

MEMPHIS SYMPHONY ORCHESTRA, INC.

FINANCIAL STATEMENTS

June 30, 2020 and 2019



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Memphis Symphony Orchestra, Inc.

We have audited the accompanying financial statements of Memphis Symphony Orchestra, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Memphis Symphony Orchestra, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note 10 to the financial statements, management determined that a certain beneficial interest in assets held by others should not have been recorded in the prior year, based on its interpretation of the gift agreement. Accordingly, amounts reported for beneficial interest in assets held by others, contributions, and resulting net assets have been restated in the 2019 financial statements now presented. Our opinion is not modified with respect to this matter.

Watkins Mikusall, PLLC

Memphis, Tennessee

March 12, 2021

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>Assets</u>	
	<u>2020</u>	<u>2019 (Restated)</u>
Cash and cash equivalents	\$ 1,834,194	\$ 1,047,912
Accounts receivable	10,000	22,007
Promises to give, net of allowance	70,184	129,464
Prepaid expenses	-	14,223
Beneficial interest in assets held by others	1,357,567	725,923
Property and equipment, net	420,419	427,502
Cash surrender value of life insurance	-	38,842
Other assets	<u>18,326</u>	<u>17,387</u>
 Total assets	 <u>\$ 3,710,690</u>	 <u>\$ 2,423,260</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 16,166	\$ 30,946
Accrued compensation	56,491	51,285
Funds held for others	-	32,773
Deferred revenue	169,250	326,173
Paycheck Protection Program note payable	<u>546,377</u>	<u>-</u>
Total liabilities	788,284	441,177
 Net Assets		
Without donor restrictions	1,432,238	1,194,156
With donor restrictions	<u>1,490,168</u>	<u>787,927</u>
Total net assets	<u>2,922,406</u>	<u>1,982,083</u>
 Total liabilities and net assets	 <u>\$ 3,710,690</u>	 <u>\$ 2,423,260</u>

The accompanying notes are an integral part of the financial statements.

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Contributions and sponsorships	\$ 1,246,122	\$ 102,601	\$ 1,348,723
Grants	1,265,440	-	1,265,440
Distributions from CFGM	739,368		739,368
Concert tickets and subscription sales	780,332	-	780,332
In-kind contributions	71,897	-	71,897
Other fundraising income	1,822	-	1,822
Other income	42,830	-	42,830
Net assets released from restrictions	67,004	(67,004)	-
Total revenue, support, and gains	<u>4,214,815</u>	<u>35,597</u>	<u>4,250,412</u>
Expenses			
Program Services			
Artistic engagement	2,983,739	-	2,983,739
Marketing	406,745	-	406,745
Total program services	<u>3,390,484</u>	<u>-</u>	<u>3,390,484</u>
Support Services			
General and administrative	214,073	-	214,073
Fundraising	372,176	-	372,176
Total support services	<u>586,249</u>	<u>-</u>	<u>586,249</u>
Total expenses	<u>3,976,733</u>	<u>-</u>	<u>3,976,733</u>
Change in net assets from operations	238,082	35,597	273,679
Change in value of beneficial interest in assets held by others	<u>-</u>	<u>666,644</u>	<u>666,644</u>
Change in net assets	238,082	702,241	940,323
Net assets, as restated, beginning of year	<u>1,194,156</u>	<u>787,927</u>	<u>1,982,083</u>
Net assets, end of year	<u>\$ 1,432,238</u>	<u>\$ 1,490,168</u>	<u>\$ 2,922,406</u>

The accompanying notes are an integral part of the financial statements.

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019 (as restated)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Contributions and sponsorships	\$ 1,142,776	725,939	\$ 1,868,715
Grants	1,924,528	-	1,924,528
Concert tickets and subscription sales	1,099,713	-	1,099,713
In-kind contributions	97,697	-	97,697
Other fundraising income	1,102	-	1,102
Other income	53,697	-	53,697
Net assets released from restrictions	10,000	(10,000)	-
Total revenue, support, and gains	<u>4,329,513</u>	<u>715,939</u>	<u>5,045,452</u>
Expenses			
Program Services			
Artistic engagement	3,138,651	-	3,138,651
Marketing	463,689	-	463,689
Total program services	<u>3,602,340</u>	<u>-</u>	<u>3,602,340</u>
Support Services			
Fundraising	321,376	-	321,376
General and administrative	311,132	-	311,132
Total support services	<u>632,508</u>	<u>-</u>	<u>632,508</u>
Total expenses	<u>4,234,848</u>	<u>-</u>	<u>4,234,848</u>
Change in net assets	94,665	715,939	810,604
Net assets, beginning of year	<u>1,099,491</u>	<u>71,988</u>	<u>1,171,479</u>
Net assets, end of year	<u>\$ 1,194,156</u>	<u>\$ 787,927</u>	<u>\$ 1,982,083</u>

The accompanying notes are an integral part of the financial statements.

MEMPHIS SYMPHONY ORCHESTRA, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Program Services			General and Administrative	Fundraising	Total Expenses
	Artistic Engagement	Marketing	Total Program Services			
Salaries and wages	\$ 1,719,042	\$ 154,513	\$ 1,873,555	\$ 115,248	\$ 194,432	\$ 2,183,235
Employee benefits	269,085	2,360	271,445	8,101	13,620	293,166
Taxes	128,343	11,680	140,023	8,772	14,622	163,417
Production costs	510,983	-	510,983	1,005	-	511,988
Professional fees	9,246	14,579	23,825	72,824	92,290	188,939
Artist fees	201,794	-	201,794	-	-	201,794
Advertising and promotion	-	107,301	107,301	-	592	107,893
Office costs	1,826	57,250	59,076	218	3,626	62,920
Occupancy	62,697	11,380	74,077	-	941	75,018
Travel and meetings	12,212	945	13,157	1,959	1,309	16,425
Merchant fees	-	20,340	20,340	1,987	2,372	24,699
Information technology	15,475	5,892	21,367	-	7,445	28,812
Donor relations	-	-	-	-	22,839	22,839
Insurance	23,367	-	23,367	-	-	23,367
Miscellaneous	6,445	15,082	21,527	2,816	8,779	33,122
Utilities	5,748	2,129	7,877	-	2,767	10,644
Special events	-	-	-	-	-	-
Depreciation	8,670	-	8,670	-	-	8,670
Telephone	5,699	2,111	7,810	-	2,744	10,554
Repairs and maintenance	3,048	1,161	4,209	-	1,466	5,675
Postage and shipping	59	22	81	-	2,332	2,413
Bank fees	-	-	-	1,143	-	1,143
	<u>\$ 2,983,739</u>	<u>\$ 406,745</u>	<u>\$ 3,390,484</u>	<u>\$ 214,073</u>	<u>\$ 372,176</u>	<u>\$ 3,976,733</u>

The accompanying notes are an integral part of the financial statements.

MEMPHIS SYMPHONY ORCHESTRA, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services			General and Administrative	Fundraising	Total Expenses
	Artistic Engagement	Marketing	Total Program Services			
Salaries and wages	\$ 1,756,760	\$ 153,020	\$ 1,909,780	\$ 107,363	\$ 157,287	\$ 2,174,430
Employee benefits	263,141	7,990	271,131	14,779	11,509	297,419
Taxes	131,740	11,578	143,318	8,153	11,683	163,154
Production costs	624,181	-	624,181	201	-	624,382
Professional fees	10,346	22,073	32,419	147,983	45,987	226,389
Artist fees	185,053	-	185,053	-	-	185,053
Advertising and promotion	-	146,251	146,251	401	104	146,756
Office costs	6,111	66,545	72,656	76	22,502	95,234
Occupancy	63,711	10,649	74,360	-	10,310	84,670
Travel and meetings	39,627	1,567	41,194	4,501	1,868	47,563
Merchant fees	-	22,041	22,041	2,038	4,202	28,281
Information technology	14,813	5,639	20,452	-	7,125	27,577
Bad debt	-	-	-	24,065	-	24,065
Donor relations	-	-	-	-	20,825	20,825
Insurance	16,521	-	16,521	-	-	16,521
Miscellaneous	984	9,128	10,112	412	3,666	14,190
Utilities	6,789	2,585	9,374	-	3,265	12,639
Special events	-	-	-	-	12,549	12,549
Depreciation	9,825	1,180	11,005	-	1,490	12,495
Telephone	5,547	2,111	7,658	-	2,668	10,326
Repairs and maintenance	3,437	1,308	4,745	-	1,653	6,398
Postage and shipping	65	24	89	-	2,683	2,772
Bank fees	-	-	-	1,160	-	1,160
	<u>\$ 3,138,651</u>	<u>\$ 463,689</u>	<u>\$ 3,602,340</u>	<u>\$ 311,132</u>	<u>\$ 321,376</u>	<u>\$ 4,234,848</u>

The accompanying notes are an integral part of the financial statements.

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019 (As Restated)
Cash Flows From Operating Activities:		
Change in net assets	\$ 940,323	\$ 810,604
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	8,670	12,495
Change in cash surrender value of life insurance	38,842	1,257
Contributions of beneficial interest in assets held by others	-	(725,923)
Change in value of beneficial interest in assets held by others	(666,644)	-
Distributions from beneficial interest in assets held by others	35,000	
Bad debt	-	24,065
Change in Operating Assets and Liabilities:		
Promises to give	59,280	(8,510)
Accounts receivable	12,007	(1,244)
Prepaid expenses	14,223	359
Other assets	(939)	126
Accounts payable	(14,780)	16,392
Accrued compensation	5,206	29,043
Funds held for others	(32,773)	(36,727)
Deferred revenue	(156,923)	(41,736)
Total adjustments	(698,831)	(730,403)
Net cash provided by operating activities	241,492	80,201
Cash Flows From Financing Activities:		
Proceeds from Payroll Protection Program note payable	546,377	-
Cash Flows From Investing Activities:		
Purchases of property and equipment	(1,587)	(6,979)
Net increase in cash and cash equivalents	786,282	73,222
Cash and cash equivalents, beginning of year	1,047,912	974,690
Cash and cash equivalents, end of year	\$ 1,834,194	\$ 1,047,912

The accompanying notes are an integral part of the financial statements.

MEMPHIS SYMPHONY ORCHESTRA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Memphis Symphony Orchestra, Inc. (the "Symphony") is a non-profit Tennessee corporation organized as a 501(c)(3) under the Internal Revenue Code in March 1953. The Symphony is dedicated to the promotion of musical education and culture and the promotion of musical concerts throughout Memphis and the surrounding area. The Symphony is supported primarily by contributions from individuals, corporations, and foundations.

Basis of Accounting

The accompanying financial statements of the Symphony have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the activities of Memphis Symphony Orchestra, Inc. and the Memphis Symphony Chorus. The Memphis Symphony Chorus is a performing organization which functions as an auxiliary of the Symphony.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition and Contributed Support

The Symphony receives revenue from a variety of sources including private contributions and concert ticket and subscription sales. Contributions are recognized when cash, other assets, or an unconditional promise to give is received. 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.

Ticket sales and fees are recognized when the show or event takes place, which is when the performance obligation is deemed to have been met. Income collected in advance for individual shows and season subscriptions related to the next season are reported as deferred revenue in the statement of financial position. All productions for each season are conducted within the Symphony's fiscal year.

Concentrations and Credit Risks

The Symphony's credit risks primarily relate to cash and cash equivalents and support and revenue. The Symphony maintains cash balances at various financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of \$250,000 for each commercial bank.

For the year ended June 30, 2020, approximately 46% of total contributions and sponsorships and grant revenues was received from two donors. At June 30, 2020, approximately 50% of unconditional promises to give was due from two donors. For the year ended June 30, 2019, approximately 30% of total contributions and sponsorships and grant revenues was received from one donor. At June 30, 2019, approximately 53% of unconditional promises to give was due from three donors.

In-Kind Contributions

Donated materials and services are recorded as contributions at their estimated fair values at the date of donation. The Symphony receives a significant amount of donated services from unpaid volunteers who assist in Symphony operations and special projects. Donated services are recognized in the financial statements if the services either create or enhance a nonfinancial asset or require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. No amounts have been recognized in 2020 and 2019 because these services did not meet the criteria for recognition.

The Symphony receives in-kind contributions which have been recorded at their fair value in the statement of activities. The corresponding expense has been allocated to the appropriate program or supporting service. In-kind contributions are comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Office rent	\$ 62,697	\$ 62,697
Artist lodging	9,200	35,000
	<u>\$ 71,897</u>	<u>\$ 97,697</u>

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Symphony considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consists of fees from program services and are non-interest bearing. At June 30, 2020, and 2019, management believes no allowance for doubtful accounts is necessary.

Promises to Give

Unconditional promises to give are recorded at net realizable value as they are substantially all due within one year. An allowance for doubtful accounts is recorded based upon management's analysis of specific balances and a general reserve based upon the total outstanding balances. Promises to give are written off when deemed uncollectable.

Property and Equipment

Property and equipment are reported at cost at the date of acquisition or fair value at the date of donation in the case of donated property. Property and equipment purchases in excess of \$1,000 and a useful life of more than one year are capitalized. Depreciation is provided over the estimated useful service lives of 3 to 15 years using the straight-line method. Music collections are capitalized and not depreciated. Repairs and maintenance costs are expensed as incurred; major renewals and leasehold improvements are capitalized.

Cash Surrender Value of Life Insurance

The Symphony is the owner and beneficiary of a life insurance policy that covers the life of a donor. This life insurance policy has a cash surrender value which is reported on the statement of financial position at the value provided to the Symphony by the insurance carrier. This policy was paid out in 2020.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no donor-imposed restrictions of a perpetual nature at June 30, 2020 and 2019. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that, is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

Income Taxes

The Symphony is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similarly exempt from state income taxes. Accordingly, no provision for income taxes is included in the financial statements.

Income from program advertisements, which is not directly related to the Symphony's exempt purpose, is subject to taxation as unrelated business income. There was no unrelated business income tax expense for the years ended June 30, 2020 and 2019.

Advertising Costs

Advertising and promotional costs are expensed as incurred and totaled \$107,893 and \$146,756 for the years ended June 30, 2020 and 2019, respectively.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting and Standards Board (FASB) amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Symphony is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU No. 2020-07 – *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances presentation and disclosure requirements for not-for-profit entities that receive contributed nonfinancial assets. The main provisions require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and to disclose additional details including a disaggregation of the various types of contributed nonfinancial assets and whether those assets were monetized or utilized, among others. The amendments will be effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Symphony is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Adoption of New Accounting Standards

The Symphony has adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. This standard provides guidance on evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Analysis of the provisions of this standard resulted in no significant changes in the way the Symphony recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

The Symphony has adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of the Symphony's financial reporting. Analysis of the provisions of this standard resulted in no significant changes in the way the Symphony recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Date of Management's Review

The Symphony evaluated its June 30, 2020, financial statements for subsequent events through March 12, 2021, the date the financial statements were available to be issued. The Symphony is not aware of any subsequent events which would require recognition or disclosure in the financial statements other than the event disclosed in Note 11.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,834,194	\$ 1,047,912
Accounts receivable	10,000	22,007
Promises to give due within one year	<u>52,237</u>	<u>143,934</u>
	<u>\$ 1,896,431</u>	<u>\$ 1,213,853</u>

The Symphony's goal is to maintain reserved financial assets to meet 90 – 180 days of operating expenses (currently \$1,000,000 - \$2,000,000). As part of its liquidity plan, excess cash is held in cash or short-term investments, including money markets accounts.

NOTE 3 – PROMISES TO GIVE

Promises to give are estimated to be collected as follows at June 30:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 52,237	\$ 143,934
Due within one to five years	30,750	20,000
Less allowance for doubtful accounts	<u>(12,803)</u>	<u>(34,470)</u>
	<u>\$ 70,184</u>	<u>\$ 129,464</u>

NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2019, the Symphony entered into an agreement with the University of Memphis Foundation ("UMF") for donors to establish an endowment fund for the benefit and use of the Symphony. These funds will be administered by UMF; therefore, the Symphony will have neither possession nor control over the assets of the funds. Upon notification of the Symphony's beneficial interest in these funds, a contribution with donor restrictions was recorded in the statement of activities. The agreement provides for annual distributions to the Symphony of approximately 5% of the aggregate fund balances and unlimited spending of fund earnings and/or fund principal at any time, but only after approval of both the President/CEO of the Symphony and the President of the University of Memphis is given. Additional contributions can be made by donors to the funds any time thereafter. The beneficial interest in these assets is reported at the fair value of the funds' assets in the statement of financial position. Fund distributions and changes in fair value are recognized in the statement of activities. UMF fund distributions to the Symphony totaled \$35,000 and \$0, for the years ended June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the balance of the UMF fund was \$1,357,567 and \$725,923, respectively.

In 2019, the Symphony entered into an agreement with Community Foundation of Greater Memphis (“CFGM”) for donors to establish an endowment fund for which the Symphony will receive annual distributions of approximately 5% of the aggregate fund balance in perpetuity. The agreement allows for donors to make additional contributions to the fund. At June 30, 2020 and 2019, the balance of this endowment fund was \$6,065,206 and \$690,766, respectively. In 2020, another endowment fund was established at CFGM with an initial gift of \$10,000,000, for which the Symphony will receive annual distributions of approximately 5% of the aggregate fund balance in perpetuity. Since CFGM maintains variance power over both funds, which allows CFGM to redirect the benefits to another charitable organization if, in the sole judgment of CFGM, the funds’ purpose becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community, the Symphony has not recorded an asset for its beneficial interest in either of these funds as they are revocable. Annual distributions from the funds are reported in the statement of activities and totaled \$739,368 and \$0 for the years ended June 30, 2020 and 2019, respectively.

NOTE 5 – FAIR VALUE MEASUREMENTS

The Symphony reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the most advantageous market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Symphony. Unobservable inputs are inputs that reflect the Symphony’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities the Symphony has the ability to access.
- Level 2 – Inputs (other than quoted prices within level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The fair value of the beneficial interest in assets held by others is based on the fair value of fund investments as reported by UMF. These assets are considered to be Level 3 measurements since the Symphony does not have access to the holdings and no observable inputs.

The following table presents assets measured at fair value on a recurring basis at fair value as of June 30:

	Level 3 Measurements	
	2020	2019
Beneficial Interest in Assets Held by Others		
University of Memphis Foundation	\$ 1,357,567	\$ 725,923

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

	Beneficial Interest in Assets Held by Others	
	2020	2019
Balance, beginning of year	\$ 725,923	\$ -
Contributions	700,000	725,923
Distributions	(35,000)	
Unrealized losses	(33,356)	-
Balance, end of year	<u>\$ 1,357,567</u>	<u>\$ 725,923</u>

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 is as follows:

	2020	2019
Office furniture and equipment	\$ 148,756	\$ 148,756
Vehicles	24,000	24,000
Concert equipment	221,731	221,732
Musical instruments	181,405	181,405
Music library	405,228	403,641
Leasehold improvements	10,884	10,884
	<u>992,004</u>	<u>990,418</u>
Less: accumulated depreciation	(571,585)	(562,916)
	<u>\$ 420,419</u>	<u>\$ 427,502</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows at June 30:

	2020	2019 (As restated)
Purpose Restrictions:		
Gompertz Scholarship	\$ -	\$ 32,004
Time-Restricted for Future Periods:		
Beneficial interest in assets held by others	1,357,567	725,923
Promises to give	30,000	30,000
Sponsorships for 2021 concert season	102,601	-
	<u>\$ 1,490,168</u>	<u>\$ 787,927</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Expiration of Time Restrictions:		
Promises to give	\$ -	\$ 10,000
Beneficial interest in assets held by others	35,000	-
Satisfaction of Purpose Restrictions:		
Gompertz Scholarship	32,004	-
	<u>\$ 67,004</u>	<u>\$ 10,000</u>

NOTE 8 – MULTI-EMPLOYER PENSION PLAN

The Symphony is a participating employer in a multi-employer defined benefit pension plan (the “Plan”) for its unionized musicians who participate in a collective bargaining agreement. The Plan generally provides retirement benefits to employees based on years of service to the Symphony. The Plan is managed by a board of trustees including contributing employers. The Symphony does not have a representative on the board of trustees. Pension contributions were \$57,737 and \$52,930 for the years ended June 30, 2020 and 2019, respectively. The Symphony's contributions to the Plan represented less than 5% of total contributions to the plan. Effective April 15, 2010, the Plan is operating under an amended rehabilitation plan.

The risk of participating in a multi-employer defined benefit plan are different from single employer plans as: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the Plan may be required to be borne by the remaining participating employers, and (c) if the Symphony chooses to stop participating in the Plan, a withdrawal liability to the Plan may result.

In connection with ongoing renegotiation of its collective bargaining agreement, the Symphony may discuss and negotiate for the complete or partial withdrawal from the Plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multi-employer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Symphony's financial position in the period of the withdrawal. The Symphony has no current plans to withdraw from its multi-employer pension plan.

The following presents information about the Symphony's multi-employer pension plan as of March 31, 2020 and 2019, and for the years then ended:

Name of pension fund	American Federation of Musicians and Employer's Pension Fund	
Employer Identification Number	51-6120204	
Plan number	001	
Rehabilitation Plan status	Implemented	
Expiration of collective bargaining agreement	June 30, 2021	
	<u>2020</u>	<u>2019</u>
Actuarial value of assets	\$ 1,829,653,768	\$ 1,844,511,996
Actuarial value of liabilities	\$ 3,088,466,672	\$ 2,958,962,165
Percentage funded at end of year	59.20%	61.80%
Required employer contributions based on qualified employee gross wages	3.597%	3.597%

NOTE 9 – COVID-19 IMPACT

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19), a pandemic, which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The Symphony obtained a loan in the amount of \$546,377, through the Paycheck Protection Program administered by the U.S. Small Business Association (SBA) to mitigate against any potential financial distress the pandemic could cause. The loan is forgivable as long as the Symphony uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. While the Symphony currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot be assured that actions taken could cause the Symphony to be ineligible for forgiveness of the loan, in whole or in part.

The outbreak could have a continued material adverse impact on economic and market conditions. The fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Symphony, its performance, and its financial results.

NOTE 10 – RESTATEMENT

As discussed in Note 4, a donor established an endowment fund at CFGM for the benefit of the Symphony in 2019. The Symphony recorded a beneficial interest in those assets in the prior year. While the Symphony fully expects to receive the perpetual benefit of these assets based on its understanding of the donor's intent, management determined in the current year that the Symphony does not have an unconditional right to those assets since CFGM has variance power, and accordingly, the Symphony restated its financial results for the prior year. The effect of the restatement on the statement of the financial position and the statement of activities for the year ended June 30, 2019 is as follows:

	2019 As Previously Reported	Adjustment	2019 As Restated
Assets			
Beneficial interest in assets held by others	\$ 1,416,689	\$ (690,766)	\$ 725,923
Net Assets			
With donor restrictions	\$ 1,478,693	\$ (690,766)	\$ 787,927
Revenue, Support, and Gains			
Restricted contributions and sponsorships	\$ 1,416,705	\$ (690,766)	\$ 725,939
Unrestricted contributions and sponsorships	1,123,026	19,750	1,142,776
Change in value of beneficial interest in assets held by others	19,750	(19,750)	-
	<u>\$ 2,559,481</u>	<u>\$ (690,766)</u>	<u>\$ 1,868,715</u>

NOTE 11 – SUBSEQUENT EVENT

On February 12, 2021, the Symphony obtained a second loan in the amount of \$546,377 through the Paycheck Protection Program administered by the U.S. Small Business Association (SBA). This loan will be used for the same purposes as the first loan to maintain payroll, rent and utilities due to the COVID-19 pandemic and is forgivable as long as the Symphony uses the loan proceeds for eligible purposes.