

Fort Worth Symphony Orchestra Association

Financial Statements

July 31, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Worth Symphony Orchestra Association
Fort Worth, Texas

We have audited the accompanying financial statements of Fort Worth Symphony Orchestra Association (the "Symphony"), which comprise the statement of financial position as of July 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Fort Worth Symphony Orchestra Association as of July 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustment to Prior Period Financial Statements

The financial statements of Fort Worth Symphony Orchestra Association as of July 31, 2020, were audited by other auditors whose report dated May 14, 2021, expressed an unmodified opinion on those statements.

As part of the audit of the 2021 financial statements, we also audited adjustments described in Note 3 that were applied to restate the 2020 financial statements. In our opinion, such adjustments are appropriate and have been appropriately applied. We were not engaged to audit, review, or apply any procedures to the Symphony's 2020 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "Armanino LLP".

Armanino^{LLP}
Dallas, Texas

December 3, 2021

Fort Worth Symphony Orchestra Association
 Statements of Financial Position
 July 31, 2021 and 2020

	<u>2021</u>	<u>(Restated) 2020</u>
ASSETS		
Cash and cash equivalents	\$ 2,213,904	\$ 1,304,031
Restricted cash	86,783	86,773
Accounts receivable	39,177	49,574
Contributions receivable	554,250	394,793
Employee retention credit receivable	1,552,034	437,769
Beneficial interests in trusts	1,709,835	1,472,843
Prepaid expenses and other assets	207,517	190,542
Property and equipment, net	317,592	331,597
Endowment		
Contributions receivable	725,000	400,000
Investments	<u>31,983,721</u>	<u>24,802,888</u>
Total assets	<u>\$ 39,389,813</u>	<u>\$ 29,470,810</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 516,037	\$ 179,327
Tickets on account	384,629	283,184
Deferred revenue	<u>1,314,243</u>	<u>1,164,813</u>
Total liabilities	<u>2,214,909</u>	<u>1,627,324</u>
Net assets		
Without donor restrictions	1,139,218	795,540
With donor restrictions	<u>36,035,686</u>	<u>27,047,946</u>
Total net assets	<u>37,174,904</u>	<u>27,843,486</u>
Total liabilities and net assets	<u>\$ 39,389,813</u>	<u>\$ 29,470,810</u>

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

Fort Worth Symphony Orchestra Association
Statement of Activities
For the Year Ended July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Earned income			
Subscription ticket sales	\$ 658,399	\$ -	\$ 658,399
Single ticket sales	174,620	-	174,620
Special event ticket sales	198,348	-	198,348
Education, engagement, and other fees	118,685	-	118,685
Net realized and unrealized gains on investments	-	6,626,455	6,626,455
Interest and dividends, net	3,784	413,575	417,359
Net assets released from restriction pursuant to endowment spending-rate distribution formula	1,240,903	(1,240,903)	-
Total earned income	2,394,739	5,799,127	8,193,866
Contributions to operations	5,561,132	1,500,832	7,061,964
Contributions to endowment	-	1,706,716	1,706,716
Special events, net	467,350	-	467,350
Board designated operating funds reserved	(330,000)	-	(330,000)
Net assets released from restriction	255,927	(255,927)	-
Total revenues, gains, and other support	8,349,148	8,750,748	17,099,896
Functional expenses			
Program - artistic operations	8,879,762	-	8,879,762
Management and general	2,126,275	-	2,126,275
Fundraising	687,404	-	687,404
Total functional expenses	11,693,441	-	11,693,441
Change in net assets from operations	(3,344,293)	8,750,748	5,406,455
Other income			
Employee retention credit grant	1,768,647	-	1,768,647
Paycheck Protection Program grant	1,589,324	-	1,589,324
Change in value of beneficial interests in trusts	-	236,992	236,992
Total other income	3,357,971	236,992	3,594,963
Change in net assets before board designated funds reserved	13,678	8,987,740	9,001,418
Board designated operating funds reserved	330,000	-	330,000
Change in net assets	343,678	8,987,740	9,331,418
Net assets, beginning of year	795,540	27,047,946	27,843,486
Net assets, end of year	\$ 1,139,218	\$ 36,035,686	\$ 37,174,904

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

Fort Worth Symphony Orchestra Association
Statement of Activities
For the Year Ended July 31, 2020 (Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Earned income			
Subscription ticket sales	\$ 1,362,716	\$ -	\$ 1,362,716
Single ticket sales	1,190,071	-	1,190,071
Special event ticket sales	140,391	-	140,391
Education, engagement, and other fees	642,724	-	642,724
Net realized and unrealized gains on investments	-	1,113,177	1,113,177
Interest and dividends, net	3,529	421,388	424,917
Net assets released from restriction pursuant to endowment spending-rate distribution formula	1,382,734	(1,382,734)	-
Total earned income	4,722,165	151,831	4,873,996
Contributions to operations	3,998,616	303,927	4,302,543
Contributions to endowment	-	500,000	500,000
Special events, net	856,233	-	856,233
Board designated operating funds reserved	336,172	-	336,172
Net assets released from restriction	882,159	(882,159)	-
Total revenues, gains, and other support	10,795,345	73,599	10,868,944
Functional expenses			
Program - artistic operations	10,347,580	-	10,347,580
Management and general	1,867,598	-	1,867,598
Fundraising	619,337	-	619,337
Total functional expenses	12,834,515	-	12,834,515
Change in net assets from operations	(2,039,170)	73,599	(1,965,571)
Other income			
Employee retention credit grant	437,769	-	437,769
Paycheck Protection Program grant	1,589,374	-	1,589,374
Change in value of beneficial interests in trusts	-	(24,199)	(24,199)
Total other income	2,027,143	(24,199)	2,002,944
Change in net assets before board designated funds reserved	(12,027)	49,400	37,373
Board designated operating funds reserved	(336,172)	-	(336,172)
Change in net assets	(348,199)	49,400	(298,799)
Net assets, beginning of year, as previously reported	1,178,097	26,964,188	28,142,285
Restatement (Note 3)	(34,358)	34,358	-
Net asset, beginning of year, as restated	1,143,739	26,998,546	28,142,285
Net assets, end of year	\$ 795,540	\$ 27,047,946	\$ 27,843,486

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

Fort Worth Symphony Orchestra Association
Statement of Functional Expenses
For the Year Ended July 31, 2021

	<u>Program - Artistic Operations</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Cost of Direct Benefit to Donors</u>	<u>Total</u>
Personnel expenses					
Salaries and wages	\$ 5,012,176	\$ 1,185,868	\$ 427,314	\$ -	\$ 6,625,358
Employee benefits	<u>1,289,630</u>	<u>203,076</u>	<u>83,660</u>	<u>-</u>	<u>1,576,366</u>
Total personnel expenses	<u>6,301,806</u>	<u>1,388,944</u>	<u>510,974</u>	<u>-</u>	<u>8,201,724</u>
 Non-personnel expenses					
Occupancy	159,672	330,358	60,565	-	550,595
Professional services	112,067	231,863	42,508	-	386,438
Advertising and promotions	302,609	-	-	-	302,609
Box office	334,361	-	-	-	334,361
Development	-	-	71,593	-	71,593
Guest artist and conductors	571,019	-	-	-	571,019
Performance expense	621,615	-	-	-	621,615
Special events	-	-	-	404,684	404,684
Hall rental, front of the house	310,672	-	-	-	310,672
COVID health and safety	92,189	3,281	602	-	96,072
Depreciation and amortization	73,752	6,337	1,162	-	81,251
Other	<u>-</u>	<u>165,492</u>	<u>-</u>	<u>-</u>	<u>165,492</u>
Total non-personnel expenses	<u>2,577,956</u>	<u>737,331</u>	<u>176,430</u>	<u>404,684</u>	<u>3,896,401</u>
 Less: expenses included with revenues on the statement of activities					
Special events	<u>-</u>	<u>-</u>	<u>-</u>	<u>(404,684)</u>	<u>(404,684)</u>
	<u>\$ 8,879,762</u>	<u>\$ 2,126,275</u>	<u>\$ 687,404</u>	<u>\$ -</u>	<u>\$ 11,693,441</u>

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

Fort Worth Symphony Orchestra Association
Statement of Functional Expenses
For the Year Ended July 31, 2020

	<u>Program - Artistic Operations</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ 5,559,666	\$ 1,277,690	\$ 319,422	\$ 7,156,778
Employee benefits	1,482,428	163,227	38,618	1,684,273
Total personnel expenses	<u>7,042,094</u>	<u>1,440,917</u>	<u>358,040</u>	<u>8,841,051</u>
 Non-personnel expenses				
Occupancy	134,257	277,770	50,925	462,952
Professional services	67,111	142,380	25,456	234,947
Advertising and promotions	506,532	-	-	506,532
Box office	491,571	-	-	491,571
Development	-	-	183,718	183,718
Guest artist and conductors	898,736	-	-	898,736
Performance expense	579,646	-	-	579,646
Hall rental, front of the house	515,657	-	-	515,657
COVID health and safety	44,183	-	-	44,183
Depreciation and amortization	<u>67,793</u>	<u>6,531</u>	<u>1,198</u>	<u>75,522</u>
Total non-personnel expenses	<u>3,305,486</u>	<u>426,681</u>	<u>261,297</u>	<u>3,993,464</u>
	<u>\$ 10,347,580</u>	<u>\$ 1,867,598</u>	<u>\$ 619,337</u>	<u>\$ 12,834,515</u>

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

Fort Worth Symphony Orchestra Association
Statements of Cash Flows
For the Years Ended July 31, 2021 and 2020

	<u>2021</u>	<u>(Restated) 2020</u>
Cash flows from operating activities		
Change in net assets	\$ 9,331,418	\$ (298,799)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	81,251	75,522
Net realized and unrealized gains on investments	(6,626,455)	(1,113,177)
Change in value of beneficial interests in trusts	(236,992)	24,199
Contribution revenue restricted for endowment	(1,706,716)	(500,000)
Changes in operating assets and liabilities		
Accounts receivable	10,397	(27,336)
Contribution receivable	(159,457)	625,888
Employee retention credit receivable	(1,114,265)	(437,769)
Prepaid expenses and other assets	(16,975)	(47,457)
Accounts payable and accrued liabilities	336,710	(235,939)
Tickets on account	101,445	283,184
Deferred revenue	<u>149,430</u>	<u>(510,782)</u>
Net cash provided by (used in) operating activities	<u>149,791</u>	<u>(2,162,466)</u>
Cash flows from investing activities		
Purchases of property and equipment	(67,246)	(224,557)
Purchases of investments	(1,795,281)	(2,674,400)
Proceeds from sales of investments	<u>1,240,903</u>	<u>4,250,965</u>
Net cash provided by (used in) investing activities	<u>(621,624)</u>	<u>1,352,008</u>
Cash flows from financing activities		
Cash collected on contributions restricted for endowment	<u>1,381,716</u>	<u>250,000</u>
Net cash provided by financing activities	<u>1,381,716</u>	<u>250,000</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	909,883	(560,458)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,390,804</u>	<u>1,951,262</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,300,687</u>	<u>\$ 1,390,804</u>
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	\$ 2,213,904	\$ 1,304,031
Restricted cash	<u>86,783</u>	<u>86,773</u>
	<u>\$ 2,300,687</u>	<u>\$ 1,390,804</u>

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

Fort Worth Symphony Orchestra Association
Notes to Financial Statements
July 31, 2021 and 2020

1. NATURE OF OPERATIONS

The Fort Worth Symphony Orchestra Association (the Symphony) is a Texas nonprofit corporation chartered in 1929. Its purpose is to perform symphonic music at the highest level of artistic excellence to educate, entertain and enhance cultural life. The Symphony's purpose includes to present engaging music education programs for young people to foster early interest in and inspire lifelong enjoyment of music and to achieve ever-greater levels of artistic accomplishment and leadership in Fort Worth and across the nation. The Symphony is primarily supported by proceeds from performances and contributions from the general public and foundations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Symphony have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

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. The Symphony's governing board may designate net assets without donor restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. 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. Net assets with donor restrictions also include the portion of donor-restricted endowment funds that are not required to be maintained in perpetuity, until such funds are appropriated for expenditure by the Symphony. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions. Contributions with donor-imposed restrictions whose restriction are satisfied in the same reporting period as received are reported as net assets without donor restrictions.

Fort Worth Symphony Orchestra Association
Notes to Financial Statements
July 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, cash equivalents and restricted cash

The Symphony maintains cash and cash equivalents with major financial institutions. The Symphony considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents, except for such assets included as amounts held in perpetuity for endowment. Restricted cash is cash held for instrument loans and the Bass Instrument Fund. See Note 11.

Beneficial interests in trusts

The Symphony has been named as an irrevocable beneficiary of perpetual trusts held and administered by an independent trustee. Perpetual trusts provide for the distribution of the trust's net income to the Symphony, however, the Symphony has not received the assets of the trust. At the date the Symphony receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Investments

Investments are recorded at fair value. Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law.

All investment gains and losses are included in the accompanying statements of activities. Interest and dividend income is presented net of investment management fees.

Fair value measurements

The Symphony applies the U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. U.S. GAAP describes three levels of inputs that may be used to measure fair value:

- *Level 1* - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - Significant other observable inputs (other than Level 1 prices) such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Fort Worth Symphony Orchestra Association
Notes to Financial Statements
July 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 3* - Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities and reflect management's assumptions and best estimates based on available data.

The Symphony holds alternative investments which are reported at Net Asset Value ("NAV") per share (or its equivalent) as a practical expedient, to determine the fair value of investments in investment funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund.

The underlying assets of the beneficial interests in trusts are all actively traded as of July 31, 2021 and 2020. However, the Symphony does not control the underlying assets, and the interest in the trusts are not directly traded in the market. Therefore, the beneficial interests in trusts are reported using level 3 investments.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies.

Property and equipment

The Symphony capitalizes all expenditures for property and equipment in excess of \$1,000 with an estimated useful life greater than one year. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property, buildings and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Symphony reports expirations of donor restrictions when the donated or acquired assets are placed in service. Minor repairs and maintenance are expensed as incurred. Major repairs and maintenance that extend the useful life of the respective asset are capitalized.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Furniture and fixtures	3 - 7 years
Acoustical equipment	3 - 7 years
Computer software	3 - 5 years
Leasehold improvements	3 - 5 years

Fort Worth Symphony Orchestra Association
Notes to Financial Statements
July 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Symphony, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. The Symphony will record impairment losses when determined. No indicators of impairment existed at July 31, 2021 and 2020.

Tickets on account

Tickets on account are tickets sold for events that were canceled where patrons elected to use their tickets for future events.

Revenue recognition and deferred revenue

Revenue is recognized when earned. Ticket sales and concerts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Special events are recognized as revenue when the event is held and are recorded net of direct benefits to donors.

Contributions and promises to give

Contributions received are reported as net assets with or without donor restrictions, depending upon the presence or absence of any donor restrictions.

Contributions, including unconditional promises to give, are recognized as support in the period the unconditional promise is received. Contributions that are promised in one year but are not expected to be collected until after the end of the fiscal year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based on management's judgment including factors such as prior collection history, type of contribution and current aging of contributions receivable. Management believes that all outstanding amounts are fully collectible. As such there is no allowance for doubtful accounts at July 31, 2021 and 2020.

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 substantially met. As of July 31, 2021 and 2020, there were no conditional promises to give. The Symphony has been notified that it has been included in various wills. A receivable has not been recorded as the amounts from the estates are not known as of the date of the financial statements.

Fort Worth Symphony Orchestra Association
Notes to Financial Statements
July 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed goods and services

Contributed materials and equipment are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No significant contributed services meeting the criteria described above were received during the years ended July 31, 2021 and 2020.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Expenses, such as salaries and wages, employee benefits, occupancy, professional services, COVID health and safety, and depreciation and amortization, have been allocated among program services and supporting services based upon employee head count.

Advertising costs

The Symphony expenses advertising cost in the year which the related production is performed. Advertising expense of \$302,609 and \$506,532 for the years ended July 31, 2021 and 2020, respectively, are recorded in the accompanying statements of functional expenses within the advertising and promotions.

Income tax status

The Symphony is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent it has unrelated business income. The Symphony's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Symphony uses a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. To the extent that the Symphony's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Symphony reports tax-related interest and penalties, if applicable, as a component of income tax expense, as incurred. As of July 31, 2021 and 2020, no uncertain tax positions have been identified by management and, therefore, no amounts have been recognized in the accompanying financial statements.

Fort Worth Symphony Orchestra Association
Notes to Financial Statements
July 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements, in accordance 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. Uses of estimates include, but are not limited to, the estimated useful lives for property and equipment, allocation of expenses by function, and the fair value of investments measured at net asset value as a practical expedient. Actual results could differ from those estimates.

New accounting pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019. The Symphony has adopted the standard as of August 1, 2020; using the modified retrospective approach, the adoption of the new standard had no significant impact on the Symphony's financial statements.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

Fort Worth Symphony Orchestra Association
Notes to Financial Statements
July 31, 2021 and 2020

3. PRIOR PERIOD RESTATEMENTS

During the year ended July 31, 2021, management discovered certain corrections and reclassifications needed to the financial statements for the year ended July 31, 2020. The correction related to contributions recorded in the incorrect period and the reclassifications were for the Employee Retention Credit grant accounting and reclassifications between net assets with and without donor restrictions. Additionally, management elected to change the accounting treatment for the Paycheck Protection Program ("PPP") funds. Initially the PPP funds were recorded under Accounting Standard Codification ("ASC") 470 *Debt* standard but in the current year management elected to record the funds under ASU 2018-08, *Clarifying the Scope and Accounting Guide for Contributions Received and Contributions Made*. Management made this change as they concluded that ASU2018-08 is a better representation of the purpose and nature of the funds. See Note 13 for further detail regarding the PPP. The Symphony also restated the opening balances in the accompanying statement of activities for the year ended July 31, 2020, to reclassify \$34,358 of net assets without donor restrictions to net assets with donor restrictions. This restatement had no impact on total net assets for the year ended July 31, 2019.

The effects of the restatement on the financial statements as of and for the year ended July 31, 2020, were as follows:

	As Previously Reported	Adjustment	Restated Amount
Contributions receivable	\$ 444,793	\$ 350,000	\$ 794,793
Notes payable - Paycheck Protection Program	\$ 1,589,374	\$ (1,589,374)	\$ -
Contributions to operations	4,206,072	96,471	4,302,543
Contributions to endowment	\$ 250,000	\$ 250,000	\$ 500,000
Employee retention credit grant Program - artistic operations	\$ -	\$ 437,769	\$ 437,769
Management and general	\$ 9,700,911	\$ 646,669	\$ 10,347,580
Fundraising	\$ 2,070,242	\$ (202,644)	\$ 1,867,598
Paycheck Protection Program grant	\$ 625,593	\$ (6,256)	\$ 619,337
Interest and dividends, net	\$ -	\$ 1,589,374	\$ 1,589,374
Net assets at July 31, 2019	\$ 421,388	\$ 3,529	\$ 424,917
Change in net assets	\$ 28,142,285	\$ -	\$ 28,142,285
Net assets at July 31, 2020	\$ (2,238,173)	\$ 1,939,374	\$ (298,799)
	\$ 25,904,112	\$ 1,939,374	\$ 27,843,486

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4. LIQUIDITY AND FUNDS AVAILABLE

As part of the Symphony's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

As describe in Note 17, the Symphony received \$1,104,193 of the employee retention credit subsequent to year-end that is available to provide additional operating liquidity.

The following is a quantitative disclosure which describes financial assets that are available within one year of July 31, 2021 to fund general expenditures and other obligations as they become due:

Financial assets	
Cash and cash equivalents	\$ 2,213,904
Restricted cash	86,783
Accounts receivable	39,177
Employee retention credit receivable	1,552,034
Contributions receivable	1,279,250
Beneficial interests in trusts	1,709,835
Investments held for endowment	<u>31,983,721</u>
	<u>38,864,704</u>
Less: amounts unavailable for general expenditures within one year	
Restricted cash	(86,783)
Contributions receivable for endowment	(725,000)
Contributions receivable due beyond one year	(160,000)
Beneficial interests in trusts	(1,709,835)
Donor-restricted investments held for endowment	(31,983,721)
Cash held for surcharges collected	<u>(127,950)</u>
	<u>(34,793,289)</u>
	<u>\$ 4,071,415</u>

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2021	(Restated) 2020
	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 554,250	\$ 394,793
Contributions receivable for endowment	<u>725,000</u>	<u>400,000</u>
	<u>\$ 1,279,250</u>	<u>\$ 794,793</u>

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5. CONTRIBUTIONS RECEIVABLE (continued)

A summary of contributions receivables as of July 31 is as follows:

	2021	(Restated) 2020
Receivables due in less than one year	\$ 1,119,250	\$ 626,793
Receivables due in one to five years	160,000	168,000
	\$ 1,279,250	\$ 794,793

6. INVESTMENTS

Investments consisted of the following:

	2021	2020
Cash and cash equivalents	\$ 1,014,231	\$ 989,197
Equity securities	24,784,283	17,013,331
Fixed income securities	4,789,524	5,698,195
Alternative investments	1,395,683	1,102,165
	\$ 31,983,721	\$ 24,802,888

7. BENEFICIAL INTERESTS IN TRUSTS

The Symphony has four beneficial interests in trusts for which separate third parties are the trustees. The change in fair value of the beneficial interest in trusts resulted in an unrealized gain of \$236,992 for the year ended July 31, 2021 and an unrealized loss of \$24,199 for the year ended July 31, 2020 on the accompanying statements of activities. The underlying assets of the agreements are invested in cash and equivalents, fixed income, and equities.

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8. FAIR VALUE MEASUREMENT

The following table sets forth by level, within the fair value hierarchy, the Symphony's assets at fair value as of July 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,014,231	\$ -	\$ -	\$ 1,014,231
Equity securities	24,784,283	-	-	24,784,283
Fixed income securities	4,789,524	-	-	4,789,524
Beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>1,709,835</u>	<u>1,709,835</u>
	<u>\$30,588,038</u>	<u>\$ -</u>	<u>\$ 1,709,835</u>	32,297,873
Investments measured at net asset value				<u>1,395,683</u>
				<u>\$ 33,693,556</u>

The following table sets forth by level, within the fair value hierarchy, the Symphony's assets at fair value as of July 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 989,197	\$ -	\$ -	\$ 989,197
Equity securities	17,013,331	-	-	17,013,331
Fixed income securities	5,698,195	-	-	5,698,195
Beneficial interests in trusts	<u>-</u>	<u>-</u>	<u>1,472,843</u>	<u>1,472,843</u>
	<u>\$23,700,723</u>	<u>\$ -</u>	<u>\$ 1,472,843</u>	25,173,566
Investments measured at net asset value				<u>1,102,165</u>
				<u>\$ 26,275,731</u>

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended July 31, 2021:

Balance, July 31, 2020	\$ 1,472,843
Change in value	<u>236,992</u>
Balance, July 31, 2021	<u>\$ 1,709,835</u>

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8. FAIR VALUE MEASUREMENT (continued)

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended July 31, 2020:

Balance, July 31, 2019	\$ 1,497,042
Change in value	<u>(24,199)</u>
Balance, July 31, 2020	<u>\$ 1,472,843</u>

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at June 30, 2021:

<u>Product</u>	<u>NAV in Funds</u>	<u># of Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Hedge funds	\$ 1,395,683	1	N.A.	Quarterly with 65-day notice	None

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient are as follows at June 30, 2020:

<u>Product</u>	<u>NAV in Funds</u>	<u># of Funds</u>	<u>Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
Hedge funds	\$ 1,102,165	1	N.A.	Quarterly with 65-day notice	None

Hedge funds - Fund managers may invest in value, growth, or event-driven opportunities and typically are not restricted by market capitalization, industry sector, or geography. Leverage may be utilized, which can magnify changes in the values of the underlying securities.

The alternative investments transferred from a Level 1 measurement to NAV on a retrospective basis during the year ended July 31, 2021 after the Symphony evaluated the measurement within the fair value hierarchy.

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9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of July 31:

	2021	2020
Furniture and fixtures	\$ 861,977	\$ 806,370
Acoustical equipment	494,743	485,705
Computer software	311,867	311,867
Leasehold improvements	16,138	16,137
	1,684,725	1,620,079
Less: accumulated depreciation and amortization	(1,367,133)	(1,288,482)
	\$ 317,592	\$ 331,597

Depreciation and amortization expense was \$81,251 and \$75,522 for the years ended July 31, 2021 and 2020, respectively.

10. ENDOWMENT

The Symphony's endowments consist of donor-restricted funds established to support the operations of the Symphony. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Symphony's Board of Directors has interpreted Texas Uniform Prudent Management of Institutional Funds Act ("Texas UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Symphony classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not restricted in perpetuity is also classified within net assets with donor restrictions until those amounts are appropriated for expenditure by the Symphony in a manner consistent with the standard of prudence prescribed by Texas UPMIFA.

In accordance with Texas UPMIFA, the Symphony considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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10. ENDOWMENT (continued)

Interpretation of relevant law (continued)

- (1) The duration and preservation of the fund,
- (2) The purposes of the Symphony and the donor-restricted endowment fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and the appreciation of investments,
- (6) Other resources of the Symphony, and
- (7) The investment policies of the Symphony.

Return objectives and risk parameters

The Symphony has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Symphony must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the Symphony diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Symphony relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Symphony targets a diversified asset allocation that places a greater emphasis on equity and fixed income-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Symphony has a policy of appropriating for distribution each year up to 6% of the average fair value of endowment assets for the 3-years preceding the fiscal year in which the distribution is planned. In establishing this policy, the Symphony considered the long-term expected return on its endowment. Accordingly, over the long term, the Symphony expects the current spending policy to allow its endowment to grow at an annual rate equal to or greater than the consumer price index. This is consistent with the Symphony's objective to maintain purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

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10. ENDOWMENT (continued)

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Texas UPMIFA requires the Symphony to retain as a fund of perpetual duration. No deficiencies of this nature exist in donor-restricted endowment funds as of July 31, 2021 and 2020.

Endowment composition

Endowment net asset composition by type of fund as of July 31, 2021 is as follows:

	With Donor Restrictions
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 25,821,164
Accumulated endowment earnings	6,887,557
	\$ 32,708,721

Endowment net asset composition by type of fund as of July 31, 2020 is as follows:

	With Donor Restrictions (Restated)
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 24,114,448
Accumulated endowment earnings	1,088,440
	\$ 25,202,888

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10. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal years ended July 31, 2021 and 2020 is as follows:

	<u>With Donor Restrictions (Restated)</u>
Balance, July 31, 2019	\$ <u>24,551,057</u>
Net realized and unrealized gain	1,113,177
Interest and dividends, net	421,388
Contributions	500,000
Appropriation of net assets	<u>(1,382,734)</u>
	<u>651,831</u>
Balance, July 31, 2020	\$ <u>25,202,888</u>
Net realized and unrealized gains	6,626,455
Interest and dividends, net	413,565
Contributions	1,706,716
Appropriation of assets for expenditure	<u>(1,240,903)</u>
	<u>7,505,833</u>
Balance, July 31, 2021	\$ <u><u>32,708,721</u></u>

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11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>(Restated) 2020</u>
Subject to expenditure for specified purpose:		
Instrument Fund	\$ 86,783	\$ 86,773
Subject to the passage of time:		
Subscription contributions for 2021 performance year	-	185,442
Subscription contributions for 2022 performance year	1,167,347	-
Beneficial interests in trusts	339,875	297,092
Time restricted for specific use in future years	<u>363,000</u>	<u>100,000</u>
	<u>1,870,222</u>	<u>582,534</u>
Subject to perpetuity:		
Beneficial interests in trusts	<u>1,369,960</u>	<u>1,175,751</u>
	<u>1,369,960</u>	<u>1,175,751</u>
Subject to spending policy and appropriations:		
Endowments invested in perpetuity (including amounts above original gift amount of \$25,821,164 and \$24,114,448 for the years ended July 31, 2021 and 2020), the income from which is expendable to support.		
General endowment fund	<u>32,708,721</u>	<u>25,202,888</u>
	<u>32,708,721</u>	<u>25,202,888</u>
	<u>\$ 36,035,686</u>	<u>\$ 27,047,946</u>

Net assets with donor restrictions released from restriction during the year were as follows:

	<u>2021</u>	<u>(Restated) 2020</u>
Appropriation of endowment earnings	\$ 1,240,903	\$ 1,382,734
Purpose restriction accomplished and/or time restriction expired	<u>255,927</u>	<u>882,159</u>
	<u>\$ 1,496,830</u>	<u>\$ 2,264,893</u>

12. COMMITMENTS AND CONTINGENCIES

The Symphony has entered into various operating lease agreements primarily for rental of office space, recital space, and auditorium use.

Fort Worth Symphony Orchestra Association
Notes to Financial Statements
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12. COMMITMENTS AND CONTINGENCIES (continued)

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending July 31,</u>		
2022	\$	205,820
2023		44,329
2024		35,660
2025		35,952
2026		<u>30,706</u>
	\$	<u>352,467</u>

Rent expense amounted to approximately \$498,000 and \$501,000 for the years ended July 31, 2021 and 2020, respectively, including approximately \$290,000 and \$328,000, respectively, for use of Dickies Arena, Will Rogers Memorial Coliseum, and Bass Performance Hall. Future commitment associated with the use of the performance venues are not included above as they are based on dates and other performance-specific details that are subject to change.

13. COVID-19 RELIEF FUNDS

Paycheck Protection Program Loans

In April 2020, the Symphony received Paycheck Protection Program ("PPP") funds of \$1,589,374 granted by the Small Business Administration ("SAB") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). In December 2020, the Symphony received full legal forgiveness from the SBA of the PPP funds. In February 2021, the Symphony received a second round of PPP funds of \$1,589,324. The Symphony has elected to record the PPP funds under ASU 2018-08, *Clarifying the Scope and Accounting Guide for Contributions Received and Contributions Made*, under which the PPP funds are considered a conditional contribution, with a right of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following the receipt of the funds. The Symphony recognized the amount received as contribution revenue as qualified expenses occurred and barriers to entitlement were met. Under the terms of the CARES Act, PPP fund recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Application for forgiveness was made, with inclusion of compliance substantiation and certification therein. Subsequent to year end, the Symphony obtained full legal forgiveness of the loan from the SBA, as noted in Note 17.

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13. COVID-19 RELIEF FUNDS (continued)

Employee Retention Credit

During the years ended July 31, 2021 and 2020, the Symphony qualified for federal government assistance in the amount of \$1,768,647 and \$437,769 through employee retention credit ("ERC") provisions of the Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act, respectively. The purpose of the ERC is to encourage employers to keep employees on the payroll, even if they are not working during the covered period due to the effects of COVID-19. As of July 31, 2021 and 2020, the Symphony incurred \$1,768,647 and \$437,769 of qualifying expenses and has recognized a receivable and related revenue in the accompanying statements of financial position and statements of activities, respectively.

14. CREDIT RISKS, CONCENTRATIONS, AND UNCERTAINTIES

At times, the Symphony may maintain cash and cash equivalents balances in financial institutions in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limits. The Symphony invests with financial institutions with strong credit ratings and has not experienced any such losses. Management believes the Symphony is not exposed to any significant credit risk related to cash and cash equivalent balances.

The Symphony has investments in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Symphony's account balances and the amounts reported in the statements of financial position.

Contributions and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. For the year ended July 31, 2021, contributions from three donors represent approximately 50% of total contribution revenue. For the year ended July 31, 2020, no concentration of credit risk existed for contribution revenue. At July 31, 2021, approximately 65% of contribution receivables are due from two donors. At July 31, 2020, approximately 75% of contribution receivables are due from four donors.

15. EMPLOYEE BENEFIT PLAN

The Symphony sponsors a defined contribution retirement plan (the "Plan"). This 401(k) plan is available to all qualified employees who are age twenty-one or older at the first day of employment. The Symphony contributes a discretionary match to all eligible employees who have met certain length of service requirements. The Symphony made contributions of \$27,434 and \$22,446 to the plan for the years ended July 31, 2021 and 2020, respectively.

The Symphony contributes to a multi-employer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The Symphony made contributions of \$299,881 and \$280,984 to these plans during the years ended July 31, 2021 and 2020, respectively.

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16. RELATED PARTIES

The Symphony received contributions totaling approximately \$4,085,000 and \$1,516,000 from employees and members of the Board of Directors for the years ended July 31, 2021 and 2020, respectively.

A member of the Board of Directors is an owner at an investment management company where the Symphony holds their investments.

17. SUBSEQUENT EVENTS

The Symphony has evaluated subsequent events through December 3, 2021, the date the financial statements were available to be issued.

On August 18, 2021, the Symphony was granted \$997,751 under the Shuttered Venue Operators Grant ("SVOG") program implemented by the SBA under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The SVOG program was created to prevent widespread closures of venues that were devastated by the loss of revenue due to the COVID-19 pandemic. The SVOG program provides eligible applicant with grants equal to 45% of their gross earned revenue, up to a maximum of \$10,000,000. SVOG recipients have up to one year to use grant funds to reimburse themselves for allowable expenses of the program.

On August 28, 2021, the Symphony received full forgiveness of the second round of the PPP loan from the SBA, in the amount of \$1,589,324. See Note 13.

On August 30, 2021, the Symphony received \$517,810 and an additional \$586,383 on November 23, 2021, from the Internal Revenue Service under the ERC provision. See Note 13.

Management determined that no additional disclosures were required.