

The Wichita Symphony Society

Financial Statements
and
Independent Auditor's Report

June 30, 2020 and 2019



The Wichita Symphony Society

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Wichita Symphony Society

We have audited the accompanying financial statements of The Wichita Symphony Society (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses 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 audits 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 The Wichita Symphony Society as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Regier Carr & Monroe, CPA

Wichita, Kansas
November 6, 2020

The Wichita Symphony Society
Statements of Financial Position
As of June 30, 2020 and 2019

ASSETS

	2020	2019
Cash and cash equivalents	\$ 619,694	\$ 443,468
Contributions receivable	18,000	18,000
Grant receivable	27,500	-
Prepaid expenses and other assets	60,716	76,952
Equipment, at cost, net of accumulated depreciation of \$63,865 and \$65,525 in 2020 and 2019, respectively	230,239	230,124
Music library, at cost	224,763	224,418
Investments	6,074,286	6,296,959
Total assets	\$ 7,255,198	\$ 7,289,921

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 22,631	\$ 17,159
Deferred ticket sales	333,387	337,587
Deferred advertisement revenue	-	34,300
Deferred youth orchestra membership fees	2,663	19,680
Accrued benefits	18,502	16,588
Total liabilities	377,183	425,314
Net Assets		
Without donor restriction	2,224,751	2,307,568
With donor restriction	4,653,264	4,557,039
Total net assets	6,878,015	6,864,607
Total liabilities and net assets	\$ 7,255,198	\$ 7,289,921

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

The Wichita Symphony Society
Statement of Activities
For the Year Ended June 30, 2020

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Revenue, gains and other support			
Concert ticket sales	\$ 639,817	\$ -	\$ 639,817
Program book advertising	56,545	-	56,545
Orchestra fees	875	-	875
Youth orchestra membership fees	97,996	-	97,996
Contributions to annual fund	609,375	-	609,375
Contributions to endowment fund	3,260	400	3,660
Private underwritings	297,361	96,325	393,686
Other contributions	217,033	-	217,033
Grants	86,760	-	86,760
Investment income	61,095	-	61,095
Miscellaneous	17,467	-	17,467
Satisfaction of restriction			
Private underwritings	500	(500)	-
Total revenues, gains and other support	2,088,084	96,225	2,184,309
Expenses			
Program	1,856,856	-	1,856,856
General and administrative	203,018	-	203,018
Fundraising	111,027	-	111,027
Total expenses	2,170,901	-	2,170,901
Change in net assets	(82,817)	96,225	13,408
Net assets at beginning of year	2,307,568	4,557,039	6,864,607
Net assets at end of year	<u>\$ 2,224,751</u>	<u>\$ 4,653,264</u>	<u>\$ 6,878,015</u>

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

The Wichita Symphony Society
Statement of Activities
For the Year Ended June 30, 2019

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Revenue, gains and other support			
Concert ticket sales	\$ 996,549	\$ -	\$ 996,549
Program book advertising	58,292	-	58,292
Orchestra fees	35,000	-	35,000
Youth orchestra membership fees	88,268	-	88,268
Contributions to annual fund	305,549	-	305,549
Contributions to endowment fund	5,368	400	5,768
Private underwritings	473,346	-	473,346
Other contributions	100,205	-	100,205
Grants	67,447	-	67,447
Investment income	452,909	-	452,909
Miscellaneous	40,460	-	40,460
Satisfaction of restriction			
Private underwritings	35,113	(35,113)	-
Total revenues, gains and other support	2,658,506	(34,713)	2,623,793
Expenses			
Program	2,102,965	-	2,102,965
General and administrative	218,184	-	218,184
Fundraising	95,761	-	95,761
Total expenses	2,416,910	-	2,416,910
Change in net assets	241,596	(34,713)	206,883
Net assets at beginning of year	2,065,972	4,591,752	6,657,724
Net assets at end of year	<u>\$ 2,307,568</u>	<u>\$ 4,557,039</u>	<u>\$ 6,864,607</u>

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

The Wichita Symphony Society
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 13,408	\$ 206,883
Adjustments to reconcile change in net assets to net cash provided used in operating activities		
Depreciation	1,158	925
Net unrealized and realized (gain)/loss on endowment investments	24,590	(348,251)
Change in assets and liabilities:		
Grant receivable	(27,500)	-
Prepaid expenses and other assets	16,236	(2,792)
Deferred ticket sales	(4,200)	(14,373)
Deferred advertising revenue	(34,300)	14,418
Accounts payable	5,472	6,220
Accrued benefits	1,914	811
Deferred membership fees	(17,017)	(4,365)
Net cash used in operating activities	<u>(20,239)</u>	<u>(140,524)</u>
Cash flows from investing activities		
Withdrawals from managed investments	287,428	273,876
Deposits to managed investments	(3,660)	(5,768)
Other net changes in managed investments	(85,685)	(141,323)
Purchase of music library	(345)	(4,421)
Purchase of equipment	(1,273)	-
Net cash provided by investing activities	<u>196,465</u>	<u>122,364</u>
Net increase (decrease) in cash and cash equivalents	176,226	(18,160)
Cash and cash equivalents at beginning of year	<u>443,468</u>	<u>461,628</u>
Cash and cash equivalents at end of year	<u>\$ 619,694</u>	<u>\$ 443,468</u>

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

The Wichita Symphony Society
Statement of Functional Expenses
For the Year Ended June 30, 2020

	2020			
	Program	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 984,869	\$ 91,230	\$ 28,708	\$ 1,104,807
Professional fees	312,778	47,119	-	359,897
Travel and entertainment	81,309	-	-	81,309
Printing and publications	10,295	-	41,763	52,058
Advertising and promotion	200,447	8,076	15,312	223,835
Processing fees	54,631	-	-	54,631
Concert facilities rental	41,635	-	-	41,635
Scenery	9,863	-	-	9,863
Rental and maintenance of music and equipment	74,499	9,668	-	84,167
Supplies	7,007	2,571	809	10,387
Telephone	6,784	2,634	829	10,247
Office rent	-	13,444	-	13,444
Dues and memberships	-	8,493	-	8,493
Insurance	13,938	13,937	-	27,875
Postage	3,211	1,410	410	5,031
Depreciation	-	1,158	-	1,158
Sales tax	43,076	-	-	43,076
Naftzger fine arts auditions	924	-	-	924
Miscellaneous	11,590	3,278	23,196	38,064
	\$ 1,856,856	\$ 203,018	\$ 111,027	\$ 2,170,901

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

The Wichita Symphony Society
Statement of Functional Expenses
For the Year Ended June 30, 2019

	2019			
	Program	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 1,044,129	\$ 87,641	\$ 26,492	\$ 1,158,262
Professional fees	356,050	63,150	-	419,200
Travel and entertainment	105,749	-	-	105,749
Printing and publications	6,707	-	41,027	47,734
Advertising and promotion	231,807	4,375	25,040	261,222
Processing fees	77,483	-	-	77,483
Concert facilities rental	52,013	-	-	52,013
Scenery	4,287	-	-	4,287
Rental and maintenance of music and equipment	89,876	9,638	-	99,514
Supplies	8,475	3,620	1,094	13,189
Telephone	6,455	2,900	877	10,232
Office rent	-	15,680	-	15,680
Dues and memberships	-	7,217	-	7,217
Insurance	13,662	13,662	-	27,324
Postage	6,418	3,759	1,231	11,408
Depreciation	-	925	-	925
Sales tax	71,033	-	-	71,033
Naftzger fine arts auditions	12,616	-	-	12,616
Miscellaneous	16,205	5,617	-	21,822
	\$ 2,102,965	\$ 218,184	\$ 95,761	\$ 2,416,910

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

The Wichita Symphony Society
Notes to Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies

Business activity

The Wichita Symphony Society (Society) was incorporated in 1945. The Society is principally engaged in the performance of symphonic and orchestra productions and other educational activities for the citizens of Wichita, Kansas and surrounding areas.

Basis of accounting

The financial statements are prepared on the accrual basis, which recognizes all revenues as income when earned, and expenses as deductions from income when incurred.

Change in Accounting Principles:

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Financial statement presentation

For accounting and reporting purposes resources are classified into two net asset categories according to external (donor) restrictions. The categories are:

- Without donor restrictions - The part of the net assets that are not subject to donor-imposed stipulations, and include amounts designated for specific purposes by the Board of Directors.
- With donor restrictions - The part of the net assets resulting from contributions, grants, and other inflows of assets whose use is limited by donor imposed stipulations that either expire by the passage of time, can be fulfilled and removed by actions of the Society pursuant to those stipulations or whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Society.

Use of estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

The Wichita Symphony Society
Notes to Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Cash equivalents

The Society considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash held in a managed fund is classified as an investment.

Contributions receivable

Pledges for contributions are recorded at their net realizable value as receivables in the year made. The pledges consist of contributions to the annual fund, private underwritings and the endowment fund. The pledges for subsequent year's operations are considered donor restricted at June 30, 2020 and 2019.

Equipment

Acquisitions of equipment are capitalized at cost when purchased or at fair value at date of gift, when donated. Depreciation is provided using the straight-line method over estimated useful lives of three to ten years. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

Investments and fair value measurements

Investments are carried at their fair value. Investments are managed by outside managers under the direction and oversight of the Board of Directors. The Board of Directors determines the asset allocation formula and places limitation on the types of investments the manager may purchase.

Investment earnings (including realized and unrealized gains on investments, interest and dividends) are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the earnings or losses are restricted by the donor.

Deferred ticket sales

Deferred ticket sales represent receipts applicable to subsequent years' operations and will be recognized as revenue in the applicable year.

Contributions

Contributions are recognized at fair value and are considered to be available for unrestricted use unless specifically restricted by the donor, or designated by the donor as support for future periods. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfaction of restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restriction.

Advertising and Promotion

The Society charges advertising costs to operations as incurred. Advertising and promotion expense for the years ended June 30, 2020 and 2019 was \$223,835 and \$261,222, respectively.

The Wichita Symphony Society
Notes to Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

Income taxes

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The Federal exemptions from income tax are recognized by state authorities. The Society adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. At June 30, 2020 and 2019, there were no unrecognized tax benefits identified or recorded as liabilities.

Functional Expense Allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include accounting fees, depreciation, dues and subscription, retirement, insurance, office supplies, payroll taxes, parking, postage, rent, salaries, and telephone which are allocated on the basis of estimates of time and effort.

Recent Accounting Pronouncements

- *Revenue Recognition*

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that will supersede the current revenue recognition requirements. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Society's year ending June 30, 2021. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Society has not yet determined which application method it will use or the potential effects on the new standard on the financial statements, if any.

The Wichita Symphony Society
Notes to Financial Statements
June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (Continued)

- *Leases*

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Society's year ending June 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

2. Contributions Receivable

Contributions receivable are as follows at June 30:

	2020	2019
Due in less than one year	\$ 18,000	\$ 18,000

No discounts for pledges receivable or allowances for uncollectible pledges were considered necessary at June 30, 2020 and 2019, respectively.

3. Investments

The Society's investments consist of a managed investment portfolio and other investments. Investments are stated at fair value and consist of the following at June 30:

	2020	2019
Managed investment portfolio		
Money market funds	\$ 190,463	\$ 31,079
Equity investments	3,995,966	4,417,990
Fixed income investments	1,578,300	1,540,263
Alternative investments	309,557	307,627
Total	\$ 6,074,286	\$ 6,296,959

Investment income as reflected in the statement of activities includes investment income and losses from the above investments as well as interest income earned on money market accounts included on the statement of financial position as cash equivalents.

The Wichita Symphony Society
Notes to Financial Statements
June 30, 2020 and 2019

3. Investments (Continued)

The following schedule summarizes investment income as reflected in the statement of activities:

	2020		
	Cash		
	Investments	Equivalents	Total
Interest and dividend income	\$ 115,774	\$ 228	\$ 116,002
Net realized/unrealized gains	(24,590)	-	(24,590)
Expenses	(30,317)	-	(30,317)
	\$ 60,867	\$ 228	\$ 61,095
	2019		
	Cash		
	Investments	Equivalents	Total
Interest and dividend income	\$ 132,114	\$ 2,379	\$ 134,493
Net realized/unrealized gains	348,251	-	348,251
Expenses	(29,835)	-	(29,835)
	\$ 450,530	\$ 2,379	\$ 452,909

Investments are associated with the following restrictions and designations at June 30:

	2020	2019
Endowment		
Without donor restriction	\$ 1,535,347	\$ 1,757,920
With donor restriction	4,538,939	4,539,039
Total	\$ 6,074,286	\$ 6,296,959

4. Fair Value of Investments

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards also specify a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard 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.
- Level 2** 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 for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Wichita Symphony Society
Notes to Financial Statements
June 30, 2020 and 2019

4. Fair Value of Investments (Continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020 and 2019, respectively:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
June 30, 2020			
Managed investment portfolio			
Money market funds	\$ 190,463	\$ -	\$ -
Equity investments	3,995,966	-	-
Fixed income investments	1,578,300	-	-
Alternative investments	309,557	-	-
	<u>\$ 6,074,286</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2019			
Managed investment portfolio			
Money market funds	\$ 31,079	\$ -	\$ -
Equity investments	4,417,990	-	-
Fixed income investments	1,540,263	-	-
Alternative investments	307,627	-	-
	<u>\$ 6,296,959</u>	<u>\$ -</u>	<u>\$ -</u>

5. Line of Credit

The Society maintains a \$500,000 line of credit from a bank as a source of liquidity to have available for short-term needs. The line is secured by investments with interest payable monthly at a variable interest rate of 0.5% below an indexed rate based upon prime rate. During the year ending June 30, 2020, the line of credit was closed. There was no outstanding balance due at June 30, 2020 and 2019, respectively. There was no interest expense incurred during the years ended June 30, 2020 and 2019, respectively.

The Wichita Symphony Society
Notes to Financial Statements
June 30, 2020 and 2019

6. Net Assets

Net assets with donor restrictions are available for the following periods or purposes as of June 30:

	2020	2019
Purpose restrictions:		
Designated expenses for the next fiscal year (private underwritings)	\$ 96,325	\$ -
Designated fund for piano maintenance	36,665	36,665
Designated scholarships for the next fiscal year	2,520	2,620
Total timing and purpose restrictions	135,510	39,285
Perpetual in Nature:		
General activities of the Society	\$ 3,935,144	\$ 3,935,144
Restricted for endowment fund	500,000	500,000
Guest artist fees or orchestra salaries	42,945	42,945
Free concert	25,000	25,000
Educational activities	14,665	14,665
Total perpetual restrictions	4,517,754	4,517,754
Total net assets with donor restrictions	<u>\$ 4,653,264</u>	<u>\$ 4,557,039</u>

7. Endowment Fund

The Society established an endowment fund to assist in the management of permanently restricted net assets, and to provide an opportunity to internally designate funds to provide for long term benefit of the Society. The Society's governing body has interpreted the State of Kansas Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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 Organization classifies as permanently restricted net assets (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 donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by SPMIFA.

The Wichita Symphony Society
Notes to Financial Statements
June 30, 2020 and 2019

7. Endowment Fund (Continued)

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

- The duration and preservation of the endowment fund;
- The purposes of the Society and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Society; and
- The investment policy of the Society.

The Society has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to operating activities supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Society's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The Society targets a diversified asset allocation that places an emphasis on equity and fixed income funds to achieve its long-term return objectives within prudent risk parameters. Withdrawals from the endowment fund to support operating activities are based upon the discretion of the Board of Directors.

The endowment fund composition by type of asset as of June 30, 2020 and 2019 is as follows:

	2020		
	Without donor restrictions	With donor restrictions	Total
Investments	\$ 1,535,347	\$4,538,939	\$ 6,074,286
Contributions receivable	-	18,000	18,000
	<u>\$ 1,535,347</u>	<u>\$4,556,939</u>	<u>\$ 6,092,286</u>
	2019		
	Without donor restrictions	With donor restrictions	Total
Investments	\$ 1,757,920	\$4,539,039	\$ 6,296,959
Contributions receivable	-	18,000	18,000
	<u>\$ 1,757,920</u>	<u>\$4,557,039</u>	<u>\$ 6,314,959</u>

The Wichita Symphony Society
Notes to Financial Statements
June 30, 2020 and 2019

7. Endowment Fund (Continued)

Changes in the endowment fund for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 1,573,019	\$4,520,474	\$ 6,093,493
Transfer piano funds	-	36,665	36,665
Contributions	5,368	400	5,768
Investment income	452,909	-	452,909
Amounts appropriated for expenditure	<u>(273,376)</u>	<u>(500)</u>	<u>(273,876)</u>
Endowment net assets, June 30, 2019	1,757,920	4,557,039	6,314,959
Contributions	3,260	400	3,660
Investment income	61,095	-	61,095
Amounts appropriated for expenditure	<u>(286,928)</u>	<u>(500)</u>	<u>(287,428)</u>
Endowment net assets, June 30, 2020	<u>\$ 1,535,347</u>	<u>\$4,556,939</u>	<u>\$ 6,092,286</u>

8. Operating Lease

The Society rents office and storage space under an operating lease. The initial term of the lease agreement is for five years. Upon the completion of each year, an additional one year will be automatically added to the Agreement resulting in a “running” five year agreement, unless either of the parties notifies the other to the contrary. Total expense for rental of office and storage space for the years ended June 30, 2020 and 2019 was \$13,444 and \$15,680, respectively.

The future minimum annual rental commitment under this agreement subsequent to June 30, 2020 is as follows:

<u>Year Ending June 30</u>	<u>Office Space</u>	<u>Storage Space</u>	<u>Total</u>
2021	\$ 13,648	\$ 1,600	\$ 15,248
2022	14,163	1,600	15,763
2023	14,678	1,600	16,278
2024	15,193	1,600	16,793
2025	<u>15,708</u>	<u>1,600</u>	<u>17,308</u>
	<u>\$ 73,388</u>	<u>\$ 8,000</u>	<u>\$ 81,388</u>

This same agreement also provides for the rental of performance space and ancillary facilities on an event by event basis. Total expense for rental of performance space and ancillary facilities for the years ended June 30, 2020 and 2019 was \$41,635 and \$52,013, respectively.

The Society also leases musical instruments, music and other equipment as needed under terms of short term operating leases.

The Wichita Symphony Society
Notes to Financial Statements
June 30, 2020 and 2019

9. Concentration of Credit Risk

The Society maintains its cash balances at various financial institutions located in Wichita, Kansas, which on occasion, may exceed the federally insured limits of \$250,000. Management continues to monitor the accounts to minimize the risk of loss.

10. Financial Assets and Liquidity Resources

The following schedule reflects the Society's financial assets available for general expenditure as of June 30, 2020 and 2019, reduced by amounts that are not available for general use due to donor-imposed and board designated restrictions within one year of the statement of financial position date:

	2020	2019
Financial assets		
Cash and cash equivalents	\$ 619,694	\$ 443,468
Contributions receivable	18,000	18,000
Grant receivable	27,500	-
Investments	6,074,286	6,296,959
	6,739,480	6,758,427
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with purpose restrictions		
Private underwritings	96,325	-
Piano maintenance	36,665	36,665
Scholarships for the next fiscal year	2,520	2,620
Restricted by donor for investment in perpetuity	4,517,754	4,517,754
	4,653,264	4,557,039
Liquidity resources		
Bank line of credit	-	500,000
Total financial assets available to meet cash needs for general purpose expenditures within one year	\$ 2,086,216	\$ 2,701,388

As part of the Society's liquidity plan, the financial assets are structured to be available as general expenditures, liabilities, and other obligations become due. Cash in excess of daily requirements is invested in savings.

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Notes to Financial Statements
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11. Contingencies

COVID -19

The COVID-19 pandemic has impacted and could further impact the Society's operations and the operations of the Society's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Society's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Society's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Even after the COVID-19 pandemic has subsided, the Society may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. The Society continues to monitor evolving economic and general business conditions and the actual and potential impacts on the financial position, results of operations, and cash flows but cannot reasonably estimate the impact at this time.

Paycheck Protection Program

On April 20, 2020, the Society qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$71,900 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Society's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Society. The Society intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. Accordingly, the Society considers the PPP funds a conditional contribution in accordance FASB ASC 958-605. Revenue is recognized as conditions are met by incurring the covered costs.

For the year ended June 30, 2020, the covered costs had been incurred and the respective conditional revenue was recognized in the statement of activities in the amount of \$71,900. The PPP funds were fully utilized by June 30, 2020.

As noted above, the Society intends to apply for forgiveness and believes the entire balance will be forgiven. However, in the event that the PPP loan is not forgiven, the Society will be required to repay \$71,900 in addition to paying interest on the PPP Loan at a rate of 1.0% per annum.

12. Subsequent Events

Subsequent events were evaluated by management through November 6, 2020, which is the date the financial statements were available to be issued.

EL DORADO	PO BOX 847	EL DORADO, KS 67042-0847	316-321-1150
McALESTER	101 S. 2ND. STE. B	McALESTER, OK 74501-5345	918-426-1234
TUCSON	4801 E. BROADWAY BLVD., STE. 501	TUCSON, AZ 85711-3648	520-624-8229
TULSA	4200 E. SKELLY DR., STE. 560	TULSA, OK 74135-3209	918-494-8700
WAGONER	611-D W. CHEROKEE ST.	WAGONER, OK 74467-4618	918-485-5531
WICHITA	300 W. DOUGLAS AVE., STE. 900	WICHITA, KS 67202-2914	316-264-2335