

OREGON SYMPHONY ASSOCIATION

Consolidated Audited Financial Statements

For the Years Ended June 30, 2018 and 2017



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Oregon Symphony Association

We have audited the accompanying consolidated financial statements of Oregon Symphony Association (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities 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 consolidated 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 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 auditor's 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 organization'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 organization'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 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 Oregon Symphony Association as of June 30, 2018 and 2017, and 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.

*McDonald Jacobson, P.C.*

Portland, Oregon  
October 30, 2018

OREGON SYMPHONY ASSOCIATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 3,729,395	\$ 2,215,582
Accounts receivable	398,616	378,767
Pledges receivable, net	4,382,067	1,610,474
Prepaid expenses	651,249	418,003
Total current assets	9,161,327	4,622,826
Pledges receivable - noncurrent	1,782,654	827,010
Investments	12,396,161	11,003,534
Music, instruments and equipment, net	983,525	817,555
TOTAL ASSETS	\$ 24,323,667	\$ 17,270,925
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 397,363	\$ 434,840
Deferred revenue	4,327,740	3,725,089
Current portion of charitable gift annuity liability	1,800	1,800
Total current liabilities	4,726,903	4,161,729
Charitable gift annuity liability, less current portion	11,907	13,470
Total liabilities	4,738,810	4,175,199
Net Assets (Deficit):		
Unrestricted:		
Available for general operations	(278,358)	(112,622)
Board designated	465,000	434,000
Endowment deficit	(1,222,374)	(1,364,500)
Net music, instruments and equipment	983,525	817,555
Total unrestricted	(52,207)	(225,567)
Temporarily restricted	10,044,703	4,734,796
Permanently restricted	9,592,361	8,586,497
Total net assets	19,584,857	13,095,726
TOTAL LIABILITIES AND NET ASSETS	\$ 24,323,667	\$ 17,270,925

See notes to consolidated financial statements.

OREGON SYMPHONY ASSOCIATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the year ended June 30, 2018

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue:</b>					
Concert income:					
Ticket sales	\$ 10,157,845	\$ -	\$ -	\$ -	\$ 10,157,845
Grants for performances	-	-	-	-	-
Total concert income	<u>10,157,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,157,845</u>
Contributed and other income:					
Annual fund, net of pledge discount	5,598,777	31,000	6,126,229	1,005,864	12,761,870
Special events, net of expenses of \$108,112	1,046,916	-	-	-	1,046,916
Grants	428,073	-	-	-	428,073
Bequests	552,844	-	-	-	552,844
Donated materials and services	217,559	-	-	-	217,559
Other income	114,372	-	-	-	114,372
Net assets released from restriction for operations:					
Annual fund	1,021,457	-	(1,021,457)	-	-
Endowment distribution-operations	643,260	-	(643,260)	-	-
Total contributed income	<u>9,623,258</u>	<u>31,000</u>	<u>4,461,512</u>	<u>1,005,864</u>	<u>15,121,634</u>
Total support and revenue	<u>19,781,103</u>	<u>31,000</u>	<u>4,461,512</u>	<u>1,005,864</u>	<u>25,279,479</u>
<b>Expenses:</b>					
Program services	15,683,034	-	-	-	15,683,034
Management and general	3,068,089	-	-	-	3,068,089
Fundraising	1,029,746	-	-	-	1,029,746
Total expenses	<u>19,780,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,780,869</u>
Change in net assets from operations	234	31,000	4,461,512	1,005,864	5,498,610
<b>Endowment and non-operating activity:</b>					
Investment income, net	-	-	990,521	-	990,521
Other transfers	142,126	-	(142,126)	-	-
Change in net assets	142,360	31,000	5,309,907	1,005,864	6,489,131
<b>Net assets (deficit):</b>					
Beginning of year	<u>(659,567)</u>	<u>434,000</u>	<u>4,734,796</u>	<u>8,586,497</u>	<u>13,095,726</u>
End of year	<u>\$ (517,207)</u>	<u>\$ 465,000</u>	<u>\$ 10,044,703</u>	<u>\$ 9,592,361</u>	<u>\$ 19,584,857</u>

See notes to consolidated financial statements.

OREGON SYMPHONY ASSOCIATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and revenue:</b>					
Concert income:					
Ticket sales	\$ 9,624,820	\$ -	\$ -	\$ -	\$ 9,624,820
Grants for performances	190,000	-	-	-	190,000
Total concert income	<u>9,814,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,814,820</u>
Contributed and other income:					
Annual fund, net of pledge discount	5,685,514	125,000	1,956,000	47,244	7,813,758
Special events, net of expenses of \$84,753	847,626	-	-	-	847,626
Grants	419,142	-	-	-	419,142
Bequests	486,835	-	-	-	486,835
Donated materials and services	154,730	-	-	-	154,730
Other income	74,564	-	-	-	74,564
Net assets released from restriction for operations:					
Annual fund	491,073	-	(491,073)	-	-
Endowment distribution-operations	623,623	-	(623,623)	-	-
Total contributed income	<u>8,783,107</u>	<u>125,000</u>	<u>841,304</u>	<u>47,244</u>	<u>9,796,655</u>
Total support and revenue	<u>18,597,927</u>	<u>125,000</u>	<u>841,304</u>	<u>47,244</u>	<u>19,611,475</u>
<b>Expenses:</b>					
Program services	14,735,821	-	-	-	14,735,821
Management and general	2,773,131	-	-	-	2,773,131
Fundraising	1,088,347	-	-	-	1,088,347
Total expenses	<u>18,597,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,597,299</u>
Change in net assets from operations	628	125,000	841,304	47,244	1,014,176
<b>Endowment and non-operating activity:</b>					
Investment loss, net	-	-	1,197,198	-	1,197,198
Other transfers	224,989	-	(224,989)	-	-
Change in net assets	225,617	125,000	1,813,513	47,244	2,211,374
<b>Net assets (deficit):</b>					
Beginning of year	<u>(885,184)</u>	<u>309,000</u>	<u>2,921,283</u>	<u>8,539,253</u>	<u>10,884,352</u>
End of year	<u>\$ (659,567)</u>	<u>\$ 434,000</u>	<u>\$ 4,734,796</u>	<u>\$ 8,586,497</u>	<u>\$ 13,095,726</u>

See notes to consolidated financial statements.

OREGON SYMPHONY ASSOCIATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended June 30, 2018 and 2017

	2018	2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 6,489,131	\$ 2,211,374
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	110,893	73,678
Contribution restricted for long-term investment	(1,005,864)	(47,244)
Realized and unrealized gain on investments and change in value of charitable gift annuities	(1,031,823)	(1,183,461)
Gain on sale of equipment	-	(4,490)
Allowance for uncollectible pledges	33,340	13,440
Discount on long-term pledges	(330)	13,390
(Increase) decrease in:		
Accounts receivable	(19,849)	(50,106)
Pledges receivable	(3,760,247)	(1,367,889)
Prepaid expenses	(233,246)	(97,942)
Increase (decrease) in:		
Accounts payable and accrued expenses	(37,477)	25,137
Deferred revenue	602,651	(166,609)
Charitable gift annuity liability	(1,563)	1,227
Net cash provided by (used in) operating activities	1,145,616	(579,495)
<b>Cash flows from investing activities:</b>		
Purchase of investments	(1,005,864)	(81,084)
Proceeds from sale of investments	645,060	625,423
Proceeds from sale of equipment	-	8,000
Purchases of music, instruments and equipment	(276,863)	(222,489)
Net cash provided by (used in) investing activities	(637,667)	329,850
<b>Cash flows from financing activities:</b>		
Contributions received for permanent endowment	1,005,864	47,244
Net cash provided by financing activities	1,005,864	47,244
Net increase (decrease) in cash and cash equivalents	1,513,813	(202,401)
Cash and cash equivalents - beginning of year	2,215,582	2,417,983
Cash and cash equivalents - end of year	\$ 3,729,395	\$ 2,215,582

See notes to consolidated financial statements.

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2018 and 2017

1. THE ORGANIZATIONS

Oregon Symphony Association (the Association) (a nonprofit corporation) was originally established in 1896. Its mission is to present concert performances, broadcasts and recordings, incorporating significant works covering a broad range of symphonic repertoire; to assist and encourage music education; and to provide quality music experiences for people of all ages in Oregon and Southwest Washington.

The Oregon Symphony Foundation (the Foundation) was established July 1, 1996, as a separate corporation. The Foundation's mission is to raise new endowment funds on behalf of the Symphony and to assume fiduciary responsibility for investment of the endowment funds.

Primary sources of revenue include ticket sales and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Oregon Symphony Association and The Oregon Symphony Foundation (collectively, the Symphony or the Organizations). All inter-organization transactions and balances have been eliminated.

Basis of Presentation

The Symphony reports information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Symphony and/or the passage of time.
- Permanently restricted net assets represent those assets of the Symphony for which the corpus is to remain intact. The income for these assets may be used for purposes specified by the donor.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Symphony considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents held in investment accounts are considered investments.



OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Symphony is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Symphony has an established right to the bequest and the proceeds are measurable. An allowance for uncollectible pledges receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Prepaid Expenses

Prepaid expenses primarily represent costs incurred in advance related to the following season's performances. These costs are recognized as expenses in the season when the performances are presented.

Investments

Investments, including investments held at Oregon Community Foundation, are carried at fair value. Donor-restricted and unrestricted investment income earned on permanently restricted net assets is reported as an increase in temporarily restricted net assets. Investment income is reported as unrestricted in the reporting period if the restriction expires and the amount is appropriated for expenditure. All other donor-restricted investment income is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Music, Instruments and Equipment

Acquisitions of music, instruments and equipment in excess of \$1,000 are capitalized. Music, instruments and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of music, instruments and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 5 to 50 years.

Ticket Sales and Deferred Revenue

Ticket sales are recognized as revenue in the period earned as the related performances are presented. Deferred revenue represents monies collected in advance for ticket sales applicable to the following performance season.

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Symphony recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2018 and 2017, the Association received approximately \$44,300 and \$28,300, respectively, of donated professional services that have been included in management and general expense.

Advertising

Advertising costs are generally charged to expense when incurred and total approximately \$1,144,000 and \$943,200 for the years ended June 30, 2018 and 2017, respectively. Total advertising includes donated advertising of approximately \$97,100 and \$52,200 for the years ended June 30, 2018 and 2017, respectively.

Costs for direct-response advertising are capitalized and amortized over the expected period of future benefits. Direct-response advertising consists primarily of direct mail brochures associated with subscription and single ticket sales, and telemarketing efforts. The prepaid costs of the advertising are amortized over the season to which the ticket sales relate. At June 30, 2018 and 2017, prepaid advertising totaled approximately \$53,500.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status

The Association and Foundation are nonprofit corporations exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying consolidated financial statements, as the Organizations have no activities subject to unrelated business income tax. The Association and Foundation are not private foundations.

The Organizations follow the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organizations' tax positions and concluded that there are no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this Topic.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Symphony has evaluated all subsequent events through October 30, 2018, the date the consolidated financial statements were available to be issued.

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

3. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2018 and 2017 represent unconditional promises to give as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 4,452,077	\$ 1,647,144
Receivable in one to five years	<u>1,795,714</u>	<u>840,400</u>
	6,247,791	2,487,544
Less discount for long-term pledges	13,060	13,390
Less allowance for uncollectible pledges	<u>70,010</u>	<u>36,670</u>
Pledges receivable, net	<u>\$ 6,164,721</u>	<u>\$ 2,437,484</u>
Current	\$ 4,382,067	\$ 1,610,474
Noncurrent	<u>1,782,654</u>	<u>827,010</u>
Total pledges receivable	<u>\$ 6,164,721</u>	<u>\$ 2,437,484</u>

At June 30, 2018 and 2017, 52% and 55%, respectively, of total pledges are due from three donors. Discount on long-term pledges is calculated using a rate of 2.4%.

4. INVESTMENTS

Investments at June 30, 2018 and 2017 are carried at fair value and consist of the following:

	<u>2018</u>	<u>2017</u>
Cash and equivalents	\$ 3,768	\$ 9,398
Common stock and other equities	54,839	58,966
Corporate bonds	27,647	17,015
Insurance policies	859,559	820,443
Beneficial interest in assets held by Oregon		
Community Foundation	<u>11,450,348</u>	<u>10,097,712</u>
Total investments	<u>\$ 12,396,161</u>	<u>\$ 11,003,534</u>

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

4. INVESTMENTS, Continued

The Symphony's donor-restricted endowments are invested with The Oregon Community Foundation (OCF) in eight individual endowment funds. Under the terms of the agreements, variance power has been granted to OCF, however, the Symphony is the beneficiary of the funds and the transfer is reciprocal in nature. Accordingly, OCF recognizes the funds as liabilities on its statement of financial position. The Symphony receives distributions based on the provisions of the agreement with OCF.

Investment income for the years ended June 30, 2018 and 2017 consists of:

	2018	2017
Endowment earnings:		
Interest and dividends	\$ 92,530	\$ 86,818
Change in value	960,214	1,164,784
Investment expenses	(62,713)	(52,977)
Total endowment earnings	990,031	1,198,625
Change in value of charitable gift annuities and other investments	490	(1,427)
Investment income, net	\$ 990,521	\$ 1,197,198

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

5. MUSIC, INSTRUMENTS AND EQUIPMENT

Music, instruments and equipment consist of the following at June 30, 2018 and 2017:

	2018	2017
Music, instruments and orchestra equipment	\$ 1,012,391	\$ 984,900
Office furniture and equipment	986,468	937,458
Website	276,405	76,043
	2,275,264	1,998,401
Less accumulated depreciation	1,291,739	1,180,846
Music, instruments and equipment, net	\$ 983,525	\$ 817,555

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

6. ASSETS HELD IN CHARITABLE GIFT ANNUITIES

The Symphony has entered into charitable gift annuity agreements with various donors. Under the agreements, the Symphony is required to pay a guaranteed amount (annuity) for the lifetime of the donor or beneficiary (annuitant).

The Symphony's charitable gift annuity funds are held in a separate trust, which is managed in accordance with the trust's investment policy. Assets are invested in marketable securities and totaled \$86,254 and \$85,379 at June 30, 2018 and 2017, respectively.

As trustee, the Symphony is obligated to make annuity payments under 3 charitable gift annuity agreements to 3 annuitants. Under the terms of the remaining agreements, the donors receive payments over the donors' remaining lives. Using a discount rate of 4.5%, the estimated present value of the Symphony's liability under these agreements is \$13,707 and \$15,270 at June 30, 2018 and 2017, respectively.

	2018	2017
Current annuity agreement liability	\$ 1,800	\$ 1,800
Noncurrent annuity agreement liability	11,907	13,470
Total charitable gift annuity	\$ 13,707	\$ 15,270

7. LINE OF CREDIT

In March 2018, the Association obtained a \$450,000 line of credit with a bank with interest payable monthly at the bank's prime rate plus (5.00% at June 30, 2018) on outstanding advances. The line is secured by assets of the Association and is renewed annually and matures March 2019. There were no advances outstanding at June 30, 2018.

8. BOARD DESIGNATED NET ASSETS

The Board designated a portion of unrestricted net assets for use in future operations. Board designated net assets totaled \$465,000 and \$434,000 at June 30, 2018 and 2017, respectively.

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30, 2018 and 2017:

	2018	2017
Annual fund pledges	\$ 6,933,961	\$ 1,829,188
Charitable gift annuities	8,196	7,707
Accumulated endowment earnings (Note 15)	3,102,546	2,897,901
Total temporarily restricted net assets	\$ 10,044,703	\$ 4,734,796

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2018 and 2017 consist of endowment funds which totaled \$9,592,361 and \$8,586,497, respectively. The income earned on investments includes both earnings restricted by donors for specific purposes and unrestricted earnings available for general operations. Unexpended endowment income is reported as temporarily restricted net assets. See Note 15 for additional information.

11. RETIREMENT PLANS

The Association contributes to a multiemployer defined benefit pension plan and a defined contribution plan under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Association chooses to stop participating in some of its multiemployer plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

OREGON SYMPHONY ASSOCIATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
 June 30, 2018 and 2017

II. RETIREMENT PLANS, Continued

The Association's participation in these plans for the annual period ended June 30, 2018 and 2017, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2018 and 2017 is for the plan's year-end at March 31, 2018, and March 31, 2017, respectively. The zone status is based on information that the Association received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreement to which the plans are subject. There have been no significant changes that affect the comparability of 2018 and 2017 contributions.

The two plans that the Association participates in are:

- American Federation of Musicians and Employers' Pension Fund (AFMEPF)
- Stage Entertainment Industries 401(k) Plan (SEI 401(k))

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Association Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2018	2017		2018	2017		
AFMEPF	51-6120204-001	Red as of 3/31/17	Yellow as of 3/31/16	RP	\$233,390	\$230,140	No	6/15/22
SEI 401(k)		Not applicable	Not applicable	Not applicable	\$13,262	\$8,369	Not applicable	

AFMEPF provides fixed, monthly retirement payments on the basis of the benefits earned by the participating employees. AFMEPF's Annual Funding Notice for the years ended March 31, 2018 and 2017 indicated total assets of \$1,908 million and \$1,976 million, respectively; total actuarial value of liabilities of \$2,958 million and \$2,866 million, respectively. The plan's Annual Funding Notice for the plan years ended March 31, 2018 and 2017, indicate that the funded percentage was 64.5% and 69.0%, respectively



OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

II. RETIREMENT PLANS, Continued

SEI 401(k) is a defined contribution plan and provides benefits to employees based on funds accumulated in the each employee's account. Employees are only entitled to the amounts in their individual accounts. As such, no unfunded liability has been reported to the Association by the plan administrators.

The Association's contributions to the union-sponsored, defined benefit, multiemployer pension plan (AFMEPF) were \$233,390 and \$230,140 in 2018 and 2017, respectively. The plan is not administered by the Association and contributions are determined in accordance with provisions of negotiated labor contracts. If the Association were to withdraw from the plan, a withdrawal liability would be computed by the plan administrators. The plan has not provided an estimate of the withdrawal liability to the Association. However, the Association has no present intention of withdrawing from the plan, nor has the Association been informed that there is any intention to terminate the plan.

At the date the consolidated financial statements were issued, Forms 5500 were not available for the plan year ending in 2018.

Additionally, musicians who were employed by the Symphony prior to the 1972/73 season, who retire in accordance with the union provisions, are entitled to an additional retirement payment. The provision is fully funded at the estimated maximum liability.

The Association has a Simplified Employee Pension - Individual Retirement Account plan for non-union employees meeting specified eligibility requirements. The Association may make contributions to the plan at the discretion of the Board. Contributions to the plan for 2018 and 2017 totaled \$50,672 and \$119,801, respectively.

Contributions to all plans for 2018 and 2017 totaled \$297,324 and \$358,310, respectively.

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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12. LEASE COMMITMENTS

The Symphony leases its office under a lease agreement expiring August 2018 with current monthly rent of \$18,438, subject to annual increases of approximately 2.5%. In October 2018, the Symphony renewed its lease agreement for a 5 year period expiring October 31, 2023.

The Symphony leases certain equipment under two noncancelable operating leases expiring June 2019 and December 2021.

Lease expense under these agreements for the years ended June 30, 2018 and 2017 approximated \$250,000 and \$244,500, respectively.

Total minimum future lease payments are as follows:

For the year ending June 30, 2019	\$ 260,600
2020	263,800
2021	258,400
2022	256,700
2023	264,400
Thereafter	<u>89,000</u>
	<u>\$ 1,392,900</u>

13. CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Symphony maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$3,176,000 and \$2,151,000 as of June 30, 2018 and 2017, respectively.

14. RELATED PARTY TRANSACTIONS

Four members of the permanent orchestra were also members of the Board of Directors during 2018 and 2017. The Symphony received donated legal services totaling approximately \$37,400 and \$10,800 during the years ended June 30, 2018 and 2017, respectively, from a firm where a board member is employed. During the year ended June 30, 2018, the Symphony paid \$200,000 to a performer, who is also a member of the Board of Directors, and his orchestra for a performance.

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
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15. ENDOWMENT

At June 30, 2018 and 2017, the Symphony's endowment consists of donor-restricted funds which are held at Oregon Community Foundation. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Symphony has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (the Act or UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Symphony classifies as 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 the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Symphony in a manner consistent with the standard of prudence prescribed by the Act.

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

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

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

15. ENDOWMENT, Continued

Endowment net asset composition by type of fund as of June 30, 2018 and 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>June 30, 2018</b>				
Donor-restricted - endowment funds	<u>\$ (1,222,374)</u>	<u>\$ 3,102,546</u>	<u>\$ 9,592,361</u>	<u>\$ 11,472,533</u>
<b>June 30, 2017</b>				
Donor-restricted - endowment funds	<u>\$ (1,364,500)</u>	<u>\$ 2,897,901</u>	<u>\$ 8,586,497</u>	<u>\$ 10,119,898</u>

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - June 30, 2017	<u>\$ (1,364,500)</u>	<u>\$ 2,897,901</u>	<u>\$ 8,586,497</u>	<u>\$ 10,119,898</u>
Contributions	-	-	1,005,864	1,005,864
Investment income, net of fees	-	29,817	-	29,817
Change in value	-	960,214	-	960,214
Appropriation of endowment assets for expenditure	-	(643,260)	-	(643,260)
Endowment deficit	<u>142,126</u>	<u>(142,126)</u>	<u>-</u>	<u>-</u>
Total changes	<u>142,126</u>	<u>204,645</u>	<u>1,005,864</u>	<u>1,352,635</u>
Endowment net assets - June 30, 2018	<u>\$ (1,222,374)</u>	<u>\$ 3,102,546</u>	<u>\$ 9,592,361</u>	<u>\$ 11,472,533</u>

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

15. ENDOWMENT, Continued

Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
- June 30, 2016	\$ (1,589,489)	\$ 2,547,888	\$ 8,539,253	\$ 9,497,652
Contributions	-	-	47,244	47,244
Investment income, net of fees	-	33,841	-	33,841
Change in value	-	1,164,784	-	1,164,784
Appropriation of endowment assets for expenditure	-	(623,623)	-	(623,623)
Endowment deficit	224,989	(224,989)	-	-
Total changes	<u>224,989</u>	<u>350,013</u>	<u>47,244</u>	<u>622,246</u>
Endowment net assets				
- June 30, 2017	<u>\$ (1,364,500)</u>	<u>\$ 2,897,901</u>	<u>\$ 8,586,497</u>	<u>\$ 10,119,898</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Symphony to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature totaled \$1,222,374 and \$1,364,500 as of June 30, 2018 and 2017, respectively.

These deficiencies resulted from unfavorable market fluctuations that occurred and continued appropriation for certain programs that was deemed prudent by the Board of Directors and have been included as a reduction of temporarily restricted net assets.

Return Objectives and Risk Parameters

The Symphony has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Symphony must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in funds with the Oregon Community Foundation (Note 4).

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

15. ENDOWMENT, Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Symphony has adopted Oregon Community Foundation's (OCF) policy of appropriating for distribution each year calculated in accordance with OCF's grant percentage payout policies for permanent funds. In establishing this policy, the Symphony considered the long term expected return on its endowment. Accordingly, over the long term, the Symphony expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the Symphony's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

16. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

16. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets and liabilities measured on a recurring basis at June 30, 2018 and 2017 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>June 30, 2018</u>			
Assets:			
Investments - equities	\$ 54,839	\$ -	\$ -
Investments - corporate bonds	-	27,647	-
Beneficial interest in assets held at Oregon Community Foundation	-	-	11,450,348
Investments - cash value of life insurance	-	859,559	-
Liabilities:			
Obligations under charitable gift annuities	-	-	(13,707)
<u>June 30, 2017</u>			
Assets:			
Investments - equities	58,966	-	-
Investments - corporate bonds	-	17,015	-
Beneficial interest in assets held at Oregon Community Foundation	-	-	10,097,712
Investments - cash value of life insurance	-	820,443	-
Liabilities:			
Obligations under charitable gift annuities	-	-	(15,270)

Fair values for investments in marketable securities are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for investments in corporate bonds are provided by custodians and are based on pricing models that incorporate available trade, bid and other market information. Fair values for investments held by others (OCF) which are invested in co-mingled trusts and pooled funds, are based on the net asset value per unit as provided by the fund custodians, using a market approach. Fair values for the cash value of life insurance policies are based on the stated cash value of the policy as provided by the insurer, using a market approach. Fair values for the obligations under charitable gift annuities are determined by calculating the present value of the future distributions to be made using published life expectancy tables and a discount rate of 4.5%, using an income approach.

OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

16. FAIR VALUE MEASUREMENTS, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Investments at OCF:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 10,097,712	\$ 9,473,370
Earnings, net of fees	29,817	33,841
Change in value	960,215	1,164,784
Contributions	1,005,864	49,340
Disbursements	<u>(643,260)</u>	<u>(623,623)</u>
Balance at end of year	<u>\$ 11,450,348</u>	<u>\$ 10,097,712</u>

Earnings, net of fees and the change in value are included in temporarily restricted net assets in the statements of activities.

Obligation under charitable gift annuities:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ (15,270)	\$ (14,043)
Payments to beneficiaries	1,800	1,800
Change in value of remaining obligation (in temporarily restricted net assets)	<u>(237)</u>	<u>(3,027)</u>
Balance at end of year	<u>\$ (13,707)</u>	<u>\$ (15,270)</u>

17. OTHER COMMITMENTS

The Symphony entered into contracts with the current Artistic Director through July 31, 2021 and the current President and CEO through June 30, 2020. Additionally, the Symphony entered into contracts and agreements with various artists and a concert hall for performances during the fiscal year ending June 30, 2019.

The Symphony maintains a collective bargaining agreement for musicians. This agreement expires August 28, 2018. During 2018, the Symphony renewed the collective bargaining agreement for musicians for a period beginning August 29, 2018 and expiring on June 15, 2022.



OREGON SYMPHONY ASSOCIATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued  
June 30, 2018 and 2017

18. SUBSEQUENT EVENTS

During the year ended June 30, 2017, the Symphony received a pledge of \$2 million restricted for the installation of a digital acoustic system, of which \$1.5 million was received during 2018. Subsequent to yearend, the donor requested that the Symphony transfer the \$1.5 million in funds received to a local community foundation for investment until needed for expenditure, estimated to occur in 2019. It was the donor's intention to maintain the Symphony as the beneficiary of the pledge, but to grant variance power to the community foundation for distribution of the assets. In July 2018, the contribution was remitted by the Symphony to the local community foundation for investment with an agreement to maintain the Symphony as beneficiary of the donation. The Symphony subsequently recorded the associated donation remittance as pledge receivable.

Subsequent to yearend, the Symphony received a donation of approximately \$6 million.

In September 2018, the Association approved the consolidation of the operations of Oregon Symphony in Salem with those of the Association.