

# **INDIANA SYMPHONY SOCIETY, INC.**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2015 AND 2014**

*CPAs / ADVISORS*



**INDIANA SYMPHONY SOCIETY, INC.**

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AUGUST 31, 2015 AND 2014

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
Indiana Symphony Society, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of the Indiana Symphony Society, Inc. (the Society), which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

**REPORT OF INDEPENDENT AUDITORS**

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of August 31, 2015 and 2014, 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.

*Blue & Co., LLC*

Carmel, Indiana  
November 19, 2015

# INDIANA SYMPHONY SOCIETY, INC.

## STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Cash	\$ 62,655	\$ 152,782
Receivables:		
Pledges, net (Note 3)	4,223,284	6,647,477
Government Grants	166,246	150,055
Accounts	<u>249,784</u>	<u>282,549</u>
Total Receivables	4,639,314	7,080,081
Prepaid Expenses and Other Assets	835,041	820,748
Property and Equipment, net (Note 2)	2,457,049	2,381,714
Interest in Net Assets of ISO Foundation	<u>95,435,935</u>	<u>99,458,048</u>
 Total Assets	 <u>\$ 103,429,994</u>	 <u>\$ 109,893,373</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts Payable	\$ 614,272	\$ 760,828
Accrued Expenses	719,048	711,094
Other Liabilities	221,989	150,265
Deferred Revenue	2,296,408	1,973,074
Line of Credit (Note 4)	7,434,666	7,695,543
Pension Liability (Note 11)	<u>12,592,463</u>	<u>10,461,414</u>
Total Liabilities	23,878,846	21,752,218
Net Assets		
Unrestricted		
General Operating	(8,507,383)	(9,338,625)
Pension Plan (Note 11)	(13,401,818)	(10,526,414)
Board Designated (Note 5)	<u>77,215</u>	<u>115,697</u>
Total Unrestricted	(21,831,986)	(19,749,342)
Temporarily Restricted		
Society (Note 6)	5,947,199	8,432,449
ISO Foundation (Note 6)	<u>62,885,963</u>	<u>67,015,926</u>
Total Temporarily Restricted	68,833,162	75,448,375
Permanently Restricted		
ISO Foundation (Note 7)	<u>32,549,972</u>	<u>32,442,122</u>
Total Net Assets	<u>79,551,148</u>	<u>88,141,155</u>
 Total Liabilities and Net Assets	 <u>\$ 103,429,994</u>	 <u>\$ 109,893,373</u>

See accompanying notes to financial statements.

# INDIANA SYMPHONY SOCIETY, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2015

(With Comparative Total for the Year Ended August 31, 2014)

	2015										2014	
	Unrestricted			Temporarily Restricted				Permanently Restricted			Total	
	General Operating	Pension Plan	Board Designated	Facilities	Total	Society	ISO Foundation	Total	ISO Foundation	Total		
<b>Revenue</b>												
Earned Revenue												
Ticket Sales and Fee Income	\$ 7,768,477	\$ -	\$ -	\$ -	\$ 7,768,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,768,477	\$ 7,463,729
Rental Income	525,156	-	-	-	525,156	-	-	-	-	-	525,156	413,238
Program Advertising	144,200	-	-	-	144,200	-	-	-	-	-	144,200	144,479
Education	151,869	-	-	-	151,869	-	-	-	-	-	151,869	214,978
Other	55,829	-	-	-	55,829	-	-	-	-	-	55,829	50,236
<b>Total Earned Revenue</b>	<b>8,645,531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,645,531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,645,531</b>	<b>8,286,660</b>
Contributed Income												
Annual Fund	4,931,366	-	-	-	4,931,366	1,986,672	-	-	-	-	1,986,672	7,924,794
Net Assets Released - Annual Fund (Note 8)	4,054,909	-	-	-	4,054,909	(4,054,909)	-	-	-	-	-	-
Project Funding	162,031	-	-	-	162,031	85,000	-	-	-	-	85,000	77,821
Net Assets Released - Project Funding (Note 8)	65,750	-	-	-	65,750	(65,750)	-	-	-	-	-	-
Capital Campaign	-	-	-	-	-	4,856	-	-	-	-	4,856	9,333
Provision for Loss on Capital Campaign Pledge	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets Released - Capital Campaign (Note 8)	-	-	-	-	-	-	-	-	-	-	-	-
Board Designated Transfer - Capital Campaign	263,500	-	-	-	263,500	(263,500)	-	-	-	-	-	-
Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-
Net Assets Released - Depreciation (Note 8)	177,619	-	-	-	177,619	(177,619)	-	-	-	-	-	-
Board Designated Transfer - Depreciation	38,482	-	-	-	38,482	-	-	-	-	-	-	-
<b>Total Contributed Income</b>	<b>9,693,657</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,655,175</b>	<b>(2,485,250)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,485,250)</b>	<b>7,169,925</b>	<b>8,078,148</b>
ISO Foundation												
Net Assets Released (Note 8)	5,390,908	-	-	1,250,000	6,640,908	-	-	(6,640,908)	-	-	-	-
Service Fee	50,000	-	-	-	50,000	-	-	-	-	-	50,000	50,000
<b>Total ISO Foundation</b>	<b>5,440,908</b>	<b>-</b>	<b>-</b>	<b>1,250,000</b>	<b>6,690,908</b>	<b>-</b>	<b>-</b>	<b>(6,640,908)</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>50,000</b>
<b>Total Revenue</b>	<b>23,780,096</b>	<b>-</b>	<b>-</b>	<b>1,250,000</b>	<b>24,991,614</b>	<b>(2,485,250)</b>	<b>-</b>	<b>(6,640,908)</b>	<b>-</b>	<b>(9,126,158)</b>	<b>15,865,456</b>	<b>16,414,808</b>

See accompanying notes to financial statements.

# INDIANA SYMPHONY SOCIETY, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2015 (Continued)

(With Comparative Total for the Year Ended August 31, 2014)

	2015							2014			
	General Operating	Pension Plan	Unrestricted		Temporarily Restricted			Permanently Restricted			
			Board Designated	Facilities	Total	Society	ISO Foundation		Total	Total	
<b>Expenses</b>											
Concert Related Expenses											
Orchestra Operations	8,745,330	-	-	-	-	-	-	-	-	-	8,745,330
Defined Benefit Pension Plan Expense (Notes 9 and 11)	712,530	-	-	-	-	-	-	-	-	-	712,530
Concert Production	4,567,029	-	-	-	-	-	-	-	-	-	4,567,029
Marketing	1,898,423	-	-	-	-	-	-	-	-	-	1,898,423
Total Concert Related Expenses	<u>15,923,312</u>	<u>-</u>	<u>-</u>	<u>15,923,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,923,312</u>
Departmental Expenses											
General and Administrative	2,398,744	-	-	-	-	-	-	-	-	-	2,398,744
Development	1,337,109	-	-	-	-	-	-	-	-	-	1,337,109
Patron Services	364,340	-	-	-	-	-	-	-	-	-	364,340
Education	685,948	-	-	-	-	-	-	-	-	-	685,948
Program Book	158,361	-	-	-	-	-	-	-	-	-	158,361
Other	34,246	-	-	-	-	-	-	-	-	-	34,246
Total Departmental Expenses	<u>4,978,748</u>	<u>-</u>	<u>-</u>	<u>4,978,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,978,748</u>
Facilities	1,692,423	-	-	-	-	-	-	-	-	-	1,692,423
Depreciation (Note 9)	354,371	-	-	-	-	-	-	-	-	-	354,371
	2,046,794	-	-	-	-	-	-	-	-	-	2,046,794
Total Expenses	<u>22,948,854</u>	<u>-</u>	<u>-</u>	<u>24,198,854</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,198,854</u>
<b>Revenue Over (Under) Expenses</b>	831,242	-	-	-	-	-	-	-	-	-	(8,333,398)
<b>Nonoperating Gains (Losses)</b>											
Change in Interest in Net Assets of ISO Foundation	-	-	-	-	-	-	-	-	-	-	2,618,795
Pension Liability Adjustment (Note 11)	-	(2,875,404)	-	-	-	-	-	-	-	-	(2,875,404)
Total Nonoperating Gains (Losses)	<u>-</u>	<u>(2,875,404)</u>	<u>-</u>	<u>(2,875,404)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,102)</u>
Change in Net Assets	831,242	(2,875,404)	(38,482)	(2,082,644)	(2,485,250)	(4,129,963)	(6,615,213)	107,850	107,850	(8,590,007)	4,942,443
<b>Net Assets, Beginning of Year</b>	<u>(9,338,625)</u>	<u>(10,526,414)</u>	<u>115,697</u>	<u>(19,749,342)</u>	<u>8,432,449</u>	<u>67,015,926</u>	<u>75,448,375</u>	<u>32,442,122</u>	<u>32,442,122</u>	<u>88,141,155</u>	<u>83,198,712</u>
<b>Net Assets, End of Year</b>	<u>\$ (8,507,383)</u>	<u>\$ (13,401,818)</u>	<u>\$ 77,215</u>	<u>\$ (21,831,986)</u>	<u>\$ 5,947,199</u>	<u>\$ 62,885,963</u>	<u>\$ 68,833,162</u>	<u>\$ 32,549,972</u>	<u>\$ 32,549,972</u>	<u>\$ 79,551,148</u>	<u>\$ 88,141,155</u>

See accompanying notes to financial statements.

# INDIANA SYMPHONY SOCIETY, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2014

	Unrestricted			Temporarily Restricted			Permanently Restricted	
	General Operating	Pension Plan	Board Designated	Facilities	Total	Society	ISO Foundation	Total
<b>Revenue</b>								
Earned Revenue	\$ 7,463,729	\$ -	\$ -	\$ -	\$ 7,463,729	\$ -	\$ -	\$ 7,463,729
Ticket Sales and Fee Income	413,238	-	-	-	413,238	-	-	413,238
Rental Income	144,479	-	-	-	144,479	-	-	144,479
Program Advertising	214,978	-	-	-	214,978	-	-	214,978
Education	50,236	-	-	-	50,236	-	-	50,236
Other	8,286,660	-	-	-	8,286,660	-	-	8,286,660
Total Earned Revenue								
Contributed Income								
Annual Fund	5,239,563	-	-	-	5,239,563	2,685,231	-	7,924,794
Modification of Donor Intent - Annual Giving	300,000	-	-	-	300,000	(300,000)	-	-
Net Assets Released - Annual Fund (Note 8)	3,850,140	-	-	-	3,850,140	(3,850,140)	-	-
Project Funding	77,821	-	-	-	77,821	-	-	77,821
Net Assets Released - Project Funding (Note 8)	115,770	-	-	-	115,770	(115,770)	-	-
Capital Campaign	-	-	-	-	-	9,333	-	9,333
Provision for Loss on Capital Campaign Pledge	-	-	(4,000)	-	(4,000)	(6,000)	-	(10,000)
Net Assets Released - Capital Campaign (Note 8)	-	-	266,461	-	266,461	(266,461)	-	-
Board Designated Transfer - Capital Campaign	264,461	-	(264,461)	-	-	-	-	-
Capital Assets	-	-	-	-	-	76,200	-	76,200
Net Assets Released - Depreciation (Note 8)	91,108	-	-	-	91,108	(91,108)	-	-
Board Designated Transfer - Depreciation	39,482	-	(39,482)	-	-	-	-	-
Total Contributed Income	9,978,345	-	(41,482)	-	9,936,863	(1,858,715)	-	8,078,148
ISO Foundation								
Net Assets Released (Note 8)	5,209,767	-	-	1,250,000	6,459,767	-	(6,459,767)	-
Service Fee	50,000	-	-	-	50,000	-	-	50,000
Total ISO Foundation	5,259,767	-	-	1,250,000	6,509,767	-	(6,459,767)	50,000
Total Revenue	23,524,772	-	(41,482)	1,250,000	24,733,290	(1,858,715)	(6,459,767)	16,414,808

See accompanying notes to financial statements.



**INDIANA SYMPHONY SOCIETY, INC.**

**STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2014 (Continued)**

	Unrestricted			Temporarily Restricted			Permanently Restricted			
	General Operating	Pension Plan	Board Designated	Facilities	Total	Society	ISO Foundation	Total	ISO Foundation	Total
<b>Expenses</b>										
Concert Related Expenses										
Orchestra Operations	8,986,728	-0-	-0-	-0-	8,986,728	-0-	-0-	-0-	-0-	8,986,728
Defined Benefit Pension Plan Expense (Notes 9 and 11)	1,130,431	-0-	-0-	-0-	1,130,431	-0-	-0-	-0-	-0-	1,130,431
Concert Production	4,726,694	-0-	-0-	-0-	4,726,694	-0-	-0-	-0-	-0-	4,726,694
Marketing	1,803,327	-0-	-0-	-0-	1,803,327	-0-	-0-	-0-	-0-	1,803,327
<b>Total Concert Related Expenses</b>	<b>16,647,180</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>16,647,180</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>16,647,180</b>
Departmental Expenses										
General and Administrative	2,191,000	-0-	-0-	-0-	2,191,000	-0-	-0-	-0-	-0-	2,191,000
Development	1,281,746	-0-	-0-	-0-	1,281,746	-0-	-0-	-0-	-0-	1,281,746
Patron Services	354,448	-0-	-0-	-0-	354,448	-0-	-0-	-0-	-0-	354,448
Education	716,994	-0-	-0-	-0-	716,994	-0-	-0-	-0-	-0-	716,994
Program Book	149,135	-0-	-0-	-0-	149,135	-0-	-0-	-0-	-0-	149,135
Other	39,463	-0-	-0-	-0-	39,463	-0-	-0-	-0-	-0-	39,463
<b>Total Departmental Expenses</b>	<b>4,732,786</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>4,732,786</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>4,732,786</b>
Facilities	1,595,076	-0-	-0-	1,250,000	2,845,076	-0-	-0-	-0-	-0-	2,845,076
Depreciation (Note 9)	283,475	-0-	-0-	-0-	283,475	-0-	-0-	-0-	-0-	283,475
	1,878,551	-0-	-0-	1,250,000	3,128,551	-0-	-0-	-0-	-0-	3,128,551
<b>Total Expenses</b>	<b>23,258,517</b>	<b>-0-</b>	<b>-0-</b>	<b>1,250,000</b>	<b>24,508,517</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>24,508,517</b>
<b>Revenue Over (Under) Expenses</b>	<b>266,255</b>	<b>-0-</b>	<b>(41,482)</b>	<b>-0-</b>	<b>224,773</b>	<b>(1,858,715)</b>	<b>(6,459,767)</b>	<b>(8,318,482)</b>	<b>-0-</b>	<b>(8,093,709)</b>
<b>Nonoperating Gains</b>										
Change in Interest in Net Assets of ISO Foundation	-0-	-0-	-0-	-0-	-0-	-0-	13,096,254	13,096,254	55,000	13,151,254
Pension Liability Adjustment (Note 11)	-0-	(115,102)	-0-	-0-	(115,102)	-0-	-0-	-0-	-0-	(115,102)
<b>Total Nonoperating Gains</b>	<b>-0-</b>	<b>(115,102)</b>	<b>-0-</b>	<b>-0-</b>	<b>(115,102)</b>	<b>-0-</b>	<b>13,096,254</b>	<b>13,096,254</b>	<b>55,000</b>	<b>13,036,152</b>
Change in Net Assets	266,255	(115,102)	(41,482)	-0-	109,671	(1,858,715)	6,636,487	4,777,772	55,000	4,942,443
<b>Net Assets, Beginning of Year</b>	<b>(9,604,880)</b>	<b>(10,411,312)</b>	<b>157,179</b>	<b>-0-</b>	<b>(19,859,013)</b>	<b>10,291,164</b>	<b>60,379,439</b>	<b>70,670,603</b>	<b>32,387,122</b>	<b>83,198,712</b>
<b>Net Assets, End of Year</b>	<b>\$ (9,338,625)</b>	<b>\$ (10,526,414)</b>	<b>\$ 115,697</b>	<b>\$ -0-</b>	<b>\$ (19,749,342)</b>	<b>\$ 8,432,449</b>	<b>\$ 67,015,926</b>	<b>\$ 75,448,375</b>	<b>\$ 32,442,122</b>	<b>\$ 88,141,155</b>

See accompanying notes to financial statements.

**INDIANA SYMPHONY SOCIETY, INC.**

STATEMENTS OF CASH FLOWS  
YEARS ENDED AUGUST 31, 2015 AND 2014

	2015	2014
<b>Operating Activities</b>		
Change in Net Assets	\$ (8,590,007)	\$ 4,942,443
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Non-Cash Items		
Change in Interest in Net Assets of ISO Foundation	4,022,113	(6,691,487)
Bad Debt Expense	93,115	182,135
Depreciation	354,371	283,475
Defined Benefit Pension Plan Expense	712,530	1,130,431
Pension Liability Adjustment	2,875,404	115,102
	8,057,533	(4,980,344)
Changes in Operating Assets and Liabilities		
Receivables	2,347,652	1,382,619
Prepaid Expenses and Other Assets	(14,293)	(301,313)
Accounts Payable, Accrued Expenses, and Other Liabilities	(66,878)	350,212
Deferred Revenue	323,334	137,908
Pension Liability	(1,456,885)	(1,097,048)
Net Cash Flows from Operating Activities	600,456	434,477
<b>Investing Activities</b>		
Capital Expenditures	(429,706)	(890,184)
<b>Financing Activities</b>		
Advances on Line of Credit	13,225,247	13,357,276
Payments on Line of Credit	(13,486,124)	(12,996,725)
Net Cash Flows from Financing Activities	(260,877)	360,551
Net Change in Cash	(90,127)	(95,156)
<b>Cash, Beginning of Year</b>	152,782	247,938
<b>Cash, End of Year</b>	\$ 62,655	\$ 152,782
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash Payments for Interest	\$ 65,081	\$ 61,961

*See accompanying notes to financial statements.*

# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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### 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 Indianapolis Symphony Orchestra, the Hilbert Circle Theatre, and the Symphony Centre buildings. The ISO Foundation is under no obligation to transfer assets to the Society.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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 Unrestricted Net Assets** – Society unrestricted net assets are not subject to donor-imposed stipulation. The only limits on the use of Society unrestricted net assets are the broad limits resulting from the nature of the Society, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The Society maintains four unrestricted net asset 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 Financial Accounting Standards Board Accounting Standards Codification 715-20 and 30 related to the non-contributory pension plan administered by the Society for qualified employees.

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# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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*Board Designated* - established to account for Board of Director designations.

*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 10.

**Society Temporarily Restricted Net Assets** – Society temporarily restricted net assets 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 temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of property or equipment (or the contribution of those assets directly) are reported as temporarily restricted, and are reclassified to unrestricted net assets as the specified asset is depreciated, unless the donor provides more specific directions about the period of its use.

**ISO Foundation Temporarily Restricted Net Assets** – ISO Foundation temporarily restricted net assets 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 unrestricted net assets 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 contributions where the donor has stipulated that the contribution be used to purchase and improve land, the Hilbert Circle Theatre, Symphony Centre, and for the investment return from the Hilbert gift which is restricted for use for Hilbert Circle Theatre capital requirements, cost of maintenance, and operations.

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

### 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.

# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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### Pledges Receivable

Pledges receivable consist of unconditional pledges received from a broad base of contributors. Amounts pledged relate to the Annual Fund, the Life is Better with Music Campaign (included in Annual Fund contributions in the Statements of Activities), Project Funding (included in Annual Fund contributions in the Statements of Activities), and Capital Campaign.

Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using United States Treasury Bill rates with maturities commensurate to the time period of expected collection of pledges. Discount rates used for the year ended August 31, 2015 ranged from 0.39% to 1.94% and for the year ended August 31, 2014 ranged from 0.09% to 2.15%. Amortization of the discounts 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, 2015 and 2014, management determined that an allowance of \$186,820 and \$192,019, respectively, was necessary.

### Government Grants Receivable

Government grants receivable represent amounts awarded by various government agencies. Government grants receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectible government grants receivable based on current economic conditions, historical trends, and current and past experience with the individual grantors. Management determined that no allowance was necessary at August 31, 2015 and 2014.

### Accounts Receivable

Accounts receivable are stated at amounts expected to be received for tickets sold by third party vendors, run out performances, and program advertising. Accounts are monitored on an ongoing basis and significant effort is made to collect all amounts due to the Society. After one year, amounts uncollected are written off as bad debts. No interest is charged on past due accounts.

Management estimates an allowance for uncollectible accounts receivable based on current economic conditions, historical trends, and current and past experience with their vendor base. Management determined that no allowance was necessary at August 31, 2015 and 2014.

### Property and Equipment

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

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# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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 depreciated. The Society reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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

	2015		
	Cost	Accumulated Depreciation	Net Book Value
Computer Equipment and Software	\$ 907,253	\$ 626,137	\$ 281,116
Musical Instruments and Orchestra Equipment	2,056,501	1,586,512	469,989
Stage Equipment	1,508,452	1,362,475	145,977
Transportation Equipment	94,170	59,427	34,743
Office Furniture and Equipment	203,613	203,613	-0-
Hilbert Circle Theatre Property	496,422	411,646	84,776
Leasehold Improvements	10,079,638	8,639,190	1,440,448
	\$ 15,346,049	\$ 12,889,000	\$ 2,457,049

	2014		
	Cost	Accumulated Depreciation	Net Book Value
Computer Equipment and Software	\$ 702,376	\$ 555,427	\$ 146,949
Musical Instruments and Orchestra Equipment	2,056,501	1,508,682	547,819
Stage Equipment	1,396,233	1,344,125	52,108
Transportation Equipment	94,170	52,113	42,057
Office Furniture and Equipment	203,613	203,613	-0-
Hilbert Circle Theatre Property	485,744	427,906	57,838
Leasehold Improvements	10,016,516	8,481,573	1,534,943
	\$ 14,955,153	\$ 12,573,439	\$ 2,381,714

### Revenue and Expense Recognition

The Society derives its revenues from the sale of tickets and performance fees as well as receiving contributions from the general public, governmental agencies, philanthropic foundations, and other organizations. Ticket sales and performance fees are recognized as increases in unrestricted net assets when earned. Ticket sales in advance of concert performances are recorded as deferred revenue.

# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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Pledges, government grants, and operating grants are recorded as assets when the pledge commitments are received. The related revenue that is not restricted by the donor or restricted by time is reported as an increase in unrestricted net assets. Revenue that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction is met in the reporting period in which the revenue is received. Expirations of temporary 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.

Annual fund contributions include amounts contributed to support operations or specific productions that have been included in the annual operating budget. Project funding contributions include support for specific projects not included in the annual operating budget.

### Concert Advertising Costs

The Society expenses concert advertising costs in the year in which the related production occurs. Concert advertising expenses for the years ended August 31, 2015 and 2014 were \$1,388,984 and \$1,263,485, respectively. Prepaid advertising expenses are \$262,530 and \$247,689 as of August 31, 2015 and 2014, respectively, and are included in prepaid expenses and other assets.

### Income Taxes

The Society is exempt from Federal and state income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and similar state law. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The Society's net advertising income is considered unrelated business income. The Society's related advertising expenses offset related income and no tax was paid during fiscal 2015 and 2014.

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, 2015 and 2014, 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. In a letter dated November 4, 2015, the Internal Revenue Service (IRS) Tax Exempt and Government Entities Division notified the Society that its Federal Form 990 Return of Organization Exempt from Income Tax for August 31, 2013 had been selected for a routine audit. The audit is expected to comment in December 2015.

The Society has filed its federal and state income tax returns for periods through August 31, 2014. 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).

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# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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### Reclassifications

Certain amounts in the fiscal 2014 financial statements have been reclassified herein to conform to the fiscal 2015 presentation.

### 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 November 19, 2015, which is the date the financial statements are available to be issued.

### **3. PLEDGES RECEIVABLE**

Pledges receivable consist of the following at August 31:

	<u>2015</u>	<u>2014</u>
Annual Fund	\$ 2,954,078	\$ 5,156,611
Lilly Endowment, Inc.	1,237,000	1,237,000
Capital Campaign	<u>253,500</u>	<u>517,000</u>
Total Pledges Receivable	4,444,578	6,910,611
Less Unamortized Discount	(34,474)	(71,115)
Less Allowance for Uncollectible Contributions	<u>(186,820)</u>	<u>(192,019)</u>
Net Pledges Receivable	<u>\$ 4,223,284</u>	<u>\$ 6,647,477</u>
Amounts Due In:		
Less Than One Year	\$ 2,830,521	\$ 3,907,546
One to Five Years	1,609,057	2,995,565
More Than Five Years	<u>5,000</u>	<u>7,500</u>
	<u>\$ 4,444,578</u>	<u>\$ 6,910,611</u>

### **4. LINE OF CREDIT**

The Society has an \$8,000,000 line of credit agreement with an institutional lender which expires on January 31, 2016. It is the Society's intention to negotiate a renewal and extension of this credit facility, although no renewal commitments have yet been sought or received from this lender. At August 31, 2015 and 2014, there was \$7,434,666 and \$7,695,543, respectively, borrowed against this line. Interest is charged at the one month LIBOR rate as defined in the agreement plus 0.70% (0.899% at August 31, 2015). The ISO Foundation has guaranteed the line of credit and pledged specific assets as collateral. The ISO Foundation's assets are pledged at a 75% advance ratio, therefore, the maximum amount to be pledged by the ISO Foundation is \$10,667,000.

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# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

### 5. BOARD DESIGNATED NET ASSETS

Board Designated net assets of \$77,215 and \$115,697 at August 31, 2015 and 2014, respectively, consist of net assets designated for capital asset acquisition and refurbishing.

All pledges collected in cash or currently due for the Capital Campaign are reported in the Board Designated fund unless otherwise restricted by the donor. When cash is collected on these unrestricted pledges, the Board may approve a transfer of funds to the General Operating fund. During the years ended August 31, 2015 and 2014, Capital Campaign pledges totaling \$265,500 and \$266,461, respectively, were collected or became currently due. The Board approved transferring a total of \$263,500 and \$264,461 to the General Operating fund for fiscal 2015 and 2014, respectively, to help fund operations.

Board Designated net assets related to Capital Assets are transferred to the General Operating fund as the assets are depreciated to offset the depreciation expense being recognized. During the years ended August 31, 2015 and 2014, such transfers were \$38,482 and \$39,482, respectively.

### 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted net assets are available for the following purposes or periods at August 31:

	<u>2015</u>	<u>2014</u>
<b>Society</b>		
Annual Fund		
Pledges/Grants Restricted Due to Timing	\$ 2,645,429	\$ 4,747,434
Annual Productions	200,459	166,693
Capital Campaign Pledges Restricted Due to Timing	240,367	499,010
Operations in Future Years	1,237,000	1,237,000
Capital Improvements - Funded Depreciation	1,538,944	1,520,045
Project Funding	<u>85,000</u>	<u>262,267</u>
Total Society	<u>\$ 5,947,199</u>	<u>\$ 8,432,449</u>
<b>ISO Foundation</b>		
Unrestricted Net Assets of the ISO Foundation	\$ 56,387,680	\$ 58,993,337
Capital Improvements - Funded Depreciation	1,987,881	3,125,402
Pledges Restricted Due to Timing	1,574,011	1,764,081
Educational Purposes	256,811	396,564
Hilbert Circle Theatre Annual Facility Expenses	1,282,977	1,302,158
Orchestra's Artistic Endeavors	<u>1,396,603</u>	<u>1,434,384</u>
Total ISO Foundation	<u>\$ 62,885,963</u>	<u>\$ 67,015,926</u>

# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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The Society reclassified \$196,517 of temporary restricted Project Funding net assets to Capital Improvements – Funded Depreciation related to website development and seating project costs upon capitalization of the related expenses during the year ended August 31, 2015.

### 7. PERMANENTLY RESTRICTED NET ASSETS

Permanently Restricted net assets of the ISO Foundation are restricted in perpetuity and are available to support the following at August 31:

	<u>2015</u>	<u>2014</u>
Orchestra's General Operations	\$ 21,045,084	\$ 21,045,084
Hilbert Circle Theatre Annual Facility Expenses	6,260,000	6,260,000
Educational Purposes	3,876,275	3,768,425
Orchestra's Artistic Endeavors	<u>1,368,613</u>	<u>1,368,613</u>
	<u>\$ 32,549,972</u>	<u>\$ 32,442,122</u>

### 8. NET ASSETS RELEASED FROM RESTRICTIONS

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>2015</u>	<u>2014</u>
Purpose Restriction Accomplished		
Funded Depreciation on Capital Improvements	\$ 177,619	\$ 91,108
Project Funding	65,750	115,770
Capital Campaign Operational Projects	263,500	266,461
Annual Productions	166,693	328,041
Expiration of Time Restrictions	2,651,216	2,535,099
Current Year Operations	1,237,000	987,000
ISO Foundation Grants to the Society	<u>6,640,908</u>	<u>6,459,767</u>
	<u>\$ 11,202,686</u>	<u>\$ 10,783,246</u>

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# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

### 9. FUNCTIONAL EXPENSES

Expenses by program and supporting activities, including the allocation of depreciation of \$354,371 and \$283,475 and defined benefit pension plan expense of \$712,530 and \$1,130,431 for the years ended August 31, 2015 and 2014, respectively, are as follows:

	<u>2015</u>	<u>2014</u>
Programs		
Orchestra Operations	\$ 9,543,297	\$ 10,200,373
Concert Production	4,588,073	4,780,610
Facilities	2,394,028	2,263,621
Marketing	2,170,664	2,008,312
Education	685,948	717,674
Patron Services	364,340	354,760
Program Book	158,361	149,135
Other	34,246	39,463
	<u>19,938,957</u>	<u>20,513,948</u>
Management and General		
General and Administrative	2,254,803	2,036,311
Facilities	607,316	613,921
	<u>2,862,119</u>	<u>2,650,232</u>
Fundraising	<u>1,397,778</u>	<u>1,344,337</u>
	<u>\$ 24,198,854</u>	<u>\$ 24,508,517</u>

Certain costs have been allocated among programs, management and general and fundraising categories based on the actual direct expenditures and cost allocations determined by the Society's personnel. Although the methods used were appropriate, alternative methods may provide difference results.

### 10. LEASES

#### Hilbert Circle Theatre

The Society has a lease agreement with the ISO Foundation for the Hilbert Circle Theatre (the Theatre) expiring August 31, 2018. The 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 fiscal 2015 and 2014, the ISO Foundation contributed the \$850,000 of annual rental expense back to the Society (Note 13).

The Society has a sublease with the ISO Foundation whereby the Society leases additional lobby space adjacent to Hilbert Circle Theatre. The lease agreement calls for escalating monthly payments and expires on January 31, 2020. The lease may be cancelled with at least twelve months prior written notice.

# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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### Symphony Centre

The Society has a lease agreement with the ISO Foundation for the Symphony Centre expiring August 31, 2023. At August 31, 2015, 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 of the facility. During both fiscal 2015 and 2014, 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 have maturity dates ranging from June 2016 through December 2022.

In August 2014, a section of the exterior facade of the Symphony Centre dislodged and damaged the roof of an adjacent building. The damage to the adjacent building is expected to be covered by the Society's general liability insurance policy; the related deductible of \$1,000 has been accrued as of August 31, 2014. The Society, in conjunction with the ISO Foundation, has initiated a review of the structural integrity of the affected area of the Symphony Centre; however, no final determination has been reached regarding the extent of repairs or capital improvements which may be necessary. These repairs or capital improvements will be paid for by the ISO Foundation.

### Victoria Centre

The Society has an operating lease for a portion of the Victoria Centre. The lease expires June 30, 2017 and includes one three-year and seven month renewal option. The lease calls for escalating future minimum lease payments. Total rental payments under this lease for the years ended August 31, 2015 and 2014 were \$63,058 and \$62,081, respectively.

### Fletcher Properties

The Society has an operating lease for warehouse space from Fletcher Properties that expires February 28, 2018 (the previous lease expired February 28, 2015). Total rental payments under these leases for the years ended August 31, 2015 and 2014 were \$40,812 and \$40,208, respectively.

### Conner Prairie

The Society had an operating lease with Conner Prairie for facilities used for the Symphony on the Prairie series, which expired September 30, 2015. It is the Society's intention to negotiate a new operating lease with Conner Prairie. Total rental payments made to Conner Prairie for the years ended August 31, 2015 and 2014 were \$368,256 and \$398,944, respectively.

# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

### Future Minimum Lease Payments

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

Year Ending August 31,	Hilbert Circle Theatre	Symphony Centre	Victoria Centre	Fletcher Properties	Total
2016	\$ 977,343	\$ 400,000	\$ 64,060	\$ 41,415	\$ 1,482,818
2017	979,472	400,000	54,093	41,415	1,474,980
2018	982,455	400,000	-0-	20,707	1,403,162
2019	134,585	400,000	-0-	-0-	534,585
2020	56,077	400,000	-0-	-0-	456,077
Thereafter	<u>-0-</u>	<u>1,200,000</u>	<u>-0-</u>	<u>-0-</u>	<u>1,200,000</u>
Minimum Payments	3,129,932	3,200,000	118,153	\$ 103,537	6,551,622
Less: Sublease Rentals	<u>-0-</u>	<u>(920,817)</u>	<u>-0-</u>	<u>-0-</u>	<u>(920,817)</u>
	<u>\$ 3,129,932</u>	<u>\$ 2,279,183</u>	<u>\$ 118,153</u>	<u>\$ 103,537</u>	<u>\$ 5,630,805</u>

Total rent expense for the years ended August 31, 2015 and 2014 was \$1,846,487 and \$1,873,607, 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 \$124,361 and \$122,373 for the years ended August 31, 2015 and 2014, respectively. The additional rents are included in Facilities expense in the General Operating unrestricted net asset class. Rent expense has not been reduced by sublease rentals received on the office operating leases amounting to \$302,202 and \$290,865 for the years ended August 31, 2015 and 2014, respectively.

## 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.

## INDIANA SYMPHONY SOCIETY, INC.

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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

	2015	2014
<b>Funded Status</b>		
Benefit Obligation (both projected and accumulated)	\$ 34,526,454	\$ 33,248,531
Fair Value of Plan Assets	21,933,991	22,787,117
	\$ (12,592,463)	\$ (10,461,414)
 <b>Amounts Recognized in the Statement of Financial Position</b>		
Accrued Pension Benefits	\$ (12,592,463)	\$ (10,461,414)
 <b>Amounts Not Yet Recognized as Components of Net Periodic Pension Cost</b>		
Prior Service Cost	\$ -0-	\$ 89,588
Net Loss	13,401,818	10,436,826
Pension Plan Net Asset Deficit	\$ 13,401,818	\$ 10,526,414

The measurement dates used in determining the pension benefit measurements for plan assets and benefit obligations was August 31, 2015 and 2014, respectively.

The discount rate used in determining the actuarial present value of the projected benefit obligation was 4.07% and 3.72% for fiscal 2015 and 2014, respectively, and the expected long-term rate of return on assets was 7.50% for both fiscal 2015 and 2014.

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

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

# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

Net pension cost for the defined benefit plan for the years ended August 31, 2015 and 2014 included the following components:

	<u>2015</u>	<u>2014</u>
Service Costs	\$ 509,535	\$ 468,776
Interest Costs	1,208,612	1,298,696
Return on Assets	987,254	(3,233,741)
Net Amortization and Deferral	<u>(1,992,871)</u>	<u>2,596,700</u>
Net Periodic Pension Costs	<u>\$ 712,530</u>	<u>\$ 1,130,431</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 fiscal year ending August 31, 2016 includes the amortization of the net loss of \$1,130,720.

The Society made contributions to the plan of \$1,456,885 and \$1,097,048 during the years ended August 31, 2015 and 2014, respectively. The Society expects to make contributions of \$1,118,000 to the plan during the year ending August 31, 2016. There are no participant contributions to the plan. Distributions from the plan were \$1,322,757 and \$1,194,399 during the years ended August 31, 2015 and 2014, respectively.

The amount of benefits expected to be paid, based on the same assumptions used to measure the benefit obligation (including, when applicable, benefits attributable to estimated future service) through fiscal 2025 are as follows:

Year Ending <u>August 31,</u>	
2016	\$ 1,512,705
2017	1,709,525
2018	1,796,706
2019	1,883,999
2020	1,945,050
Years 2021 - 2025	<u>11,090,928</u>
	<u>\$ 19,938,913</u>

## INDIANA SYMPHONY SOCIETY, INC.

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ -0-	\$ 4,166
Equity Mutual Funds		
Disciplined Equity	2,640,198	5,660,960
S&P 500 Equity	2,420,832	-0-
International Equity	4,411,540	4,913,411
Small/Mid Cap Equity	2,184,591	2,424,539
Emerging Markets Equity	1,206,493	1,334,972
Fixed Income Mutual Funds		
High Yield Bond	1,151,114	1,070,772
Emerging Markets Debt	1,516,915	1,425,348
Core Fixed Income	3,473,742	3,056,806
Opportunistic Income	1,167,835	988,549
Dynamic Asset Allocation Fund	<u>1,760,731</u>	<u>1,907,594</u>
	<u>\$ 21,933,991</u>	<u>\$ 22,787,117</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 70% - 30% 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, 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.



# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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### *Defined Contribution Plan*

The Society implemented a 403(b) plan effective September 1, 2008. Under the 403(b) plan, the Society will match the staff employees' contributions up to 3% of eligible compensation. Effective, September 1, 2011, 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. Effective October 16, 2012, for musicians hired after that date, the Society will contribute 5% of musicians' annual minimum salary covered under the collective bargaining agreement through the 2015-16 season, and 8% for the 2016-17 season. Contributions to the 403(b) plan for the years ended August 31, 2015 and 2014 were \$129,847 and \$95,470, respectively.

### **12. SELF-FUNDED MEDICAL PLAN**

The Society's medical and dental insurance is covered through a self-funded plan. The Society is liable for claims under the plan. The Society has stop-loss coverage to limit the exposure arising from these claims. Medical costs under the self-funded plan for the years ended August 31, 2015 and 2014 were \$1,651,400 and \$1,523,960, respectively. These expenses were offset by employee contributions to the plan of \$147,144 and \$142,895, respectively.

The Society also offers a Health Savings Account to all employees covered under the self-funded plan. Employer contributions to employee health savings accounts for the years ended August 31, 2015 and 2014 were \$119,246 and \$106,800, respectively.

### **13. INDIANAPOLIS SYMPHONY ORCHESTRA FOUNDATION, INC.**

The Society has an \$8,000,000 line of credit agreement with an institutional lender (Note 4) which is guaranteed by the ISO Foundation. The ISO Foundation has pledged assets as collateral for this line of credit.

Beginning in fiscal 2013, the Society entered into a new 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 fiscal 2015 and 2014, which is included in the Statements of Activities under ISO Foundation revenue.

The ISO Foundation contributed \$6,640,908 and \$6,459,767 to the Society during the years ended August 31, 2015 and 2014, respectively. The amounts contributed are included in the Statements of Activities as net assets released from restrictions.

# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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

	2015	2014
General Operating Fund		
General Operating	\$ 3,651,500	\$ 3,958,306
Pension Grant	1,456,885	1,000,000
Education Grant	208,689	188,421
Pops Enhancement	41,485	35,000
Conductor Laureate	27,252	24,657
Other	5,097	3,383
	<u>5,390,908</u>	<u>5,209,767</u>
Facilities (Note 10)	<u>1,250,000</u>	<u>1,250,000</u>
	<u>\$ 6,640,908</u>	<u>\$ 6,459,767</u>

During fiscal 2013, the Society and ISO Foundation developed and implemented a business plan that includes a more fiscally responsible operating draw grant to the Society by the ISO Foundation. The contributed amounts above for fiscal 2015 include a 4.5% draw from the ISO Foundation's investment portfolio, plus an additional \$1,456,885 to reduce the Society's unfunded pension liability, for an overall draw rate of 6.2%. The contributed amounts above for fiscal 2014 include a 5% draw from the ISO Foundation's investment portfolio, plus an additional \$1,000,000 to reduce the Society's unfunded pension liability, for an overall draw rate of 6.2%.

The Society owed \$500 to the ISO Foundation at August 31, 2014.

### 14. CONDITIONAL PLEDGE

The Society received a pledge for general operating purposes from the Lilly Endowment, Inc. for \$1,237,000 for the period September 1, 2013 to August 31, 2014. Of the total pledge, \$250,000 was conditioned on the Society raising qualifying matching funds for new or increased contributions. The conditions were fulfilled during the year ended August 31, 2014 and the \$250,000 portion of the pledge was recorded in the Society's financial statements as an unrestricted contribution. In addition, the \$987,000 non-conditional portion of the pledge was released from temporarily restricted to unrestricted net assets in the Society's financial statements as the timing requirement had been met in fiscal 2014.

### 15. CONCENTRATIONS

At August 31, 2015 and 2014, 40% and 41%, respectively, of accounts receivable were due from Marsh Supermarkets, LLC related to Symphony on the Prairie.

At August 31, 2015 and 2014, a pledge from the Lilly Endowment, Inc. (Note 14) comprised 28% and 18%, respectively, of the gross pledge receivable balance.

# INDIANA SYMPHONY SOCIETY, INC.

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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Contributions from the Lilly Endowment, Inc. (including the contributions described in Note 14) represented approximately 21% and 19% of contributed income during the years ended August 31, 2015 and 2014, respectively.

### **16. 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.

### **17. COLLECTIVE BARGAINING AGREEMENTS WITH MUSICIANS AND STAGEHANDS**

The Society recognizes Indianapolis Musicians Local No. 3 of the American Federation of Musicians (Musicians' Union) and the International Alliance of Theatrical Stage Employees Local No. 30 (Stagehands' Union) as the collective bargaining agents for its musicians and stagehands, with respect to wages, hours and conditions of employment.

The Society's current agreement with the Musicians' Union is effective through September 3, 2017. The Society's current agreement with the Stagehands' Union is effective through August 31, 2018.

### **18. MANAGEMENT'S OPERATIONAL PLANS**

The Society has an unrestricted net asset deficit of \$21,831,986 and \$19,749,342 as of August 31, 2015 and 2014, respectively, resulting from operational deficits in prior years and costs associated with the defined benefit pension plan.

The Society is operating under a business plan based on financially responsible operating draws from the ISO Foundation (Note 13). Fiscal 2013 was the first year of a five-year plan prepared to enable the Society to eliminate its annual operating deficits while providing the cash flow required for contributions to the defined benefit pension plan. The Society's change in net assets in the General Operating fund was a positive \$831,242 and \$266,255 for the years ended August 31, 2015 and 2014, respectively. Improvements resulted from various expense reductions and increases in earned and contributed income.

The Society's line of credit (Note 4) matures on January 31, 2016. It is the Society's intention to negotiate a renewal and extension of this credit facility, although no renewal commitments have yet been sought or received from the lender.

## **INDIANA SYMPHONY SOCIETY, INC.**

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2015 AND 2014

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Management and the Board understand that the continued success of the Society is dependent on achieving the operational, sales and fundraising results outlined in the Society's annual operating budgets, and its ability to maintain appropriate credit facilities. It is not possible at this time to predict the success of these plans.