

**MEMPHIS SYMPHONY ORCHESTRA, INC.**

**FINANCIAL STATEMENTS**

June 30, 2019 and 2018



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Memphis Symphony Orchestra, Inc.

We have audited the accompanying financial statements of Memphis Symphony Orchestra, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Memphis Symphony Orchestra, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Watkins Uiberall, PLLC*

Memphis, Tennessee  
April 3, 2020

MEMPHIS SYMPHONY ORCHESTRA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

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	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,047,912	\$ 974,690
Promises to give, net of allowance	129,464	145,019
Accounts receivable	22,007	20,763
Prepaid expenses	14,223	14,582
Beneficial interest in assets held by others	1,416,689	-
Property and equipment, net	427,502	433,018
Cash surrender value of life insurance	38,842	40,099
Other assets	17,387	17,513
Total assets	<u>\$ 3,114,026</u>	<u>\$ 1,645,684</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 30,946	\$ 14,554
Accrued compensation	51,285	22,242
Funds held for others	32,773	69,500
Deferred revenue	326,173	367,909
Total liabilities	<u>441,177</u>	<u>474,205</u>
Net Assets		
Without donor restrictions	1,194,156	1,099,491
With donor restrictions	1,478,693	71,988
Total net assets	<u>2,672,849</u>	<u>1,171,479</u>
Total liabilities and net assets	<u>\$ 3,114,026</u>	<u>\$ 1,645,684</u>

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

**MEMPHIS SYMPHONY ORCHESTRA, INC.**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Contributions and sponsorships	\$ 1,123,026	\$ 1,416,705	\$ 2,539,731
Grants	1,924,528	-	1,924,528
Concert tickets and subscription sales	1,099,713	-	1,099,713
In-kind contributions	97,697	-	97,697
Other fundraising income	1,102	-	1,102
Net investment return	2,205	-	2,205
Other income	51,492	-	51,492
Change in value of beneficial interest in assets held by others	19,750	-	19,750
Net assets released from restrictions	10,000	(10,000)	-
Total revenue, support, and gains	<u>4,329,513</u>	<u>1,406,705</u>	<u>5,736,218</u>
Expenses			
Program Services			
Artistic engagement	3,138,651	-	3,138,651
Marketing	463,689	-	463,689
Total program services	<u>3,602,340</u>	<u>-</u>	<u>3,602,340</u>
Support Services			
Fundraising	321,376	-	321,376
General and administrative	311,132	-	311,132
Total support services	<u>632,508</u>	<u>-</u>	<u>632,508</u>
Total expenses	<u>4,234,848</u>	<u>-</u>	<u>4,234,848</u>
Change in net assets	94,665	1,406,705	1,501,370
Net assets, beginning of year	<u>1,099,491</u>	<u>71,988</u>	<u>1,171,479</u>
Net assets, end of year	<u>\$ 1,194,156</u>	<u>\$ 1,478,693</u>	<u>\$ 2,672,849</u>

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

**MEMPHIS SYMPHONY ORCHESTRA, INC.**

**STATEMENT OF ACTIVITIES**

For the Years Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Contributions and sponsorships	\$ 1,122,120	\$ 40,032	\$ 1,162,152
Grants	1,829,890	-	1,829,890
Concert tickets and subscription sales	1,195,322	-	1,195,322
In-kind contributions	113,947	-	113,947
Other fundraising income	6,537	-	6,537
Net investment return	1,091	-	1,091
Other income	32,287	-	32,287
Loss on uncollectible promises to give	-	-	-
Net assets released from restrictions	5,729	(5,729)	-
Total revenue, support, and gains	<u>4,306,923</u>	<u>34,303</u>	<u>4,341,226</u>
Expenses			
Program Services			
Artistic engagement	3,081,911	-	3,081,911
Marketing	462,368	-	462,368
Total program services	<u>3,544,279</u>	<u>-</u>	<u>3,544,279</u>
Support Services			
Fundraising	352,315	-	352,315
General and administrative	425,332	-	425,332
Total support services	<u>777,647</u>	<u>-</u>	<u>777,647</u>
Total expenses	<u>4,321,926</u>	<u>-</u>	<u>4,321,926</u>
Change in net assets	(15,003)	34,303	19,300
Net assets, beginning of year	<u>1,114,494</u>	<u>37,685</u>	<u>1,152,179</u>
Net assets, end of year	<u>\$ 1,099,491</u>	<u>\$ 71,988</u>	<u>\$ 1,171,479</u>

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

**MEMPHIS SYMPHONY ORCHESTRA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Years Ended June 30, 2019

	Program Services			General and Administrative	Fundraising	Total Expenses
	Artistic Engagement	Marketing	Total Program Services			
Salaries and wages	\$ 1,756,760	\$ 153,020	\$ 1,909,780	\$ 107,363	\$ 157,287	\$ 2,174,430
Employee benefits	263,141	7,990	271,131	14,779	11,509	297,419
Taxes	131,740	11,578	143,318	8,153	11,683	163,154
Production costs	624,181	-	624,181	201	-	624,382
Professional fees	10,346	22,073	32,419	147,983	45,987	226,389
Artist fees	185,053	-	185,053	-	-	185,053
Advertising and promotion	-	146,251	146,251	401	104	146,756
Office costs	6,111	66,545	72,656	76	22,502	95,234
Occupancy	63,711	10,649	74,360	-	10,310	84,670
Travel and meetings	39,627	1,567	41,194	4,501	1,868	47,563
Merchant fees	-	22,041	22,041	2,038	4,202	28,281
Information technology	14,813	5,639	20,452	-	7,125	27,577
Bad debt	-	-	-	24,065	-	24,065
Donor relations	-	-	-	-	20,825	20,825
Insurance	16,521	-	16,521	-	-	16,521
Miscellaneous	984	9,128	10,112	412	3,666	14,190
Utilities	6,789	2,585	9,374	-	3,265	12,639
Special events	-	-	-	-	12,549	12,549
Depreciation	9,825	1,180	11,005	-	1,490	12,495
Telephone	5,547	2,111	7,658	-	2,668	10,326
Repairs and maintenance	3,437	1,308	4,745	-	1,653	6,398
Postage and shipping	65	24	89	-	2,683	2,772
Bank fees	-	-	-	1,160	-	1,160
	<u>\$ 3,138,651</u>	<u>\$ 463,689</u>	<u>\$ 3,602,340</u>	<u>\$ 311,132</u>	<u>\$ 321,376</u>	<u>\$ 4,234,848</u>

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

**MEMPHIS SYMPHONY ORCHESTRA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Years Ended June 30, 2018

	Program Services			General and Administrative	Fundraising	Total Expenses
	Artistic Engagement	Marketing	Total Program Services			
Salaries and wages	\$ 1,674,369	\$ 90,035	\$ 1,764,404	\$ 37,327	\$ 184,596	\$ 1,986,327
Employee benefits	239,890	8,497	248,387	3,743	14,631	266,761
Taxes	124,025	7,492	131,517	3,061	14,142	148,720
Production costs	669,692	-	669,692	73	-	669,765
Professional fees	12,103	38,320	50,423	311,590	9,676	371,689
Artist fees	219,830	-	219,830	-	-	219,830
Advertising and promotion	-	172,245	172,245	-	254	172,499
Office costs	3,119	78,440	81,559	1,929	42,631	126,119
Occupancy	37,547	28,803	66,350	4,232	29,795	100,377
Travel and meetings	40,429	2,759	43,188	39,111	2,293	84,592
Merchant fees	-	21,722	21,722	798	7,575	30,095
Information technology	11,749	5,292	17,041	1,324	6,339	24,704
Bad debt	-	-	-	17,382	-	17,382
Donor relations	-	-	-	-	21,647	21,647
Insurance	18,288	-	18,288	-	-	18,288
Miscellaneous	104	1,169	1,273	1,684	297	3,254
Utilities	5,432	2,447	7,879	612	2,931	11,422
Special events	-	-	-	50	1,300	1,350
Depreciation	17,096	1,438	18,534	360	1,722	20,616
Telephone	4,839	2,179	7,018	545	2,611	10,174
Repairs and maintenance	2,663	1,199	3,862	300	1,437	5,599
Postage and shipping	736	331	1,067	83	8,438	9,588
Bank fees	-	-	-	1,128	-	1,128
	<u>\$ 3,081,911</u>	<u>\$ 462,368</u>	<u>\$ 3,544,279</u>	<u>\$ 425,332</u>	<u>\$ 352,315</u>	<u>\$ 4,321,926</u>

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

**MEMPHIS SYMPHONY ORCHESTRA, INC.**

**STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ 1,501,370	\$ 19,300
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	12,495	20,616
Change in cash surrender value of life insurance	1,257	(797)
Contributions of beneficial interest in assets held by others	(1,396,939)	-
Change in value of beneficial interest in assets held by others	(19,750)	-
Bad debt	24,065	17,382
Change in Operating Assets and Liabilities:		
Promises to give	(8,510)	(45,648)
Accounts receivable	(1,244)	4,551
Prepaid expenses	359	2,240
Other assets	126	(887)
Accounts payable	16,392	(109,615)
Accrued compensation	29,043	(16,998)
Funds held for others	(36,727)	40,000
Deferred revenue	(41,736)	65,619
Total adjustments	(1,421,169)	(23,537)
Net cash provided by (used for) operating activities	80,201	(4,237)
Cash Flows Used For Investing Activities:		
Purchases of property and equipment	(6,979)	(9,579)
Net increase (decrease) in cash and cash equivalents	73,222	(13,816)
Cash and cash equivalents, beginning of year	974,690	988,506
Cash and cash equivalents, end of year	\$ 1,047,912	\$ 974,690

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

# MEMPHIS SYMPHONY ORCHESTRA, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Nature of Operations

Memphis Symphony Orchestra, Inc. (the "Symphony") is a non-profit Tennessee corporation organized as a 501(c)(3) under the Internal Revenue Code in March 1953. The Symphony is dedicated to the promotion of musical education and culture and the promotion of musical concerts throughout Memphis and the surrounding area. The Symphony is supported primarily by contributions from individuals, corporations, and foundations.

#### Basis of Accounting

The accompanying financial statements of the Symphony have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and include the activities of Memphis Symphony Orchestra, Inc. and the Memphis Symphony Chorus. The Memphis Symphony Chorus is a performing organization which functions as an auxiliary of the Symphony.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Revenue Recognition and Contributed Support

The Symphony receives revenue from a variety of sources including private contributions and concert ticket and subscription sales. Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been met.

Revenues derived from single ticket sales are recorded as deferred revenue when purchased and recognized as revenue on the performance date. Subscriptions are recorded as deferred revenue when purchased and allocated equally to each production when earned. All productions for each season are conducted within the Symphony's fiscal year.

#### Concentrations and Credit Risks

The Symphony's credit risks primarily relate to cash and cash equivalents and support and revenue. The Symphony maintains cash balances at various financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to an aggregate of \$250,000 for each commercial bank.

For the year ended June 30, 2019, approximately 30% of total contributions and sponsorships and grant revenues was received from two donors. As of June 30, 2019, approximately 53% of unconditional promises to give was due from three donors.

For the year ended June 30, 2018, approximately 43% of total contributions and sponsorships and grant revenues was received from one donor. As of June 30, 2018, approximately 62% of unconditional promises to give was due from three donors, and grants receivable were due from one grantor.

### In-Kind Contributions

Donated materials and services are recorded as contributions at their estimated fair values at the date of donation. The Symphony receives a significant amount of donated services from unpaid volunteers who assist in Symphony operations and special projects. Donated services are recognized in the financial statements if the services either create or enhance a nonfinancial asset or require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. No amounts have been recognized in 2019 and 2018 because these services did not meet the criteria for recognition.

The Symphony receives in-kind contributions which have been recorded at their fair value in the statement of activities. The corresponding expense has been allocated to the appropriate program or supporting service. In-kind contributions are comprised of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Office rent	\$ 62,697	\$ 62,697
Artist lodging	35,000	35,000
Food/catering	-	16,250
	<u>\$ 97,697</u>	<u>\$ 113,947</u>

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Symphony considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

### Promises to Give

Unconditional promises to give are recorded at net realizable value as they are substantially all due within one year. An allowance for doubtful accounts is recorded based upon management's analysis of specific balances and a general reserve based upon the total outstanding balances. Promises to give are written off when deemed uncollectable.

### Accounts Receivable

Accounts receivable primarily consists of fees from program services and are non-interest bearing. At June 30, 2019 and 2018, management believes no allowance for doubtful accounts is necessary.

### Property and Equipment

Property and equipment are reported at cost at the date of acquisition or fair value at the date of donation in the case of donated property. Property and equipment purchases in excess of \$1,000 and a useful life of more than one year are capitalized. Depreciation is provided over the estimated useful service lives of 3 to 15 years using the straight-line method. Music collections are capitalized and not depreciated. Repairs and maintenance costs are expensed as incurred; major renewals and leasehold improvements are capitalized.

### Cash Surrender Value of Life Insurance

The Symphony is the owner and beneficiary of a life insurance policy that covers the life of a donor. This life insurance policy has a cash surrender value which is reported on the statement of financial position at the value provided to the Symphony by the insurance carrier.

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no donor-imposed restrictions of a perpetual nature at June 30, 2019 and 2018. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that, is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statement of activities as net assets released from restrictions.

### Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions.

### Income Taxes

The Symphony is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similarly exempt from state income taxes. Accordingly, no provision for income taxes is included in the financial statements.

Income from program advertisements, which is not directly related to the Symphony's exempt purpose, is subject to taxation as unrelated business income. There was no unrelated business income tax expense for the years ended June 30, 2019 and 2018.

### Advertising Costs

Advertising and promotional costs are expensed as incurred and totaled \$146,756 and \$172,499 for the years ended June 30, 2019 and 2018, respectively.

### Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-For-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

The Symphony has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to the prior period presented, which did not have a material effect on the financial statements.

### Reclassifications

Certain amounts reported in prior year financial statements have been reclassified to conform to the current year's presentation.

### Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Symphony is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all entities that receive or make contributions. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. No new disclosures are required. For grants/contributions made, donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/release) to determine whether gifts or grants are conditional or unconditional.

For federal and other government grants, the ASU clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today.

For transactions in which a non-public entity serves as a resource recipient, the entity should apply the amendments in this ASU on contributions received to annual periods beginning after December 15, 2018. For transactions in which a non-public entity serves as a resource provider, the entity should apply the amendments in this ASU on contributions made to annual periods beginning after December 15, 2019. Early adoption of the amendments is permitted. The Symphony is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

### Date of Management's Review

The Symphony evaluated its June 30, 2019, financial statements for subsequent events through April 3, 2020, the date the financial statements were available to be issued. Other than the event disclosed in Note 4, the Symphony is not aware of any other subsequent events which would require recognition or disclosure in the financial statements.

### **NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 1,047,912
Less: amounts restricted for scholarships	<u>(32,004)</u>
	<u>\$ 1,015,908</u>

The Symphony's goal is to maintain reserved financial assets to meet 90 – 180 days of operating expenses (currently \$1,000,000 - \$2,000,000). As part of its liquidity plan, excess cash is held in cash or short-term investments, including money markets accounts.

### **NOTE 3 – PROMISES TO GIVE**

Promises to give are estimated to be collected as follows at June 30:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 143,934	\$ 133,409
Due within one to five years	20,000	30,000
Less allowance for doubtful accounts	<u>(34,470)</u>	<u>(18,390)</u>
	<u>\$ 129,464</u>	<u>\$ 145,019</u>

### **NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

During 2019, the Symphony entered into agreements with the Community Foundation of Greater Memphis ("CFGM") and University of Memphis Foundation ("UMF") for donors to establish endowment funds at those institutions for the benefit and use of the Symphony. These funds will be administered by CFGM and UMF, therefore, the Symphony will have neither possession nor control over the assets of the funds. Upon notification of the Symphony's beneficial interest in these funds, a contribution with donor restrictions was recorded in the statement of activities. The beneficial interest in these assets is reported at the fair value of the funds' assets in the statement of financial position. Fund distributions and changes in fair value are recognized in the statement of activities.

Both agreements provide for annual distributions to the Symphony of approximately 5% of the aggregate fund balances. The UMF agreement allows for the unlimited spending of fund earnings and/or fund principal at any time, only after approval of both the President/CEO of the Symphony and the President of the University of Memphis is given. Additional contributions can be made by donors to either fund any time thereafter.

Subsequent to June 30, 2019, the Symphony received notification from CFGM that additional gifts totaling \$15,000,000 were received and established for the benefit and use of the Symphony. Similar to the agreements described above, the Symphony will not have access to these funds but will receive annual distributions of approximately 5% of the aggregate fund balances. In January 2020, the Symphony received a distribution from CFGM of approximately \$533,000.

## NOTE 5 – FAIR VALUE MEASUREMENTS

The Symphony reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the most advantageous market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the Symphony. Unobservable inputs are inputs that reflect the Symphony’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities the Symphony has the ability to access.
- Level 2 – Inputs (other than quoted prices within level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Inputs which are unobservable for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The fair value of the beneficial interest in assets held by CFGM and UMF is based on the fair value of fund investments as reported by CFGM and UMF. These assets are considered to be Level 3 measurements since the Symphony does not have access to the holdings and no observable inputs.

The following table presents assets measured at fair value on a recurring basis at fair value as of June 30:

	Level 3 Measurements	
	2019	2018
Beneficial Interest in Assets Held by Others		
University of Memphis Foundation	\$ 725,923	\$ -
Community Foundation of Greater Memphis	690,766	-
	<u>\$ 1,416,689</u>	<u>\$ -</u>

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

	Beneficial Interest in Assets Held by Others	
	2019	2018
Balance, beginning of year	\$ -	\$ -
Contributions	1,396,939	-
Change in value	19,750	-
Balance, end of year	<u>\$ 1,416,689</u>	<u>\$ -</u>

#### NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30 is as follows:

	2019	2018
Office furniture and equipment	\$ 148,756	\$ 148,755
Vehicles	24,000	24,000
Concert equipment	221,732	221,732
Musical instruments	181,405	181,405
Music library	403,641	396,662
Leasehold improvements	10,884	10,884
	<u>990,418</u>	<u>983,438</u>
Less: accumulated depreciation	(562,916)	(550,420)
	<u>\$ 427,502</u>	<u>\$ 433,018</u>

#### NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows at June 30:

	2019	2018
Purpose Restrictions:		
Scholarships	\$ 32,004	\$ 31,988
Time-Restricted for Future Periods:		
Beneficial interest in assets held by others	1,416,689	-
Promises to give	30,000	40,000
	<u>\$ 1,478,693</u>	<u>\$ 71,988</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Expiration of Time Restrictions:		
Promises to give	\$ 10,000	\$ -
Satisfaction of Purpose Restrictions:		
Music library	-	5,729
	<u>\$ 10,000</u>	<u>\$ 5,729</u>

#### **NOTE 8 – MULTI-EMPLOYER PENSION PLAN**

The Symphony is a participating employer in a multi-employer defined benefit pension plan (the “Plan”) for its unionized musicians who participate in a collective bargaining agreement. The Plan generally provides retirement benefits to employees based on years of service to the Symphony. The Plan is managed by a board of trustees including contributing employers. The Symphony does not have a representative on the board of trustees. Pension contributions were \$52,930 and \$45,033 for the years ended June 30, 2019 and 2018, respectively. The Symphony's contributions to the Plan represented less than 5% of total contributions to the plan. Effective April 15, 2010, the Plan is operating under an amended rehabilitation plan.

The risk of participating in a multi-employer defined benefit plan are different from single employer plans as: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the Plan may be required to be borne by the remaining participating employers, and (c) if the Symphony chooses to stop participating in the Plan, a withdrawal liability to the Plan may result.

In connection with ongoing renegotiation of its collective bargaining agreement, the Symphony may discuss and negotiate for the complete or partial withdrawal from the Plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multi-employer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Symphony's financial position in the period of the withdrawal. The Symphony has no current plans to withdraw from its multi-employer pension plan.

The following presents information about the Symphony's multi-employer pension plan as of March 31, 2019 and 2018, and for the years then ended:

Name of pension fund	American Federation of Musicians and Employer's Pension Fund	
Employer Identification Number	51-6120204	
Plan number	001	
Rehabilitation Plan status	Implemented	
Expiration of collective bargaining agreement	June 30, 2021	
	<u>2019</u>	<u>2018</u>
Actuarial value of assets	\$ 1,844,511,996	\$ 1,908,814,167
Actuarial value of liabilities	\$ 2,958,962,165	\$ 2,958,237,592
Percentage funded at end of year	61.80%	64.50%
Required employer contributions based on qualified employee gross wages	3.597%	3.27%