

**BALTIMORE SYMPHONY ORCHESTRA, INC.  
AND AFFILIATES**

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**Consolidated Financial Statements**

**Together with Independent Auditors' Report  
For the Years Ended August 31, 2020 and 2019**

**BALTIMORE SYMPHONY ORCHESTRA, INC.  
AND AFFILIATES**

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**For the Years Ended August 31, 2020 and 2019**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
Baltimore Symphony Orchestra, Inc. and Affiliates:

We have audited the accompanying consolidated financial statements of the Baltimore Symphony Orchestra, Inc. and Affiliates (collectively, the Symphony), which comprise the consolidated statements of financial position as of August 31, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Baltimore Symphony Orchestra, Inc. and Affiliates as of August 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

SC&H ARTS Services, P.C.

December 8, 2020

**BALTIMORE SYMPHONY ORCHESTRA, INC.  
AND AFFILIATES**

**Consolidated Statements of Financial Position (In Thousands)**

<i>As of August 31,</i>	<i>2020</i>	<i>2019</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,753	\$ 2,666
Promises to give, net	4,286	4,736
Prepaid expenses and other assets	1,025	2,927
Investments	71,675	67,969
Property and equipment, net	19,994	21,133
<b>Total Assets</b>	<b>\$ 103,733</b>	<b>\$ 99,431</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,683	\$ 4,203
Annuities payable	93	192
Deferred revenue	3,721	6,089
Accrued pension cost	9,319	9,253
Paycheck Protection Program loan (Note 8)	3,182	-
Long-term debt	6,374	7,082
Interest rate swap agreement	279	235
<b>Total Liabilities</b>	<b>24,651</b>	<b>27,054</b>
<b>Commitments (Notes 14 and 15)</b>		
<b>Net Assets (Deficit)</b>		
Without donor restrictions	(6,354)	(10,445)
With donor restrictions	85,436	82,822
<b>Total Net Assets</b>	<b>79,082</b>	<b>72,377</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 103,733</b>	<b>\$ 99,431</b>

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

**BALTIMORE SYMPHONY ORCHESTRA, INC.  
AND AFFILIATES**

**Consolidated Statement of Activities (In Thousands)**

**For the Year Ended August 31, 2020**

**(With Comparative Totals for 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Operating Revenue				
Concert income	\$ 4,648	\$ -	\$ 4,648	\$ 7,987
Hall income	152	-	152	589
Other operating income	1,130	-	1,130	1,346
Total Operating Revenue	5,930	-	5,930	9,922
Public and Private Support				
Grants for service	2,937	-	2,937	3,306
Contributions	13,220	4,041	17,261	8,734
Special events	556	-	556	759
Investment income	4,504	1,301	5,805	662
Total Public and Private Support	21,217	5,342	26,559	13,461
Net Assets Released from Restrictions	2,728	(2,728)	-	-
Total Revenue	29,875	2,614	32,489	23,383
Operating Expenses				
Program services	21,906	-	21,906	24,842
General and administrative	3,002	-	3,002	2,770
Fundraising	1,100	-	1,100	1,801
Total Operating Expenses	26,008	-	26,008	29,413
Change in Net Assets from Operations before Non Operating Expenses	3,867	2,614	6,481	(6,030)
Non Operating Income (Expenses)				
Interest expense	(215)	-	(215)	(284)
Pension related changes including non-cash pension cost	483	-	483	(2,253)
Loss on interest rate swap	(44)	-	(44)	(151)
Total Non Operating Income (Expenses), net	224	-	224	(2,688)
Change in Net Assets (Deficit)	4,091	2,614	6,705	(8,718)
Net Assets (Deficit), beginning of year	(10,445)	82,822	72,377	81,095
Net Assets (Deficit), end of year	\$ (6,354)	\$ 85,436	\$ 79,082	\$ 72,377

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

**BALTIMORE SYMPHONY ORCHESTRA, INC.  
AND AFFILIATES**

**Consolidated Statement of Activities (In Thousands)  
For the Year Ended August 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total 2019
Operating Revenue			
Concert income	\$ 7,987	\$ -	\$ 7,987
Hall income	589	-	589
Other operating income	1,346	-	1,346
Total Operating Revenue	9,922	-	9,922
Public and Private Support			
Grants for service	3,306	-	3,306
Contributions	5,350	3,384	8,734
Special events	759	-	759
Investment income	768	(106)	662
Total Public and Private Support	10,183	3,278	13,461
Net Assets Released from Restrictions	2,970	(2,970)	-
Total Revenue	23,075	308	23,383
Operating Expenses			
Program services	24,842	-	24,842
General and administrative	2,770	-	2,770
Fundraising	1,801	-	1,801
Total Operating Expenses	29,413	-	29,413
Change in Net Assets from Operations before Non Operating Expenses	(6,338)	308	(6,030)
Non Operating Expenses			
Interest expense	(284)	-	(284)
Pension related changes including non-cash pension cost	(2,253)	-	(2,253)
Loss on interest rate swap	(151)	-	(151)
Total Non Operating Income, net	(2,688)	-	(2,688)
Change in Net Assets (Deficit)	(9,026)	308	(8,718)
Net Assets (Deficit), beginning of year	(1,419)	82,514	81,095
Net Assets (Deficit), end of year	\$ (10,445)	\$ 82,822	\$ 72,377

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

**BALTIMORE SYMPHONY ORCHESTRA, INC.  
AND AFFILIATES**

**Consolidated Statement of Functional Expenses (In Thousands)  
For the Year Ended August 31, 2020  
(With Comparative Totals for 2019)**

	Program Services	<u>Supporting Services</u>			Total	2020 Total	2019 Total
		General and Administrative	Fundraising				
Advertising and promotion	\$ 741	\$ 9	\$ 86	\$ 95	\$ 836	\$ 1,190	
Depreciation and amortization	1,335	110	-	110	1,445	1,466	
Fees for services	2,000	818	69	887	2,887	4,145	
Fundraising event expenses	35	-	-	-	35	413	
Information technology	-	232	-	232	232	226	
In-kind expenses	-	-	118	118	118	223	
Insurance	14	270	-	270	284	267	
Other expenses	446	154	124	278	724	1,359	
Office expenses	159	187	5	192	351	354	
Occupancy	1,245	132	-	132	1,377	1,655	
Rental expenses	223	-	-	-	223	365	
Salaries and benefits	15,544	1,086	696	1,782	17,326	17,399	
Travel, entertainment, and meetings	164	4	2	6	170	351	

Total Functional Expenses	\$ 21,906	\$ 3,002	\$ 1,100	\$ 4,102	\$ 26,008	\$ 29,413
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*The accompanying notes are an integral part of these consolidated financial statements.*



# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Consolidated Statement of Functional Expenses (In Thousands) For the Year Ended August 31, 2019

	<i>Supporting Services</i>				2019
	Program Services	General and Administrative	Fundraising	Total	Total
Advertising and promotion	\$ 1,105	\$ 16	\$ 69	\$ 85	\$ 1,190
Depreciation and amortization	1,366	100	-	100	1,466
Fees for services	3,393	700	52	752	4,145
Fundraising event expenses	174	-	239	239	413
Information technology	3	223	-	223	226
In-kind expenses	-	-	223	223	223
Insurance	(9)	276	-	276	267
Other expenses	731	312	316	628	1,359
Office expenses	151	198	5	203	354
Occupancy	1,600	55	-	55	1,655
Rental expenses	365	-	-	-	365
Salaries and benefits	15,643	866	890	1,756	17,399
Travel, entertainment, and meetings	320	24	7	31	351
Total Functional Expenses	\$ 24,842	\$ 2,770	\$ 1,801	\$ 4,571	\$ 29,413

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

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Consolidated Statements of Cash Flows (In Thousands)

<i>For the Years Ended August 31,</i>	<i>2020</i>	<i>2019</i>
Cash Flows from Operating Activities		
Change in net assets	\$ 6,705	\$ (8,718)
Adjustments to reconcile changes in net assets to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	1,445	1,466
Net realized and unrealized losses (gains) on investments	(5,115)	797
Change in fair value of interest rate swap agreement	44	151
Change in discount on promises to give	(101)	25
Provision for uncollectible promises to give	24	7
Contributions restricted for endowment	(1,587)	(1,906)
Changes in assets and liabilities:		
Promises to give	527	1,329
Prepaid expenses and other assets	1,902	546
Accounts payable and accrued expenses	(2,520)	(850)
Annuities payable	(99)	92
Deferred revenue	(2,368)	482
Accrued pension costs	66	2,648
Cash and Cash Equivalents Used in Operating Activities	(1,077)	(3,931)
Cash Flows from Investing Activities		
Proceeds from sale of investments	41,750	25,467
Purchases of investments	(40,341)	(21,639)
Purchases of property and equipment	(306)	(323)
Cash and Cash Equivalents Provided by Investing Activities	1,103	3,505
Cash Flows from Financing Activities		
Contributions restricted for endowment	1,587	1,906
Proceeds from Paycheck Protection Program loan (Note 8)	3,182	-
Principal payments on long-term debt	(708)	(692)
Cash and Cash Equivalents Provided by Financing Activities	4,061	1,214
Net Increase in Cash and Cash Equivalents	4,087	788
Cash and Cash Equivalents, and Restricted Cash, beginning of year	2,666	1,878
Cash and Cash equivalents, and Restricted cash, end of year	\$ 6,753	\$ 2,666
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 215	\$ 284

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

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

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### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Description of Business

The Baltimore Symphony Orchestra, Inc. (the Orchestra or Baltimore Symphony) is a non-profit organization whose purpose is to maintain a symphony for the State of Maryland, present musical concerts and develop a widespread appreciation of fine music.

On March 28, 2006, the Baltimore Symphony Endowment Trust (the Endowment Trust) was formed to protect and hold the permanently restricted endowment funds, which had historically been contributed to the Baltimore Symphony Orchestra, Inc. as a permanent endowment, together with the Joseph Meyerhoff Symphony Hall and Cathedral Parking, Inc. The Endowment Trust was formed and instructed to dedicate the funds for such purposes, and subject to such restrictions as are consistent with the original donor intent. The Board of Trustees of the Endowment Trust consists of nine trustees, three of whom serve by virtue of their positions with the Baltimore Symphony (the Chairman of the Board, the President and the Chairman of the Budget and Finance Committee). The remaining six trustees, which constitute the majority, are appointed to staggered terms by the Baltimore Symphony Board and may not be officers, directors or employees of the Baltimore Symphony. Furthermore, to ensure that the appointed trustees act with the appropriate level of independence, once appointed they may not be removed except by a supermajority vote of the Baltimore Symphony Board. While the Endowment Trust is a separate legal entity with a Board of Trustees that is separate from the Orchestra's Board of Directors, the financial statements of the two organizations are consolidated in accordance with Accounting Standards Codification 810, *Consolidation* (ASC 810) and Codification 958-810, *Not-for-Profit Entities: Consolidation* (ASC 958-810).

On May 31, 2006, in conjunction with the establishment of the Endowment Trust, the Baltimore Symphony transferred a portion of its investment portfolio, the Joseph Meyerhoff Symphony Hall, other property and equipment and promises to give to the Endowment Trust.

Cathedral Parking, Inc. (Cathedral Parking) owns and operates a parking garage adjacent to the Joseph Meyerhoff Symphony Hall.

Collectively, the three organizations are referred to as the Organization or Symphony.

#### Basis of Accounting

The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

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### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

#### Basis of Presentation

The consolidated financial statement presentation follows the recommendations of the ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements* (ASC 958-205). Under ASC 958-205, the Symphony is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. During the year ended August 31, 2019, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which improves the current net asset classification and the related information presented in the financial statements and notes about the Organization's liquidity, financial performance and cash flows.

*Net Assets Without Donor Restrictions* - Net assets without donor restrictions are the net assets that are not subject to donor-imposed restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period that the contribution is received are reported as net assets without donor restrictions.

*Net Assets With Donor Restrictions* - Net assets with donor restrictions result from contributions whose use is limited by donor-imposed stipulations. Net assets may be donor restricted for various purposes, such as use in future periods or use for specified purposes. Donor restrictions may expire by the passage of time or can be fulfilled and removed by actions of the Symphony pursuant to these stipulations. Net assets with donor restrictions may also result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Symphony's actions.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets, such as the fulfillment of donor-stipulated purpose and/or the passage of stipulated time period, are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which assets are acquired or placed in service.

# **BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES**

## **Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019**

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### **1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.**

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Orchestra, the Endowment Trust and Cathedral Parking. All intercompany activity has been eliminated in the consolidation.

#### **Cash and Cash Equivalents**

Cash equivalents consist primarily of bank overnight investment funds. Cash and cash equivalents include \$246,000 and \$349,000 that is restricted for the payment of unemployment claims as of August 31, 2020 and 2019, respectively.

#### **Receivables**

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. No allowance has been recorded as of August 31, 2020 and 2019 as management believes all receivables are collectible. Receivables, which totaled \$459,000 and \$631,000 as of August 31, 2020 and 2019, respectively, are included in prepaid expenses and other assets on the consolidated statements of financial position.

#### **Contributions and Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Symphony that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

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### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

#### Contributions and Promises to Give

In accordance with ASC 958-605, *Not-for-Profit Entities: Revenue Recognition* (ASC 958-605), promises to give in a future accounting period are discounted to their net present value at the time the revenue is recorded. The Symphony's promises to give are discounted at a rate of 5% as of August 31, 2020 and 2019.

The Symphony uses the allowance method to determine uncollectible promises to give. The allowance is based on historical collection experience and management's analysis of specific promises to give.

#### Investments

Investments are stated at fair value. For investment purposes, securities of endowment net assets are commingled. The Investment Committee, with general guidelines from the Board of Directors, has full discretionary authority for the purchase and sale of securities. Realized and unrealized gains or losses incurred on securities are charged or credited to current operations and are recorded in the consolidated statements of activities.

#### Investment Risks and Uncertainties

The Symphony invests in a professionally managed portfolio that contains shares of common stocks and bonds of publicly traded companies, U.S. Government obligations, mutual funds, money market funds, and alternative investments. Such investments are exposed to risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

# **BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES**

## **Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019**

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### **1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.**

#### **Gift Annuities**

The Symphony operates a charitable gift annuity agreement program, whereby donors contribute a specific sum of money to the program in exchange for specified payments to be made to a designated beneficiary. Upon death of the beneficiary, the amount of the original gift reverts to the Symphony and can be released for general operations. An actuarially determined present value of expected future annuity payments is recorded as a liability. This amount is discounted at an expected rate of return over the remaining expected life of the beneficiary. The excess of the gift amount over the liability is recorded as revenue by the Symphony. Each subsequent year, the Symphony records revenue for the passing of the year, as the liability is incrementally decreased. The liability for these trusts is included in annuities payable on the consolidated statements of financial position.

#### **Property and Equipment**

Property and equipment are stated at cost, if purchased, or at fair value at date of gift, if donated. Additions or improvements that substantially increase the value of the assets are capitalized. The Symphony capitalizes property and equipment additions and improvements in excess of \$1,000. The costs of maintenance and repairs are charged to operations as incurred. Depreciation is provided on the straight-line method based on the assets' estimated useful lives (50 years for buildings and building improvements and 3 to 10 years for equipment and furnishings).

#### **Interest Rate Swap Agreement**

The Symphony has entered into an interest rate swap agreement to protect against interest rate risks associated with certain variable rate debt (see Note 7). The fair value of the swap agreement is recorded in the consolidated statements of financial position while the gain or loss resulting from the change in the fair value of the agreement is recorded in the consolidated statements of activities as a component of non-operating income or expense. It is management's intention to hold the swap agreement until maturity, at which time the fair value will be zero and all previously recorded gains or losses will have been reversed.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

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### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

#### Valuation of Long-Lived Assets

The Symphony accounts for the valuation of long-lived assets under ASC 360, *Property, Plant and Equipment* (ASC 360). ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. As of August 31, 2020 and 2019, management does not believe any long-lived assets are impaired and has not identified any assets as being held for disposal.

#### Revenue Recognition

Amounts received from ticket sales and Joseph Meyerhoff Symphony Hall rentals are recognized as revenue in the year service is provided. Amounts received in advance are reported as deferred revenue. Grant revenue is recognized in the year in which the stipulations of the grants are fulfilled.

Amounts received from parking ticket sales for Cathedral Parking are recognized as revenue in the year the service is provided. Amounts received in advance are reported as deferred revenue.

#### Income Taxes

The Orchestra and the Endowment Trust are generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Orchestra and the Endowment Trust qualify for charitable contribution deductions under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a)(1). The Endowment Trust is a Type I supporting organization under Section 509(a)(3)(B)(i). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Orchestra and the Endowment Trust had no significant unrelated business income for the years ended August 31, 2020 and 2019.



# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

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### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

#### Income Taxes – cont'd.

Cathedral Parking is a taxable entity subject to Federal and state income taxes and accounts for income taxes in accordance with ASC 740, *Income Taxes* (ASC 740). ASC 740 requires the recognition of deferred tax assets and liabilities for the expected future consequences of events that have been recognized in the consolidated financial statements or tax returns. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

No taxes were payable during the years ended August 31, 2020 and 2019 as a result of a net operating loss. The tax net operating loss carryforward at August 31, 2020 approximates \$1,880,000. This amount is available to offset future taxable income, and is in excess of the book loss carryforward due to additional depreciation expense for tax purposes. These carryforwards will expire beginning in 2021 and ending in 2030.

During the years ended August 31, 2020 and 2019, Cathedral Parking, Inc. recorded a valuation allowance of approximately \$395,000 and \$360,000, respectively, on the deferred tax assets to reduce the total net deferred tax asset to zero for both 2020 and 2019. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carryforwards are expected to be available to reduce taxable income.

ASC 740 prescribes a recognition threshold and a measurement attribute for the consolidated financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties and consolidated financial statement reporting disclosures. For these benefits to be recognized, a tax position must be more-likely-than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Symphony continues to remain subject to examination by U.S. Federal authorities; however, there are currently no audits in progress.

The Symphony recognizes interest and penalties accrued on any unrecognized tax exposure as a component of income tax expense. The Symphony does not have any amounts accrued relating to interest and penalties as of August 31, 2020 and 2019.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

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### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

#### Credit Risk

Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. At various times during the years ended August 31, 2020 and 2019, the Symphony held amounts on deposit at various financial institutions in excess of the maximum amount insured by the FDIC. The Symphony has not experienced any losses and believes it is not exposed to any significant credit risk with respect to its cash.

#### Advertising

The Symphony expenses advertising costs when incurred. During the years ended August 31, 2020 and 2019, advertising expense, which is included in operating expenses on the consolidated statements of activities, totaled approximately \$246,000 and \$346,000, respectively.

#### Recently Issued Accounting Pronouncements and Accounting Changes

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance for contributions. ASU 2018-08 clarifies whether certain transactions should be characterized as contributions (nonreciprocal transactions) within the scope of Topic 958-605 or as exchange (reciprocal) transactions subject to other guidance such as Topic 606, *Revenue from Contracts with Customers*. The ASU provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The update as it relates to contributions received and made is effective for periods beginning after December 15, 2018 and December 15, 2019, respectively. Management has implemented ASU 2018-08 as it relates to contributions received during the year ended August 31, 2020. The adoption of the new standard did not have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The distinction between finance leases (previously capital leases) and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous leases guidance. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. In June 2020, the FASB deferred the effective date of the lease guidance for non-public entities to fiscal years beginning after December 15, 2021. Management has elected not to early adopt ASU 2016-02 and will assess the future impact on the financial statements.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

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### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

#### Recently Issued Accounting Pronouncements and Accounting Changes – cont'd.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which amends the existing accounting standards for revenue recognition. ASU 2014-09 supersedes the revenue recognition requirements in ASC 605 and most industry-specific guidance throughout the Industry Topics in the ASC. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In June 2020, the FASB deferred the effective date of the revenue recognition guidance for nonpublic entities to reporting periods beginning after December 15, 2019. Early adoption is permitted. The new revenue standard may be applied retrospectively to each prior period presented or prospectively with the cumulative effect recognized as of the date of adoption. Management has elected not to early adopt ASU 2014-09 and will assess the future impact on the financial statements.

#### Fair Value Measurement

ASC 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Symphony has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

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### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

#### **Fair Value Measurement – cont'd.**

The asset's or liability's fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at August 31, 2020 and 2019. The following is a description of the valuation methodologies used for assets measured at fair value:

*Cash and cash equivalents:* The carrying amounts approximate fair value due to the short maturity of these investments.

*Mutual funds:* Valued at the closing price reported in the active market on which the funds are traded.

*Fixed income securities:* Valued based upon sales of identical or similar assets in active markets.

*Common stock:* Valued at the closing price reported on the active market on which the individual securities are traded. All common stock held by the Symphony is traded in active markets to which the Symphony has access.

*Interest rate swap agreement:* Valued using pricing models developed based on the swap rate and other observable market data. The value is adjusted to reflect nonperformance risk of both the counterparty and the Symphony.

The methods described above may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Symphony believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

#### Fair Value Measurement – cont'd.

The following table approximates by level, within the fair value hierarchy, the Symphony's assets and liabilities at fair value as of August 31, 2020:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,829,000	\$ -	\$ -	\$ 5,829,000
Mutual funds	34,611,000	-	-	34,611,000
Fixed income securities	-	9,154,000	-	9,154,000
Common stock	15,003,000	-	-	15,003,000
Interest rate swap agreement	-	(279,000)	-	(279,000)
Total assets and liabilities measured at fair value				
	\$ 55,443,000	\$ 8,875,000	\$ -	\$ 64,318,000
Fund of Funds*	n/a	n/a	n/a	\$ 4,989,000
Limited partnership interests*	n/a	n/a	n/a	144,000
Limited liability company interests*	n/a	n/a	n/a	1,945,000
Total	\$ 55,443,000	\$ 8,875,000	\$ -	\$ 71,396,000

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

#### Fair Value Measurement – cont'd.

The following table approximates by level, within the fair value hierarchy, the Symphony's assets and liabilities at fair value as of August 31, 2019:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 7,434,000	\$ -	\$ -	\$ 7,434,000
Mutual funds	35,218,000	-	-	35,218,000
Fixed income securities	-	6,182,000	-	6,182,000
Common stock	12,801,000	-	-	12,801,000
Interest rate swap agreement	-	(235,000)	-	(235,000)
Total assets and liabilities measured at fair value	\$ 55,453,000	\$ 5,947,000	\$ -	\$ 61,400,000
Fund of Funds*	n/a	n/a	n/a	\$ 4,850,000
Limited partnership interests*	n/a	n/a	n/a	1,274,000
Limited liability company interests*	n/a	n/a	n/a	210,000
Total	\$ 55,453,000	\$ 5,947,000	\$ -	\$ 67,734,000

\* In accordance with ASC 820-10, certain investments that were measured at net asset value per share (or its equivalent) using the practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

The Symphony invests in certain entities for which the net asset value per share, or its equivalent, has been used to estimate fair value. The table below summarized these investments as well as the strategies, redemptions, and unfunded commitments related to such investments at August 31, 2020:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Alternative Investments:				
Fund of Funds (a)	\$ 4,989,000	N/A	Upon liquidation	N/A
Limited partnership interests (b)	144,000	-	N/A	N/A
Limited liability company interests (c)	1,945,000	1,257,500	N/A	N/A

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

#### Fair Value Measurement – cont'd.

The table below summarized these investments as well as the strategies, redemptions, and unfunded commitments related to such investments at August 31, 2019:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice
Alternative Investments:				
Fund of Funds (a)	\$ 4,850,000	N/A	Upon liquidation	N/A
Limited partnership interests (b)	1,274,000	-	N/A	N/A
Limited liability company interests (c)	210,000	57,500	N/A	N/A

(a) This category includes investments in fund of funds that invest primarily in private equity funds. These investments can only be redeemed through the liquidation of the underlying assets of the funds.

(b) This category includes limited partnerships that invest in venture capital and corporate finance funds. These partnerships are scheduled to terminate on the tenth anniversary of their final closing date. Distributions are made to investors through the liquidation of the underlying assets.

(c) This category includes limited liability companies that invest in venture capital and private equity funds. Distributions are made to investors through the liquidation of the underlying assets.

#### Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of additions to net assets and deductions from net assets during the reporting period. Actual results could differ from those estimates.

# **BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES**

## **Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019**

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### **1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.**

#### **Functional Classification of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. The Orchestra incurs certain costs that directly relate to and can be assigned to a specific function. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated on the basis of estimates of the portion of time expended by the staff or square footage of the various functions.

#### **Reclassification**

Certain amounts presented in the prior year's consolidated financial statements have been reclassified to conform to the current year presentation. The reclassification had no effect on previously reported change in net assets or net assets.

#### **Subsequent Events**

The Symphony evaluated for disclosure any subsequent events through December 8, 2020, the date the consolidated financial statements were available to be issued and determined that there were no material events that require disclosure, except as disclosed in Notes 2 and 14.

### **2. FINANCIAL CONDITION**

As noted in the accompanying consolidated financial statements, the Symphony incurred a decrease in unrestricted net assets before non-operating expenses of \$6,345,000 during the year ended August 31, 2019.

During the year ended August 31, 2019, management engaged Technical Development Corporation (TDC) to lead in-depth analytical work, and subsequently engaged DeVos Institute of Arts Management to develop a multi-year strategic and financial plan. This plan was adopted by the Symphony's Board of Directors in February 2020. During the year ended August 31, 2020 the Symphony secured more than \$6 million in extraordinary unrestricted operating gifts to ensure that it can move forward with the transformative, multi-year planning effort.

In August 2020, the Baltimore Symphony and its musicians announced a five-year agreement on a new contract that begins on September 7, 2020 (Note 14). This five-year contract provides foundational stability and marks the first long-term agreement since a three-year contract expired in 2016. Central to the agreement is an acknowledgement of the significant financial pressures associated with Coronavirus (COVID-19) social distancing in the form of near-term compensation adjustments. These adjustments, together with a compensation reduction for administrative staff will help the Baltimore Symphony to address the significant financial pressures associated with COVID-19 and the impact on in-person performances (Note 16).



# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 2. FINANCIAL CONDITION – cont'd.

In October 2020, the Baltimore Symphony announced the extension of Baltimore Symphony Orchestra Sessions and a commitment to presenting new weekly installments of this digital series with episodes featuring powerful music and real stories throughout the 2020-21 season. In extending Baltimore Symphony Orchestra Sessions, the Baltimore Symphony also announced the official cancellation of all previously advertised subscription concerts and special events at The Joseph Meyerhoff Symphony Hall and The Music Center at Strathmore through June 19, 2021. While these long-view subscription cancellations are not only necessary, informed by artist, orchestration, and audience concerns due to COVID-19, they also provide the Baltimore Symphony the opportunity to pursue new alternatives and programs with focused attention, innovation, and care.

Management believes that as a result of the extraordinary gifts, the development of the multi-year strategic and financial plan, and the cost reductions established, the Symphony will generate sufficient resources to fund its operations.

### 3. INVESTMENTS

The approximate cost and fair value of investments are as follows at August 31,:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 5,829,000	\$ 5,829,000	\$ 7,434,000	\$ 7,434,000
Mutual funds	29,204,000	34,611,000	34,255,000	35,218,000
Fixed income securities	8,814,000	9,154,000	6,019,000	6,182,000
Common stock	7,928,000	15,003,000	7,163,000	12,801,000
Alternative investments	6,828,000	7,078,000	6,426,000	6,334,000
Total investments	\$ 58,603,000	\$ 71,675,000	\$ 61,297,000	\$ 67,969,000

Investment management fees for the years ended August 31, 2020 and 2019 totaled approximately \$221,000 and \$216,000, respectively, and are included in investment income in the accompanying consolidated statements of activities.

Earnings (losses) on investments are as follows for the years ended August 31,:

	2020	2019
Net realized gain (loss) on sale of investments	\$ (1,287,000)	\$ 2,328,000
Interest and dividends, net of fees	690,000	1,459,000
Net unrealized appreciation (depreciation) of investments	6,402,000	(3,125,000)
Total earnings on investments	\$ 5,805,000	\$ 662,000

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 3. INVESTMENTS – cont'd.

ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements* (ASC 958-205), establishes a framework on the net asset classification of donor-restricted endowment funds for any not-for-profit organization that is subject to a state enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205 requires expanded disclosures for all endowment funds.

In the event the Symphony receives donor-restricted endowment funds, determination of the net asset classification for the corpus and return on investments is based on the donor's intentions. The Symphony has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that provide an average rate of return of approximately eight percent (8%) annually.

The current spending policy is to draw a fixed percentage of the average market value of the Endowment, calculated over the trailing twenty quarters. The draw is calculated on an annual basis, with the resulting draw amount to be applied over the next twelve months. The trustees are authorized to provide annual support in an amount up to a maximum of six percent (6%). Historically, however, the practice has been to distribute between five and six percent (5-6%) annually.

Changes in Endowed Net Assets are as follows for the year ended August 31, 2020 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net			
Assets (Deficit), September 1, 2019	\$ (8,341)	\$ 76,188	\$ 67,847
Interest & dividends, net of fees	675	15	690
Net appreciation	3,828	1,287	5,115
Draw	(3,559)	-	(3,559)
Contributions	-	3,254	3,254
Amounts appropriated for expenditure	(1,233)	(595)	(1,828)
Endowment Net			
Assets (Deficit), August 31, 2020	\$ (8,630)	\$ 80,149	\$ 71,519

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 3. INVESTMENTS – cont’d.

Composition of Endowed Net Assets by Fund Type is as follows as of August 31, 2020 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds	\$ (8,630)	\$ 80,149	\$ 71,519
Total Endowment Funds	\$ (8,630)	\$ 80,149	\$ 71,519

Changes in Endowed Net Assets are as follows for the year ended August 31, 2019 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, September 1, 2018	\$ (2,111)	\$ 74,757	\$ 72,646
Interest & dividends, net of fees	1,439	20	1,459
Net depreciation	(671)	(126)	(797)
Draw	(3,625)	-	(3,625)
Contributions	-	2,299	2,299
Amounts appropriated for expenditure	(3,373)	(762)	(4,135)
Endowment Net Assets (Deficit), August 31, 2019	\$ (8,341)	\$ 76,188	\$ 67,847

Composition of Endowed Net Assets by Fund Type is as follows as of August 31, 2019 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Funds	\$ (8,341)	\$ 76,188	\$ 67,847
Total Endowment Funds	\$ (8,341)	\$ 76,188	\$ 67,847

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 4. GIFT ANNUITY TRUSTS

The Symphony receives gifts in the form of trusts and is required to pay benefits to beneficiaries as specified in the gift annuity agreement. Under these agreements, the Symphony pays a fixed annuity amount for the life of the beneficiaries and fulfills its obligation upon the death of the beneficiaries as set forth in the annuity agreements. As of August 31, 2020 and 2019, the liability associated with the remaining benefit payments totaled approximately \$93,000 and \$192,000, respectively. As of August 31, 2020 and 2019, the gift annuity payable was fully backed by investments totaling \$214,000 and \$284,000, respectively. The gift annuity liability was calculated using a discount rate of 3.25% applied to future benefit payments and is included in annuities payable on the accompanying consolidated statements of financial position.

### 5. UNCONDITIONAL PROMISES TO GIVE

As of August 31, 2020 and 2019, contributors to the Symphony's fundraising campaign have made written unconditional promises to give totaling approximately \$4,653,000 and 5,192,000, respectively, on which management has recorded a present value discount of approximately \$141,000 and \$242,000, respectively. Management has recorded an allowance for doubtful promises to give of approximately \$226,000 and \$214,000 as of August 31, 2020 and 2019, respectively. Promises to give are due as follows:

	2020		2019	
	Trust	Orchestra	Trust	Orchestra
Less than one year	\$ 1,313,000	\$ 1,394,000	\$ 1,356,000	\$ 839,000
Years one through five	1,536,000	410,000	2,090,000	907,000
Total	2,849,000	1,804,000	3,446,000	1,746,000
Allowance for doubtful accounts	(100,000)	(126,000)	(100,000)	(114,000)
Present value discount	(110,000)	(31,000)	(199,000)	(43,000)
Unconditional Promises to Give, net	\$ 2,639,000	\$ 1,647,000	\$ 3,147,000	\$ 1,589,000

### 6. PROPERTY AND EQUIPMENT

Property and equipment is as follows as of August 31,:

	2020	2019
Land	\$ 1,068,000	\$ 1,068,000
Buildings	44,892,000	44,761,000
Equipment and furnishings	7,017,000	6,842,000
	52,977,000	52,671,000
Accumulated depreciation	(32,983,000)	(31,538,000)
Property and Equipment, net	\$ 19,994,000	\$ 21,133,000

Depreciation expense totaled approximately \$1,445,000 and \$1,466,000 during the years ended August 31, 2020 and 2019, respectively.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 7. LONG-TERM DEBT

During the year ended August 31, 2017, the Endowment Trust obtained a \$2,160,000 note from PNC Bank to refinance the previous mortgage of Cathedral Parking, Inc. The note is fully secured by fixed income securities of the Endowment Trust held at PNC Bank. The note matures on May 17, 2022 and bears interest at a weekly variable rate as determined by the remarketing agent. During the years ended August 31, 2020 and 2019, the rates ranged from 1.43% to 3.43% and from 3.31% to 3.76%, respectively. As of August 31, 2020 and 2019, the rate was 1.43% and 3.43%, respectively. The outstanding balance of the note payable as of August 31, 2020 and 2019 totaled \$1,911,000 and \$1,991,000, respectively.

During February 2014, the Endowment Trust obtained a note from PNC Bank fully secured by fixed income securities of the Endowment Trust held at PNC Bank. The amount of fixed income securities pledged as collateral equals the outstanding principal plus the interest rate swap liability. The note proceeds refinanced debt, which originally funded renovations to the Meyerhoff Symphony Hall. The note matures on May 1, 2024 and bears interest at a weekly variable rate as determined by the remarketing agent. During the years ended August 31, 2020 and 2019, the rates ranged from 1.17% to 3.23% and from 3.08% to 3.52%, respectively. As of August 31, 2020 and 2019, the rate was 1.17% and 3.23%, respectively. The outstanding balance of the note payable as of August 31, 2020 and 2019 totaled \$2,615,000 and \$2,873,000, respectively.

During August 2015, the Symphony obtained a \$3,700,000 loan through PNC Bank to increase the funding and reduce future minimum contributions of the musician's pension plan liability (Note 10). The note matures on August 5, 2022 and bears interest at a rate per annum equal to the sum of LIBOR in effect on each monthly Reset Date plus 100 basis points. The amount of mutual fund securities pledged as collateral equals the outstanding principal. As of August 31, 2020 and 2019, the rate was 1.16% and 3.40%, respectively. The outstanding balance of the note payable as of August 31, 2020 and 2019 totaled \$1,850,000 and \$2,220,000, respectively.

Aggregate maturities required on long-term debt are as follows as of August 31, 2020:

Years ending August 31,:	
2021	\$ 718,000
2022	3,592,000
2023	276,000
2024	299,000
2025-2028	1,491,000
	6,376,000
Less: net deferred financing costs	(2,000)
Total long-term debt	\$ 6,374,000

# **BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES**

## **Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019**

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### **7. LONG-TERM DEBT – cont’d.**

To protect against the interest rate risk associated with the variable rate bonds issued during 2009 and repaid during 2014, the Endowment entered into an interest rate swap agreement with a financial institution with an initial notional amount of \$5,000,000 with a termination date of November 1, 2028. Under the agreement, the Endowment Trust pays a fixed interest rate of 2.455% and receives variable interest rates based upon 71% of USD LIBOR BBA Bloomberg rates. The swap agreement was not terminated in conjunction with the repayment of the bonds during 2014. As such, the Endowment Trust continues to pay a fixed interest rate and receives variable interest rates per the agreement described above on the current outstanding notional amount. The outstanding notional amount as of August 31, 2020 and 2019 totaled \$2,810,000 and \$3,060,000, respectively. The aggregate fair value of the swap agreement at August 31, 2020 and 2019 was \$(279,000) and \$(235,000), respectively. During the years ended August 31, 2020 and 2019, the Symphony recognized losses of approximately \$44,000 and \$151,000, respectively.

Interest expense on outstanding debt was approximately \$215,000 and \$284,000 for the years ended August 31, 2020 and 2019, respectively.

Deferred financing costs included the costs incurred in conjunction with the bond issuance. These charges are being amortized over the life of the bonds (20 years) using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective interest method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest method. Amortization expense for each of the years ended August 31, 2020 and 2019 was \$250. Accumulated amortization as of August 31, 2020 and 2019 totaled \$2,938 and \$2,688, respectively.

### **8. PAYCHECK PROTECTION PROGRAM LOAN**

On March 27, 2020, Congress passed a \$2 trillion stimulus bill, the Coronavirus Aid, Relief and Economic Security (CARES) Act, which provides significant tax and non-tax stimulus to individuals and businesses.

In April 2020, the Orchestra entered into a loan in the amount of \$3,182,000 with a financial institution under the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP), which was established by the CARES Act. The loan is eligible for forgiveness pursuant to terms and conditions of the CARES Act, which minimally requires that (1) the loan proceeds be used to cover eligible expenses, which include payroll costs, mortgage interest, rent and utilities, and (2) the number of employees and compensation levels are generally maintained. The portion of the loan that is not forgiven bears interest at 1.00% and is due in monthly payments over a period of two years. Principal and interest payments are deferred for the first six months of the loan.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 8. PAYCHECK PROTECTION PROGRAM LOAN – cont'd.

The Orchestra has elected to record the loan as debt in accordance with ASC 740, *Debt*, and recognize income from loan forgiveness in accordance with ASC 405-20, *Extinguishment of Liabilities*, and ASC 450-30, *Gain Contingencies*. The portion of the loan that is ultimately forgiven will be recognized as a gain on extinguishment of debt when the loan is, in part of wholly, legally forgiven by the SBA. Management anticipates that the full loan will be forgiven as the Orchestra has used the loan proceeds to cover eligible expenses and has maintained the necessary employee and compensation levels for loan forgiveness in accordance with the CARES Act. As of August 31, 2020, \$3,182,000 is recorded as Paycheck Protection Program loan on the accompanying consolidated statements of financial position.

### 9. GRANTS

Grants are as follows for the years ended August 31,:

	2020	2019
State of Maryland		
Operating	\$ 1,578,000	\$ 1,978,000
Education	67,000	64,000
Baltimore City		
Operating	500,000	268,000
Counties		
Baltimore	500,000	680,000
Howard	31,000	41,000
Montgomery	261,000	275,000
Total Grants	\$ 2,937,000	\$ 3,306,000

### 10. EMPLOYEE BENEFIT PLANS

#### Defined Contribution Plan

On April 17, 2008, the Orchestra established a contributory 403(b) Plan whereby employees upon commencement of service are eligible to make employee contributions and to receive contributions from the Orchestra. Eligible employees may elect to make pre-tax contributions to the 403(b) Plan subject to the annual maximum amount allowed by the Internal Revenue Code. Under the Plan, the Orchestra may make matching contributions not to exceed 4% of employee annual compensation. 403(b) Plan expense totaled \$0 during the years ended August 31, 2020 and 2019. A participant becomes 100% vested in employer contributions after the completion of six years of service.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

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### 10. EMPLOYEE BENEFIT PLANS – cont'd.

#### Multi-Employer Defined Contribution Plan

In September 2000, the Orchestra members' pension plan was frozen. Concurrently, the Symphony began participating in the American Federation of Musicians and Employers' Pension Fund (the Fund). Contributions on behalf of each Orchestra member equal to 5.5% of minimum scale wages were made to the Fund during the years ended August 31, 2020 and 2019. The Fund covers every employee for whom the collective bargaining agreement requires contributions. Total contributions made by the Orchestra during each of the years ended August 31, 2020 and 2019 were approximately \$370,000 and \$347,000, respectively. The Orchestra would incur significant penalties upon withdrawal from the Fund.

#### Noncontributory Defined Benefit Plans

The Symphony has two noncontributory defined benefit pension plans (the Pension Plans). The plan covering administrative personnel provides pension benefits that are based on the employee's compensation during five consecutive years of the employee's last ten fiscal years before retirement and on the number of years of benefit accrual service. Both plans provide for benefits that are based on the number of years of benefit accrual service. Pension plan funding is determined under the frozen entry age actuarial cost method in accordance with the Employee Retirement Income Security Act of 1974. As of August 31, 2020 and 2019, both plans were frozen, allowing no new participants to enter the plans.

ASC 958-715, *Not-for-Profit Entities: Retirement Benefits* (ASC 958-715), requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability on the consolidated statement of financial position and to recognize changes in that funded status in the year changes occur as a change in net assets in the consolidated statement of activities. Funded status is measured as the difference between plan assets at fair value and the projected benefit obligation. ASC 958-715 also requires that plan assets and benefit obligations be measured as of the date of the employer's consolidated statement of financial position. Previous guidance allowed the employer to measure the assets and obligations of the plan as of a date not more than three months prior to the consolidated statement of financial position.



# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 10. EMPLOYEE BENEFIT PLANS – cont’d.

The funded status and amounts recognized on the accompanying consolidated statements of financial position and statements of activities relating to the Pension Plans, as of the measurement dates, are as follows:

	Measurement Dates			
	Orchestra Plan		Administrative Plan	
	August 31, 2020	August 31, 2019	August 31, 2020	August 31, 2019
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 24,668,000	\$ 23,300,000	\$ 3,545,000	\$ 3,083,000
Actuarial loss	878,000	1,863,000	119,000	440,000
Interest cost	729,000	897,000	105,000	122,000
Benefits paid	(1,457,000)	(1,392,000)	(100,000)	(100,000)
Benefit Obligation at End of Year	24,818,000	24,668,000	3,669,000	3,545,000
Change in plan assets				
Fair value of plan assets at beginning of year	16,718,000	17,458,000	2,242,000	2,319,000
Actual return on plan assets	1,528,000	652,000	157,000	23,000
Orchestra contributions	-	-	80,000	-
Benefits paid	(1,457,000)	(1,392,000)	(100,000)	(100,000)
Fair Value of Plan Assets at End of Year	16,789,000	16,718,000	2,379,000	2,242,000
Accrued Pension Liability	(8,029,000)	(7,950,000)	(1,290,000)	(1,303,000)
Accumulated Benefit Obligation	\$ 24,818,000	\$ 24,668,000	\$ 3,669,000	\$ 3,545,000

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 10. EMPLOYEE BENEFIT PLANS – cont’d.

Amounts included in pension related changes including non-cash pension cost on the consolidated statement of activities consist of the following as of August 31,:

	2020	2019
Pension related changes	\$ 66,000	\$ 2,647,000
Net periodic pension expense	(549,000)	(394,000)
Pension expense other than net periodic pension cost	\$ (483,000)	\$ 2,253,000

### Assumptions

Weighted average assumptions used to determine the net periodic pension cost and benefit obligations are as follows:

	Orchestra Plan		Administrative Plan	
	2020	2019	2020	2019
Benefit obligation discount rate	2.75%	3.00%	2.75%	3.00%
Net periodic pension cost discount rate	2.75%	3.00%	2.75%	3.00%
Expected return on plan assets	7.50%	7.50%	7.50%	7.50%
Rate of increase in compensation levels	N/A	N/A	N/A	N/A

The Symphony determines the long-term rate of return on Pension Plans’ assets by taking into consideration the historical returns of various asset classes and the types of investments the Pension Plans are expected to hold. The chart below details ranges for the expected long-term returns for the asset classes in which the Pension Plans currently invest:

	Orchestra Plan		Administrative Plan	
Asset Class	2020	2019	2020	2019
Equity	6%-8.5%	6%-8.5%	6%-9%	6%-9%
Fixed income	4.5%-8%	4.5%-8%	5.5%-9%	5.5%-9%
Cash & cash equivalents	2%-4%	2%-4%	3.5%-9%	3.5%-9%

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 10. EMPLOYEE BENEFIT PLANS – cont'd.

#### Plan Assets

The Pension Plans' weighted-average asset allocations, by asset category, are as follows as of August 31,:

Asset Class	Orchestra Plan		Administrative Plan	
	2020	2019	2020	2019
Equity	59%	54%	60%	59%
Fixed income	40%	44%	38%	39%
Cash & cash equivalents	1%	2%	2%	2%
	100%	100%	100%	100%

Assets of the Pension Plans are invested in a manner consistent with fiduciary standards of the Employee Retirement Income Security Act of 1974 (ERISA); namely, (a) the safeguards and diversity to which a prudent investor would adhere must be present, and (b) all transactions undertaken on behalf of the Pension Plans must be for the sole interest of Plan participants and beneficiaries, to provide benefits in a prudent manner. Investment objectives of the Pension Plan also include:

- Preserve the value of the Plans' assets
- Provide sufficient liquidity to fund benefit payments and meet the Plans' requirements

Plan assets are valued at fair value in accordance with ASC 820 (Note 1). A description of the valuation methodologies used for assets measured at fair value is listed below.

*Interest bearing cash:* Valued at cost plus accrued interest.

*Equity securities:* Valued at the closing market price of shares held by the Plans at year-end. Shares are traded on an active market.

*Interests in Registered Investment Companies:* Valued at the closing market price of shares held by the Plans at year-end. Securities are traded on an active market.

*Fixed income securities:* Valued at the closing market price of shares held by the Plans at year-end. Securities are traded on an active market.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 10. EMPLOYEE BENEFIT PLANS – cont’d.

The following table sets forth by level, within the fair value hierarchy, the Orchestra Plan’s investments at fair value as of August 31, 2020:

	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 143,000	\$ -	\$ -	\$ 143,000
Interests in registered investment companies	9,975,000	-	-	9,975,000
US Government securities	2,139,000	-	-	2,139,000
Corporate debt	4,532,000	-	-	4,532,000
Total plan assets at fair value	\$16,789,000	\$ -	\$ -	\$16,789,000

The following table sets forth by level, within the fair value hierarchy, the Orchestra Plan’s investments at fair value as of August 31, 2019:

	Level 1	Level 2	Level 3	Total
Interest bearing cash	\$ 357,000	\$ -	\$ -	\$ 357,000
Interests in registered investment companies	9,082,000	-	-	9,082,000
US Government securities	2,722,000	-	-	2,722,000
Corporate debt	4,557,000	-	-	4,557,000
Total plan assets at fair value	\$16,718,000	\$ -	\$ -	\$16,718,000

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 10. EMPLOYEE BENEFIT PLANS – cont'd.

The following table sets forth by level, within the fair value hierarchy, the Administrative Plan's investments at fair value as of August 31, 2020:

	Level 1	Level 2	Level 3	Total
Interests bearing cash	\$ 58,000	\$ -	\$ -	\$ 58,000
Interests in registered investment companies:				
Equity	1,427,000	-	-	1,427,000
Fixed Income	894,000	-	-	894,000
Total plan assets at fair value	\$ 2,379,000	\$ -	\$ -	\$ 2,379,000

The following table sets forth by level, within the fair value hierarchy, the Administrative Plan's investments at fair value as of August 31, 2019:

	Level 1	Level 2	Level 3	Total
Interests bearing cash	\$ 38,000	\$ -	\$ -	\$ 38,000
Interests in registered investment companies:				
Equity	1,329,000	-	-	1,329,000
Fixed Income	875,000	-	-	875,000
Total plan assets at fair value	\$ 2,242,000	\$ -	\$ -	\$ 2,242,000

### Contributions

The Symphony does not expect to make a contribution to the Orchestra or Administrative plan during the year ending August 31, 2021.

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 10. EMPLOYEE BENEFIT PLANS – cont’d.

#### Expected Future Benefit Payments

The following benefit payments are expected to be paid:

Years ending August 31,:	Orchestra Plan	Administrative Plan
2021	\$ 1,838,000	\$ 167,000
2022	1,816,000	160,000
2023	1,786,000	157,000
2024	1,755,000	173,000
2025	1,717,000	180,000
2026-2030	8,092,000	908,000

### 11. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Symphony's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows as of August 31,:

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 6,753,000	\$ 2,666,000
Promises to give, net	4,286,000	4,736,000
Other receivables, net	459,000	631,000
Investments	71,675,000	67,969,000
Total Financial Assets	83,173,000	76,002,000
Adjustments to Total Financial Assets		
Less: Restricted cash and cash equivalents	(246,000)	(349,000)
Less: Pledges receivable, net, to be collected in more than one year	(1,579,000)	(1,978,000)
Less: Assets held in annuity trusts	(214,000)	(284,000)
Less: Contractual or donor-imposed restrictions	(80,149,000)	(78,090,000)
Plus: Anticipated endowment draw or use of board designated funds within one year	3,449,000	3,559,000
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 4,434,000	\$ (1,140,000)

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 11. LIQUIDITY AND AVAILABILITY OF RESOURCES – cont'd.

The Symphony structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Symphony has an annual draw from the Endowment investments (Note 3).

### 12. NET ASSETS WITH DONOR RESTRICTIONS

The Joseph Meyerhoff Memorial Fund was established for the purpose of maintaining and funding improvements to the Joseph Meyerhoff Symphony Hall. The Fund was established with an initial donor restricted contribution in the amount of \$5,000,000. A portion of the income earned on the corpus is restricted for the maintenance and improvement of the Joseph Meyerhoff Symphony Hall. The remaining portion of income earned is added to the corpus.

The Joseph Meyerhoff Memorial Fund restricted fund balance is as follows as of August 31,:

	2020	2019
Joseph Meyerhoff Memorial Fund:		
Donor restricted		
Principal Account	\$ 9,447,000	\$ 8,780,000
Donor restricted		
Maintenance Account	130,000	597,000
<b>Total Joseph Meyerhoff Memorial Fund</b>	<b>\$ 9,577,000</b>	<b>\$ 9,377,000</b>

Net assets with donor restrictions consist of the following as of August 31,:

	2020	2019
Joseph Meyerhoff Memorial Fund:		
Maintenance Account	\$ 130,000	\$ 597,000
Contributed income:		
Time restrictions - operations	1,036,000	958,000
Purpose restrictions	3,346,000	3,417,000
Endowment	80,924,000	77,850,000
<b>Total net assets with donor restrictions</b>	<b>\$ 85,436,000</b>	<b>\$ 82,822,000</b>

# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

### 12. NET ASSETS WITH DONOR RESTRICTIONS – cont'd.

Net assets released from restrictions consisted of the following for the years ended August 31,:

	2020	2019
Joseph Meyerhoff Symphony Hall renovations	\$ 471,000	\$ 625,000
Time restrictions - operations	523,000	606,000
Purpose restrictions	1,734,000	1,739,000
Total net assets released from restriction	\$ 2,728,000	\$ 2,970,000

The endowment consists of investments to be held in perpetuity, the income from which is available to fund the operating expenses of the Symphony as authorized by the Endowment Trust's Board of Trustees and renovations to the Joseph Meyerhoff Symphony Hall as approved by the Fund Committee of the Joseph Meyerhoff Memorial Fund.

### 13. RELATED PARTY TRANSACTIONS

During the year ended August 31, 2016, the Endowment Trust entered into an agreement with the Orchestra under which the Endowment Trust agreed to lend up to \$2,000,000 to the Orchestra. During the year ended August 31, 2017, the Endowment Trust increased this limit to \$5,000,000. During the year ended August 31, 2019, the Endowment Trust increased this limit to \$7,300,000 and agreed to defer repayments of principal and interest until such time as cash flow improves. Advances under the line bear interest at the thirteen-week Treasury Bill rate as published by the Wall Street Journal. The total amount outstanding, including accrued interest, totaled approximately \$7,591,000 and \$7,526,000 as of August 31, 2020 and 2019, respectively and is shown as loan receivable, related party on the Endowment Trust's consolidated statements of financial position.

The loan receivable has been eliminated in the preparation of the accompanying consolidated financial statements.

As of August 31, 2020 and 2019, Cathedral Parking owed the Organization \$2,198,000 and \$3,630,000, respectively. These advances are non-interest bearing and payable on demand and recorded as due to affiliate in the Endowment Trust's consolidated statements of financial position. These advances have been eliminated in the preparation of the accompanying consolidated financial statements.

As of August 31, 2020 and 2019, the Organization owed the Endowment Trust approximately \$3,117,000 and \$829,000, respectively. These advances are non-interest bearing and payable on demand and recorded as due from affiliate in the Endowment Trust's consolidated statements of financial position. These advances have been eliminated in the preparation of the accompanying consolidated financial statements.

As of August 31, 2020 and 2019, the Organization owed the Baltimore Symphony \$1,371,000 and \$2,802,000, respectively. These advances are non-interest bearing and payable on demand and recorded as due from affiliate in the Endowment Trust's consolidated statements of financial position. These advances have been eliminated in the preparation of the accompanying consolidated financial statements.



# BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES

## Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019

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### 14. CONTRACTS AND AGREEMENTS

In September 2020 the Symphony entered into a collective bargaining agreement with the orchestra musicians. The agreement requires employment of a minimum number of musicians and establishes compensation and benefits, as well as revenue sharing agreements. The term of the current agreement is for five years, effective from September 7, 2020 through September 14, 2025.

The Symphony has a collective bargaining agreement with the stagehands. The agreement requires employment of a minimum number of stagehands and establishes compensation and benefits. The original agreement was for four years and five months and expired on September 15, 2019. On September 17, 2020 the term was extended one additional year expiring on September 15, 2021.

The Symphony has an employment agreement with its Music Director that extends through August 31, 2021 and its President and Chief Executive Officer that extends through January 31, 2022. These agreements contain provisions for compensation, reimbursable expenses, termination and renewal.

### 15. LEASES

#### Operating Leases

The Symphony leases a concert hall under a yearly operating lease agreement in Montgomery County, Maryland. A letter of agreement is effective for the period July 1, 2020 through June 30, 2021 whereby dates were held without a license agreement. In June 2015, the Symphony entered a lease for an education center and office space. The lease requires monthly payments and was effective July 1, 2015 through June 30, 2020. In May 2020, the Symphony extended the lease for an education center and office space for one year, effective July 1, 2020 through June 30, 2021. Rent expense totaled approximately \$565,000 and \$852,000 for the years ended August 31, 2020 and 2019, respectively.

The Symphony entered into two operating leases for office equipment, one of which continues until cancelled and the other will expire June 2022. Rent expense totaled approximately \$48,000 and \$52,000 for the years ended August 31, 2020 and 2019, respectively.

The future minimum lease payments under operating leases as of August 31, 2020 are as follows:

<u>Years ending August 31,:</u>		
2021	\$	39,000
2022		18,000
Total	\$	57,000

# **BALTIMORE SYMPHONY ORCHESTRA, INC. AND AFFILIATES**

## **Notes to the Consolidated Financial Statements For the Years Ended August 31, 2020 and 2019**

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### **16. CORONAVIRUS**

In December 2019, a novel strain of COVID-19 was reported in Wuhan, China. The World Health Organization declared COVID-19 a “Public Health Emergency of International Concern.” In March 2020, COVID-19 began to spread throughout the United States. Efforts to contain COVID-19, including restrictions mandated by the Federal and State of Maryland governments, has caused numerous businesses, including the Orchestra, to close or operate remotely in an effort to prevent COVID-19 from spreading more rapidly. The Orchestra experienced an immediate impact from COVID-19 including the official cancellation of all previously advertised subscription concerts and special events at The Joseph Meyerhoff Symphony Hall and The Music Center at Strathmore beginning in March 2020 through June 2021 (Note 2). The future extent of the impact of COVID-19, including future market volatility, will depend on future developments. Because of the size and duration of this pandemic, all of the direct and indirect consequences of COVID-19 are not yet known and may not emerge for some time.



## INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

To the Board of Directors of the  
Baltimore Symphony Orchestra, Inc. and Affiliates:

We have audited the consolidated financial statements of the Baltimore Symphony Orchestra, Inc. and Affiliates as of and for the years ended August 31, 2020 and 2019, and issued our report thereon dated December 8, 2020, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information which follows is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

SC&H Attest Services, P.C.

December 8, 2020

**BALTIMORE SYMPHONY ORCHESTRA, INC.  
AND AFFILIATES**

**Consolidating Statement of Financial Position (In Thousands)  
As of August 31, 2020**

	Baltimore Symphony Orchestra, Inc.	Baltimore Symphony Endowment Trust	Cathedral Parking, Inc.	Eliminations	Consolidated
<b>Assets</b>					
Cash and cash equivalents	\$ 6,524	\$ 250	\$ (21)	\$ -	\$ 6,753
Promises to give, net	1,647	2,639	-	-	4,286
Due from affiliates	1,371	10,708	919	(12,998)	-
Prepaid expenses and other assets	973	52	-	-	1,025
Investments	-	71,675	-	-	71,675
Property and equipment, net	488	18,120	1,386	-	19,994
<b>Total Assets</b>	<b>\$ 11,003</b>	<b>\$ 103,444</b>	<b>\$ 2,284</b>	<b>\$ (12,998)</b>	<b>\$ 103,733</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 1,404	\$ 213	\$ 66	\$ -	\$ 1,683
Annuities payable	-	93	-	-	93
Deferred revenue	3,636	-	85	-	3,721
Due to affiliates	7,591	2,290	3,117	(12,998)	-
Accrued pension cost	9,319	-	-	-	9,319
Paycheck Protection Program loan (Note 8)	3,182	-	-	-	3,182
Long-term debt	1,850	4,524	-	-	6,374
Interest rate swap agreement	-	279	-	-	279
<b>Total Liabilities</b>	<b>26,982</b>	<b>7,399</b>	<b>3,268</b>	<b>(12,998)</b>	<b>24,651</b>
<b>Net Assets (Deficit)</b>					
Without donor restrictions	(17,899)	12,529	(984)	-	(6,354)
With donor restrictions	1,920	83,516	-	-	85,436
<b>Total Net Assets (Deficit)</b>	<b>(15,979)</b>	<b>96,045</b>	<b>(984)</b>	<b>-</b>	<b>79,082</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,003</b>	<b>\$ 103,444</b>	<b>\$ 2,284</b>	<b>\$ (12,998)</b>	<b>\$ 103,733</b>

*See independent auditors' report on consolidating information.*

**BALTIMORE SYMPHONY ORCHESTRA, INC.  
AND AFFILIATES**

**Consolidating Statement of Financial Position (In Thousands)  
As of August 31, 2019**

	Baltimore Symphony Orchestra, Inc.	Baltimore Symphony Endowment Trust	Cathedral Parking, Inc.	Eliminations	Consolidated
<b>Assets</b>					
Cash and cash equivalents	\$ 2,388	\$ 269	\$ 9	\$ -	\$ 2,666
Promises to give, net	1,589	3,147	-	-	4,736
Due from affiliates	2,802	8,354	919	(12,075)	-
Prepaid expenses and other assets	1,236	664	1,627	(600)	2,927
Investments	-	67,969	-	-	67,969
Property and equipment, net	422	19,227	1,484	-	21,133
<b>Total Assets</b>	<b>\$ 8,437</b>	<b>\$ 99,630</b>	<b>\$ 4,039</b>	<b>\$ (12,675)</b>	<b>\$ 99,431</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 3,911	\$ 69	\$ 223	\$ -	\$ 4,203
Annuities payable	-	192	-	-	192
Deferred revenue	6,616	-	73	(600)	6,089
Due to affiliates	7,526	-	4,549	(12,075)	-
Accrued pension cost	9,253	-	-	-	9,253
Long-term debt	2,220	4,862	-	-	7,082
Interest rate swap agreement	-	235	-	-	235
<b>Total Liabilities</b>	<b>29,526</b>	<b>5,358</b>	<b>4,845</b>	<b>(12,675)</b>	<b>27,054</b>
<b>Net Assets (Deficit)</b>					
Without donor restrictions	(22,688)	13,049	(806)	-	(10,445)
With donor restrictions	1,599	81,223	-	-	82,822
<b>Total Net Assets (Deficit)</b>	<b>(21,089)</b>	<b>94,272</b>	<b>(806)</b>	<b>-</b>	<b>72,377</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,437</b>	<b>\$ 99,630</b>	<b>\$ 4,039</b>	<b>\$ (12,675)</b>	<b>\$ 99,431</b>

*See independent auditors' report on consolidating information.*

**BALTIMORE SYMPHONY ORCHESTRA, INC.  
AND AFFILIATES**

**Consolidating Statement of Activities (In Thousands)  
For the Year Ended August 31, 2020**

	Without Donor Restrictions			With Donor Restrictions			Total	Eliminations	Consolidated
	Baltimore Symphony Orchestra, Inc.	Baltimore Symphony Endowment Trust	Cathedral Parking, Inc.	Total	Baltimore Symphony Orchestra, Inc.	Baltimore Symphony Endowment Trust			
Operating Revenue									
Concert income	\$ 4,648	\$ -	\$ -	\$ 4,648	\$ -	\$ -	\$ -	\$ -	\$ 4,648
Hall income	152	-	-	152	-	-	-	-	152
Other operating income	809	-	321	1,130	-	-	-	-	1,130
Total Operating Revenue	5,609	-	321	5,930	-	-	-	-	5,930
Public and Private Support									
Grants for service	2,937	-	-	2,937	-	-	-	-	2,937
Contributions	13,211	9	-	13,220	2,454	1,587	4,041	-	17,261
Special events	556	-	-	556	-	-	-	-	556
Investment income (loss)	(3)	4,572	-	4,569	-	1,301	1,301	(65)	5,805
Operating endowment draw	3,559	(3,559)	-	-	-	-	-	-	-
Total Public and Private Support	20,260	1,022	-	21,282	2,454	2,888	5,342	(65)	26,559
Net Assets Released from Restrictions	2,133	595	-	2,728	(2,133)	(595)	(2,728)	-	-
Total Revenue	28,002	1,617	321	29,940	321	2,293	2,614	(65)	32,489
Operating Expenses									
Program services	20,228	1,678	-	21,906	-	-	-	-	21,906
General and administrative	2,249	254	499	3,002	-	-	-	-	3,002
Fundraising	1,100	-	-	1,100	-	-	-	-	1,100
Total Operating Expenses	23,577	1,932	499	26,008	-	-	-	-	26,008
Change in Net Assets from Operations before Non Operating Expenses	4,425	(315)	(178)	3,932	321	2,293	2,614	(65)	6,481
Non Operating Expenses									
Interest expense	(119)	(161)	-	(280)	-	-	-	65	(215)
Pension related changes including non-cash pension cost	483	-	-	483	-	-	-	-	483
Loss on interest rate swap	-	(44)	-	(44)	-	-	-	-	(44)
Total Non Operating Expenses	364	(205)	-	159	-	-	-	65	224
Change in Net Assets (Deficit)	4,789	(520)	(178)	4,091	321	2,293	2,614	-	6,705
Net Assets (Deficit), beginning of year	(22,688)	13,049	(806)	(10,445)	1,599	81,223	82,822	-	72,377
Net Assets (Deficit), end of year	\$ (17,899)	\$ 12,529	\$ (984)	\$ (6,354)	\$ 1,920	\$ 83,516	\$ 85,436	\$ -	\$ 79,082

See independent auditors' report on consolidating information.

**BALTIMORE SYMPHONY ORCHESTRA, INC.  
AND AFFILIATES**

**Consolidating Statement of Activities (In Thousands)  
For the Year Ended August 31, 2019**

	Without Donor Restrictions			With Donor Restrictions			Total	Eliminations	Consolidated
	Baltimore Symphony Orchestra, Inc.	Baltimore Symphony Endowment Trust	Cathedral Parking, Inc.	Baltimore Symphony Orchestra, Inc.	Baltimore Symphony Endowment Trust	Baltimore Symphony			
Operating Revenue									
Concert income	\$ 7,987	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,987
Hall income	589	-	-	-	-	-	-	-	589
Other operating income	790	-	556	-	-	-	-	-	1,346
Total Operating Revenue	9,366	-	556	-	-	-	-	-	9,922
Public and Private Support									
Grants for service	3,306	-	-	-	-	-	-	-	3,306
Contributions	5,350	-	-	1,509	1,875	-	3,384	-	8,734
Special events	759	-	-	-	-	-	-	-	759
Investment income (loss)	27	865	-	-	(106)	-	(106)	(124)	662
Operating endowment draw	3,625	(3,625)	-	-	-	-	-	-	-
Total Public and Private Support	13,067	(2,760)	-	1,509	1,769	-	3,278	(124)	13,461
Net Assets Released from Restrictions	2,208	762	-	(2,208)	(762)	-	(2,970)	-	-
Total Revenue	24,641	(1,998)	556	(699)	1,007	-	308	(124)	23,383
Operating Expenses									
Program services	23,069	1,773	-	-	-	-	-	-	24,842
General and administrative	1,806	293	671	-	-	-	-	-	2,770
Fundraising	1,801	-	-	-	-	-	-	-	1,801
Total Operating Expenses	26,676	2,066	671	-	-	-	-	-	29,413
Change in Net Assets from Operations before Non Operating Expenses	(2,035)	(4,064)	(115)	(699)	1,007	-	308	(124)	(6,030)
Non Operating Expenses									
Interest expense	(206)	(202)	-	-	-	-	-	124	(284)
Pension related changes including non-cash pension cost	(2,253)	-	-	-	-	-	-	-	(2,253)
Loss on interest rate swap	-	(151)	-	-	-	-	-	-	(151)
Total Non Operating Expenses	(2,459)	(353)	-	-	-	-	-	124	(2,688)
Change in Net Assets (Deficit)	(4,494)	(4,417)	(115)	(699)	1,007	-	308	-	(8,718)
Net Assets (Deficit), beginning of year	(18,194)	17,466	(691)	2,298	80,216	-	82,514	-	81,095
Net Assets (Deficit), end of year	\$ (22,688)	\$ 13,049	\$ (806)	\$ 1,599	\$ 81,223	\$ -	\$ 82,822	\$ -	\$ 72,377

See independent auditors' report on consolidating information.