	-	-	-	5,959,515	6,168,258
Marketing	1,788,971	-	-	1,788,971	-	-	-	1,788,971	1,339,676
Total concert related expenses	16,898,624	261,167	-	17,159,791	-	-	-	17,159,791	16,702,778

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2023
(With Comparative Figures for 2022)

	2023							2022	
	Without Donor Restrictions				With Donor Restrictions			Total	Total
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total		
Expenses (Continued)									
Department expenses									
General and administrative	\$ 2,399,564	\$ -	\$ -	\$ 2,399,564	\$ -	\$ -	\$ -	\$ 2,399,564	\$ 2,152,456
Development	1,262,601	-	-	1,262,601	-	-	-	1,262,601	1,050,226
Patron services	265,500	-	-	265,500	-	-	-	265,500	487,630
Education	595,135	-	-	595,135	-	-	-	595,135	379,381
Program book	88,806	-	-	88,806	-	-	-	88,806	71,739
Other	237,574	-	-	237,574	-	-	-	237,574	110,392
Total department expenses	4,849,180	-	-	4,849,180	-	-	-	4,849,180	4,251,824
Facilities	1,986,188	-	1,250,000	3,236,188	-	-	-	3,236,188	3,087,214
Depreciation (Note 9)	415,895	-	-	415,895	-	-	-	415,895	446,836
Total facilities and depreciation	2,402,083	-	1,250,000	3,652,083	-	-	-	3,652,083	3,534,050
Total expenses	24,149,887	261,167	1,250,000	25,661,054	-	-	-	25,661,054	24,488,652
Revenue over (under) expenses before nonoperating gain (loss)	(2,253,092)	(261,167)	-	(2,514,259)	735,616	(6,290,436)	(5,554,820)	(8,069,079)	(7,003,389)
Nonoperating gain (loss)									
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	(53,905)
Net periodic pension benefit	-	(217,766)	-	(217,766)	-	-	-	(217,766)	1,269,781
Revenue over (under) expenses	(2,253,092)	(478,933)	-	(2,732,025)	735,616	(6,290,436)	(5,554,820)	(8,286,845)	(5,787,513)
Other change in net assets									
Other changes in interest in net assets of ISO Foundation	-	-	-	-	-	3,456,810	3,456,810	3,456,810	3,415,157
Pension liability adjustment (Note 11)	-	927,593	-	927,593	-	-	-	927,593	(1,596,615)
Total other changes in net assets	-	927,593	-	927,593	-	3,456,810	3,456,810	4,384,403	1,818,542
Change in net assets	(2,253,092)	448,660	-	(1,804,432)	735,616	(2,833,626)	(2,098,010)	(3,902,442)	(3,968,971)
Net assets at beginning of year	4,230,833	(2,658,953)	-	1,571,880	2,718,346	117,563,964	120,282,310	121,854,190	125,823,161
Net assets at end of year	\$ 1,977,741	\$ (2,210,293)	\$ -	\$ (232,552)	\$ 3,453,962	\$ 114,730,338	\$ 118,184,300	\$ 117,951,748	\$ 121,854,190

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2022

	2022							
	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	\$ 7,118,562	\$ -	\$ -	\$ 7,118,562	\$ -	\$ -	\$ -	\$ 7,118,562
Facilities income	606,961	-	-	606,961	-	-	-	606,961
Program advertising	54,507	-	-	54,507	-	-	-	54,507
Education	44,339	-	-	44,339	-	-	-	44,339
Other	33,938	-	-	33,938	-	-	-	33,938
Total earned income	<u>7,858,307</u>	-	-	<u>7,858,307</u>	-	-	-	<u>7,858,307</u>
Contributed income								
Annual fund	3,935,472	-	-	3,935,472	2,057,312	-	2,057,312	5,992,784
Government funding								
Covid-19 Funding (Note 8)	3,506,672	-	-	3,506,672	-	-	-	3,506,672
Other government funding	77,500	-	-	77,500	-	-	-	77,500
Net assets released – annual fund (Note 6)	<u>2,629,902</u>	-	-	<u>2,629,902</u>	<u>(2,629,902)</u>	-	<u>(2,629,902)</u>	-
Total contributed income	<u>10,149,546</u>	-	-	<u>10,149,546</u>	<u>(572,590)</u>	-	<u>(572,590)</u>	<u>9,576,956</u>
ISO Foundation								
Net assets released (Note 6)	4,630,307	-	1,250,000	5,880,307	-	(5,880,307)	(5,880,307)	-
Service fee	50,000	-	-	50,000	-	-	-	50,000
Total ISO Foundation	<u>4,680,307</u>	-	<u>1,250,000</u>	<u>5,930,307</u>	-	<u>(5,880,307)</u>	<u>(5,880,307)</u>	<u>50,000</u>
Total revenue	<u>22,688,160</u>	-	<u>1,250,000</u>	<u>23,938,160</u>	<u>(572,590)</u>	<u>(5,880,307)</u>	<u>(6,452,897)</u>	<u>17,485,263</u>
Expenses								
Concert related expenses								
Orchestra operations	8,758,860	-	-	8,758,860	-	-	-	8,758,860
Defined benefit pension plan expense	-	435,984	-	435,984	-	-	-	435,984
Concert production	6,168,258	-	-	6,168,258	-	-	-	6,168,258
Marketing	1,339,676	-	-	1,339,676	-	-	-	1,339,676
Total concert related expenses	<u>16,266,794</u>	<u>435,984</u>	-	<u>16,702,778</u>	-	-	-	<u>16,702,778</u>

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
STATEMENT OF ACTIVITIES
Year Ended August 31, 2022

	2022							
	Without Donor Restrictions				With Donor Restrictions			
	General Operating	Pension Plan	Facilities	Total	Society	ISO Foundation	Total	Total
Expenses (Continued)								
Department expenses								
General and administrative	\$ 2,152,456	\$ -	\$ -	\$ 2,152,456	\$ -	\$ -	\$ -	\$ 2,152,456
Development	1,050,226	-	-	1,050,226	-	-	-	1,050,226
Patron services	487,630	-	-	487,630	-	-	-	487,630
Education	379,381	-	-	379,381	-	-	-	379,381
Program book	71,739	-	-	71,739	-	-	-	71,739
Other	110,392	-	-	110,392	-	-	-	110,392
Total department expenses	<u>4,251,824</u>	<u>-</u>	<u>-</u>	<u>4,251,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,251,824</u>
Facilities	1,837,214	-	1,250,000	3,087,214	-	-	-	3,087,214
Depreciation (Note 9)	446,836	-	-	446,836	-	-	-	446,836
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>
Total expenses	<u>22,802,668</u>	<u>435,984</u>	<u>1,250,000</u>	<u>24,488,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,488,652</u>
Revenue over (under) expenses before nonoperating gain (loss)	(114,508)	(435,984)	-	(550,492)	(572,590)	(5,880,307)	(6,452,897)	(7,003,389)
Nonoperating gain (loss)								
Loss on disposal of property and equipment	(53,905)	-	-	(53,905)	-	-	-	(53,905)
Net periodic pension benefit	-	1,269,781	-	1,269,781	-	-	-	1,269,781
Revenue over (under) expenses	<u>(168,413)</u>	<u>833,797</u>	<u>-</u>	<u>665,384</u>	<u>(572,590)</u>	<u>(5,880,307)</u>	<u>(6,452,897)</u>	<u>(5,787,513)</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
Pension liability adjustment (Note 11)	-	(1,596,615)	-	(1,596,615)	-	-	-	(1,596,615)
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>
Change in net assets	(168,413)	(762,818)	-	(931,231)	(572,590)	(2,465,150)	(3,037,740)	(3,968,971)
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
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>\$ 121,854,190</u>

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (3,902,442)	\$ (3,968,970)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Non-cash items		
Change in interest in net assets of ISO Foundation	2,833,626	2,465,150
Change in unamortized discount on pledges	(17,431)	64,412
Bad debt expense	81,097	68,853
Loss on disposal of property and equipment	-	53,906
Depreciation	415,895	446,835
Defined benefit pension plan expense	261,167	435,984
Pension liability adjustment	(709,827)	326,834
Change in assets and liabilities		
Receivables	(424,799)	1,289,552
Prepaid expenses and other assets	(72,365)	(472,330)
Accounts payable, accrued expenses and other liabilities	(223,469)	176,479
Deferred revenue	455,810	1,112,962
Right of use asset	244,998	-
Lease liability	<u>(217,000)</u>	<u>-</u>
Net cash flows (used in) from operating activities	(1,274,740)	1,999,667
Cash flows from investing activities		
Capital expenditures	(346,019)	(99,998)
Cash flows from financing activities		
Payments on bank line of credit	-	(123,120)
Payments on bank note payable	<u>-</u>	<u>(2,500,000)</u>
Net cash flows used in financing activities	<u>-</u>	<u>(2,623,120)</u>
Net change in cash and cash equivalents	(1,620,759)	(723,451)
Cash and cash equivalents, beginning of year	<u>5,518,457</u>	<u>6,241,908</u>
Cash and cash equivalents, end of year	<u>\$ 3,897,698</u>	<u>\$ 5,518,457</u>
Supplemental disclosures of cash flow information		
Cash payments for interest	\$ -	\$ 8,214
Non-cash activities		
Right of use asset	\$ 3,348,440	\$ -
Lease liability	3,480,000	-

See accompanying notes to financial statements.

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

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, 2023 and 2022 ranged from 3.30% to 5.37%. 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, 2023 and 2022, management determined that an allowance of \$151,438 and \$109,061, respectively, was necessary.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

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, 2023 and 2022.

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, 2023 and 2022 of \$414,381 and \$103,749, 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, 2023 and 2022.

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:

	2023		
	Cost	Accumulated Depreciation	Net Book Value
Computer equipment and software	\$ 671,355	\$ 617,472	\$ 53,883
Musical instruments and orchestra equipment	1,617,272	1,604,339	12,933
Stage equipment	1,761,079	1,487,568	273,511
Transportation equipment	59,513	59,513	-
Office furniture and equipment	140,082	140,082	-
Hilbert Circle Theatre property	1,176,511	949,569	226,942
Leasehold improvements	4,608,328	3,530,192	1,078,136
	\$ 10,034,140	\$ 8,388,735	\$ 1,645,405

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	2022		
	Cost	Accumulated Depreciation	Net Book Value
Computer equipment and software	\$ 646,483	\$ 552,972	\$ 93,511
Musical instruments and orchestra equipment	1,617,270	1,599,937	17,333
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
	\$ 9,688,117	\$ 7,972,836	\$ 1,715,281

Right Of Use (“ROU”) Assets and Lease Liability: ROU asset represents the Society’s right to use the underlying assets for the lease term and lease liabilities represent the net present value of the Society’s obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using it’s incremental borrowing rate on the lease commencement date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain the Society will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. As permitted by ASC 842, leases with an initial term of twelve months or less (“short-term leases”) are not recorded on the accompanying consolidated statement of financial position.

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.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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, 2023 and 2022 of \$3,211,642 and \$2,755,832, 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)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concert Advertising Costs: In the year ended August 31, 2023, the Society expensed all concert advertising costs in the year incurred. In the year ended August 31, 2022, the Society expensed direct response marketing costs in the year in which the related concert production occurred and all other concert advertising costs in the year incurred. Concert advertising expenses for the years ended August 31, 2023 and 2022 were \$1,674,909 and \$1,269,216, respectively. Prepaid advertising expenses are \$0 and \$90,763 as of August 31, 2023 and 2022, 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 2023 and 2022.

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, 2023 and 2022, 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, 2022. 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).

Recently Adopted Accounting Guidance: In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, "Leases" (Topic 842). Under the standard, an entity is required to recognize lease assets and lease liabilities on the statement of financial position. The Society applied this ASU for the year ended August 31, 2023 using the modified retrospective method. The ASU also requires additional disclosure, both quantitative and qualitative, including pertinent information about the leasing arrangement, and the amount, timing, and uncertainty of cash flows arising from leases. The Society elected the exemption of short-term leases that are 12 months or less in addition to certain practical expedients permitted under the transition guidance. As a result of implementation, a right-to-use asset of \$3,348,440 and lease liability of \$3,480,000 were reported. There was no impact on net assets or change in net assets.

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 January 17, 2024, which is the date the financial statements were available to be issued.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable consist of the following at August 31:

	<u>2023</u>	<u>2022</u>
Annual fund	\$ 1,679,481	\$ 1,555,122
Lilly Endowment, Inc.	<u>1,237,000</u>	<u>1,237,000</u>
Total pledges receivable	2,916,481	2,792,122
Less unamortized discount	(52,948)	(70,378)
Less allowance for uncollectible contributions	<u>(151,438)</u>	<u>(109,061)</u>
 Net pledges receivable	 <u>\$ 2,712,095</u>	 <u>\$ 2,612,683</u>
 Amounts due in:		
Less than one year	\$ 2,641,481	\$ 2,187,122
One to five years	<u>275,000</u>	<u>605,000</u>
	 <u>\$ 2,916,481</u>	 <u>\$ 2,792,122</u>

NOTE 4 – 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 5 – 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 13). 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 a term loan balance of \$0 as of August 31, 2023 and 2022, 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 (\$8,220,580 and \$8,669,195 as of August 31, 2023 and 2022, respectively). The loan agreement is subject to certain restrictive covenants. As of August 31, 2023, the Society believed it was in compliance with these restrictive covenants.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 6 – NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Society		
Annual fund		
Pledges/grants restricted due to time	\$ 2,014,237	\$ 1,424,396
Annual productions	202,725	56,950
Operations in future years	<u>1,237,000</u>	<u>1,237,000</u>
Total Society	<u>\$ 3,453,962</u>	<u>\$ 2,718,346</u>
ISO Foundation		
Net assets without donor restrictions of the ISO Foundation	\$ 68,844,308	\$ 72,183,062
Pledges restricted due to time	3,655,188	2,965,538
Educational purposes	5,120,224	5,267,155
Hilbert Circle Theatre annual facility expenses	10,977,495	10,986,048
General purposes	21,544,084	21,544,084
Orchestra’s artistic endeavors	<u>4,589,039</u>	<u>4,618,077</u>
Total ISO Foundation	<u>\$ 114,730,338</u>	<u>\$ 117,563,964</u>

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>2023</u>	<u>2022</u>
Purpose restriction accomplished annual productions*	\$ 56,950	\$ 248,409
Expiration of time restrictions*	889,775	1,144,493
Current year operations*	1,237,000	1,237,000
ISO Foundation grants to the Society	<u>6,290,436</u>	<u>5,880,307</u>
	<u>\$ 8,474,161</u>	<u>\$ 8,510,209</u>

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

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 7 – 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>2023</u>	<u>2022</u>
Cash	\$ 3,897,698	\$ 5,518,457
Receivables:		
Pledges, net	2,712,095	2,612,683
Government grants	28,589	77,500
Accounts	<u>414,381</u>	<u>103,749</u>
Total financial assets	<u>3,155,065</u>	<u>2,793,932</u>
Total financial assets	7,052,763	8,312,389
Pledges receivable due beyond one year	<u>(275,000)</u>	<u>(605,000)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 6,777,763	 7,707,389
 Draw from ISO Foundation*	 <u>5,453,047</u>	 <u>5,090,436</u>
Total other liquidity resources	<u>5,453,047</u>	<u>5,090,436</u>
	 <u>\$ 12,230,810</u>	 <u>\$ 12,797,825</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.

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 5).

The ISO Foundation investments of approximately \$108,000,000 is subject to an annual spending rate of 5%. However, additional funds could made available to the Society if requested by the Society and approved by the ISO Foundation.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 8 – 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 for the year ended August 31, 2022. The ERC funding is included within the governments grants line on the statement of activities.

During the year ended August 31, 2022, 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 the Society recognized the remaining amount as grant revenue of \$2,699,610. 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, 2023 and 2022 are summarized below:

	<u>2023</u>	<u>2022</u>
Shuttered venue operators grant	\$ -	\$ 2,699,610
Employee Retention credits	-	657,210
Other	-	149,852
	<u>\$ -</u>	<u>\$ 3,506,672</u>

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 9 – 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, 2023 and 2022, respectively, are as follows:

	2023			
	Program Services	Supporting Activities		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 10,463,171	\$ 1,067,793	\$ 912,369	\$ 12,443,333
Concert production	5,959,515	-	-	5,959,515
Occupancy costs	2,096,191	570,829	57,959	2,724,979
Marketing	1,005,953	-	-	1,005,953
Professional services	485,366	273,056	118,684	877,106
Depreciation	343,335	65,861	6,699	415,895
Other	944,042	1,058,714	231,517	2,234,273
	<u>\$ 21,297,573</u>	<u>\$ 3,036,253</u>	<u>\$ 1,327,228</u>	<u>\$ 25,661,054</u>
	2022			
	Program Services	Supporting Activities		Total
		General and Administrative	Fundraising	
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>

NOTE 10 – LEASES

The Society leases various facilities and equipment in Indiana, that expire at various dates through January 2036. The Society has recognized a right of use asset of \$3,103,442, and a lease liability of \$3,263,000 on the statement of financial position as of August 31, 2023. The Society utilized various Treasury rates to determine the net present value of the applicable lease liabilities, ranging from 0.27% to 1.75% at lease inception.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 10 – LEASES (Continued)

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 2024. 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 2023 and 2022, the ISO Foundation contributed the \$850,000 of annual rental expense back to the Society (Note 13).

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 had recognized a deferred rent liability to this lease in the amount of \$131,560 which was in Accrued Expenses on the Statement of Financial Position as of August 31, 2022. As of August 31, 2023, the impact of straight-line recognition of rent expense is part of the right of use asset calculation after the adoption of ASU 2016-02. Total rent expense, after credits for incidental expenses under this lease for the years ended August 31, 2023 and 2022 was \$151,460 and \$72,893, respectively.

Symphony Centre

The Society has a lease agreement with the ISO Foundation for the Symphony Centre expiring August 31, 2023. At August 31, 2023 and 2022, 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 2023 and 2022, the ISO Foundation contributed the \$400,000 of annual rental expense back to the Society (Note 13).

The Society also subleases office space within the Symphony Centre to various third-party organizations. These agreements are operating on a month-to-month basis.

Victoria Centre

The Society had an operating lease for a portion of the Victoria Centre which expires December 31, 2027. Total rental expense under this lease for the years ended August 31, 2023 and 2022 was \$97,486 and \$89,030, respectively.

Fletcher Properties

The Society had an operating lease for warehouse space from Fletcher Properties which expires February 28, 2024. Total rental expense under this lease for the years ended August 31, 2023 and 2022 was \$44,000, respectively.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 10 – 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, 2023. 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, the Symphony and Connor Prairie are in the process of negotiating a new agreement. Total rental expense under this lease for the years ended August 31, 2023 and 2022 was \$682,788 and \$722,087, respectively.

Palladium

During 2023 and 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 \$16,477 and \$15,081, respectively.

Copiers

The Society has an operating lease for eight copiers which expires December 20, 2026. Total rent expense under these leases for the years ended August 31, 2023 and 2022, were \$12,787 and \$11,721, respectively.

Future Minimum Lease Payments

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

	<u>Hilbert Circle Theatre</u>	<u>Victoria Centre</u>	<u>Fletcher Properties</u>	<u>Copiers</u>	<u>Total</u>
2024	\$ 128,222	\$ 96,201	\$ 22,000	\$ 12,787	\$ 259,210
2025	130,277	98,125	-	12,787	241,189
2026	132,339	100,087	-	12,787	245,213
2027	134,404	102,089	-	4,262	240,755
2028	136,464	34,254	-	-	170,718
Thereafter	<u>2,758,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,758,826</u>
Minimum payments	3,420,532	430,756	22,000	42,623	3,915,911
Present Value Discount	<u>(642,532)</u>	<u>(9,756)</u>	<u>-</u>	<u>(623)</u>	<u>(652,911)</u>
Lease Liability	<u>\$ 2,778,000</u>	<u>\$ 421,000</u>	<u>\$ 22,000</u>	<u>\$ 42,000</u>	<u>\$ 3,263,000</u>

Total rent expense for the years ended August 31, 2023 and 2022 was \$2,245,336 and \$2,193,091, 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 \$151,460 and \$72,893 for the years ended August 31, 2023 and 2022, 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 \$114,830 and \$212,173 for the years ended August 31, 2023 and 2022, 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, 2023 and 2022

NOTE 11 – 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>2023</u>	<u>2022</u>
Unfunded status		
Benefit obligation (both projected and accumulated)	\$ 29,778,446	\$ 32,070,722
Fair value of plan assets	<u>28,494,776</u>	<u>30,338,392</u>
	<u>\$ (1,283,670)</u>	<u>\$ (1,732,330)</u>
Amounts recognized in the statement of financial position		
Pension liability	<u>\$ (1,283,670)</u>	<u>\$ (1,732,330)</u>
Amounts not yet recognized as components of net periodic pension cost (NPPC)		
Net loss, beginning of year	\$ 11,794,533	\$ 10,197,918
Amount recognized in NPPC	(1,127,221)	(874,554)
Net (gain) loss on projected benefit obligation	(1,731,560)	(7,168,742)
Net gain on plan assets	<u>1,931,189</u>	<u>9,639,911</u>
Net loss, end of year	<u>\$ 10,866,941</u>	<u>\$ 11,794,533</u>

The components of the Pension Plan Net Asset Deficit as of August 31, 2023 and 2022 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>2023</u>	<u>2022</u>
Components of pension plan, net asset deficit		
Net loss, end of year	\$ (10,866,941)	\$ (11,794,533)
Cumulative periodic pension costs	656,648	1,135,580
Project funding	<u>8,000,000</u>	<u>8,000,000</u>
	<u>\$ (2,210,293)</u>	<u>\$ (2,658,953)</u>

The measurement dates used in determining the pension benefit measurements for plan assets and benefit obligations were August 31, 2023 and 2022, respectively.

The discount rate used in determining the actuarial present value of the projected benefit obligation was 5.10% and 4.35% for 2023 and 2022, respectively, and the expected long-term rate of return on assets was 7.50% for both 2023 and 2022.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 11 – PENSION PLANS (Continued)

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 crediting commencing on or after September 1, 2011	\$	86

Net periodic pension cost for the defined benefit plan for the years ended August 31, 2023 and 2022 included the following components:

	<u>2023</u>	<u>2022</u>
Net periodic pension cost		
Service cost	\$ 261,167	\$ 435,984
Other components		
Interest costs	1,280,514	707,303
Return on assets	(235,527)	6,823,619
Net amortization and deferral	<u>(827,221)</u>	<u>(8,800,703)</u>
	<u>\$ 478,933</u>	<u>\$ (833,797)</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, 2023 includes the amortization of the net loss of \$1,151,980.

The Society was not required to make a contribution to the plan during the years ended August 31, 2023 and 2022. There are no participant contributions to the plan. Distributions from the plan were \$2,079,143 and \$1,917,775 during the years ended August 31, 2023 and 2022, respectively.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 11 – 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 2032 are as follows:

<u>Year ending August 31.</u>	
2024	\$ 2,215,233
2025	2,363,502
2026	2,386,431
2027	2,393,350
2028	2,366,315
2029-2032	<u>10,993,648</u>
	<u>\$ 22,718,479</u>

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

	<u>2023</u>	<u>2022</u>
Mutual funds		
S&P 500 Equity	\$ 3,278,385	\$ 3,028,353
International Equity	2,717,313	2,549,447
Small/Mid Cap Equity	546,037	503,997
Emerging markets equity	541,490	511,729
Fixed income		
High yield bond	545,533	513,760
Emerging markets debt	539,135	512,534
Intermediate duration	11,084,966	9,354,887
Long duration	3,434,315	8,811,777
U.S. government agencies	<u>5,807,602</u>	<u>4,551,908</u>
	<u>\$ 28,494,776</u>	<u>\$ 30,338,392</u>

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

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

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
August 31, 2023 and 2022

NOTE 11 – PENSION PLANS (Continued)

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, 2023 and 2022 were \$329,269 and \$256,923, respectively.

NOTE 12 – MEDICAL, DENTAL, AND VISION PLAN

The Society's medical insurance plan switched to a fully insured plan on January 1, 2023. From September 1, 2022 to December 31, 2022 the Society's medical insurance plan was covered through a self-funded plan. The Society's dental and vision insurance is covered through a self-funded plan. The Society is liable for claims under the dental and vision plan. The Society has stop-loss coverage to limit the exposure arising from the medical claims when it was a self-funded plan. Medical, dental and vision costs for the years ended August 31, 2023 and 2022, net of stop-loss reimbursements, were \$1,056,513 and \$764,774, respectively. These expenses were offset by employee contributions to the plan of \$133,741 and \$139,192, 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, 2023 and 2022 were \$161,561 and \$156,791, respectively.

NOTE 13 – 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 5). 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 as of August 31, 2023 and 2022, respectively. The balance of the term loan was \$0 as of August 31, 2023 and 2022, respectively. The ISO Foundation did not have any outstanding borrowings on the line of credit as of August 31, 2022. The ISO Foundation and the Society have guaranteed the credit facilities and the ISO has pledge specific investments as collateral (Note 5).

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 2023 and 2022, which is included in the Statements of Activities under ISO Foundation revenue.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended August 31, 2023

NOTE 13 – INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC. (Continued)

The ISO Foundation contributed \$6,290,436 and \$5,880,307 to the Society during the years ended August 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
General operating fund		
General operating	\$ 4,646,814	\$ 4,227,358
Education grant	263,106	271,111
Pops enhancement	49,633	51,143
Conductor laureate	32,760	33,757
Other	<u>48,123</u>	<u>46,938</u>
	5,040,436	4,630,307
Facilities (Note 10)	<u>1,250,000</u>	<u>1,250,000</u>
	<u>\$ 6,290,436</u>	<u>\$ 5,880,307</u>

The contributed amounts above for 2023 and 2022 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 was owed \$16,292 by the ISO Foundation as of August 31, 2023 for Society deposits received by the Foundation. 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.

NOTE 14 – CONCENTRATIONS

As of August 31, 2023, 83% of accounts receivable were due from two organizations with individual percentages of 71% and 12%. 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, 2023 and 2022, a pledge from the Lilly Endowment, Inc. comprised 42% and 44%, respectively, of the gross pledge receivable balance. Pledges from one other donor comprised 10% and 21% of gross pledge receivable balance as of August 31, 2023 and 2022, respectively.

Contributions from the Lilly Endowment, Inc. represented approximately 25% and 21% of contributed income (excluding government grants) during the years ended August 31, 2023 and 2022, respectively.

(Continued)

INDIANA SYMPHONY SOCIETY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended August 31, 2023

NOTE 15 – RISKS AND UNCERTAINTIES

The Society's defined benefit pension plan holds investments in debt and equity securities (Note 11). 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, 2023 and 2022.

NOTE 16 – 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 is effective through August 31, 2024. The Society's current contract with the Stagehand's Union is effective through August 31, 2023.