

# **San Francisco Symphony**

Financial Statements

August 31, 2019 and 2018



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## INDEPENDENT AUDITOR'S REPORT

To the Audit Committee of the Board of Governors  
San Francisco Symphony  
San Francisco, California

We have audited the accompanying financial statements of San Francisco Symphony (a California nonprofit corporation) (the "SFS"), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Francisco Symphony as of August 31, 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.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, the San Francisco Symphony has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 32 - 33 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Restatement of Net Assets**

As described in Note 3, the San Francisco Symphony restated its net assets. Our opinion is not modified with respect to this matter.

*Armanino LLP*

Armanino<sup>LLP</sup>  
San Ramon, California

January 30, 2020

**SAN FRANCISCO SYMPHONY**  
**Statements of Financial Position**  
**August 31, 2019 and 2018**  
(In thousands)

|   | 2019                             |                            |                   | 2018, as restated (Note 3)       |                            |                   |
|---|----------------------------------|----------------------------|-------------------|----------------------------------|----------------------------|-------------------|
|   | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total             | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|   | <b>ASSETS</b>                    |                            |                   |                                  |                            |                   |
| Cash  | \$ 2,100                         | \$ 1,767                   | \$ 3,867          | \$ 697                           | \$ 2,248                   | \$ 2,945          |
| Short-term investments                                    | 298                              | -                          | 298               | 4,518                            | -                          | 4,518             |
| Promises to give, net                                     | 8,085                            | 7,904                      | 15,989            | 3,852                            | 9,557                      | 13,409            |
| Receivables under charitable remainder trusts             | -                                | 2,430                      | 2,430             | -                                | 2,365                      | 2,365             |
| Prepays and other assets                                  | 11,077                           | -                          | 11,077            | 8,684                            | -                          | 8,684             |
| Investments   | 4,418                            | 279,226                    | 283,644           | 6,142                            | 285,410                    | 291,552           |
| Assets held in split interest agreements                  | -                                | 5,240                      | 5,240             | -                                | 5,457                      | 5,457             |
| Property and equipment, net                               | 17,482                           | -                          | 17,482            | 17,520                           | -                          | 17,520            |
| Total Assets  | <u>\$ 43,460</u>                 | <u>\$ 296,567</u>          | <u>\$ 340,027</u> | <u>\$ 41,413</u>                 | <u>\$ 305,037</u>          | <u>\$ 346,450</u> |
| <b>LIABILITIES AND NET ASSETS</b>                         |                                  |                            |                   |                                  |                            |                   |
| Accounts payable and other accrued liabilities            | \$ 5,935                         | \$ -                       | \$ 5,935          | \$ 4,637                         | \$ -                       | \$ 4,637          |
| Bank loan   | 1,000                            | -                          | 1,000             | 81                               | -                          | 81                |
| Advance ticket sales                                      | 11,188                           | -                          | 11,188            | 11,481                           | -                          | 11,481            |
| Liabilities to beneficiaries of split interest agreements | -                                | 3,132                      | 3,132             | -                                | 3,002                      | 3,002             |
| Pension benefit liabilities                               | 29,450                           | -                          | 29,450            | 7,224                            | -                          | 7,224             |
| Total Liabilities   | <u>47,573</u>                    | <u>3,132</u>               | <u>50,705</u>     | <u>23,423</u>                    | <u>3,002</u>               | <u>26,425</u>     |
| Net assets  |                                  |                            |                   |                                  |                            |                   |
| Without donor restrictions:                               |                                  |                            |                   |                                  |                            |                   |
| Accumulated operating net assets                          | 13,289                           | -                          | 13,289            | 12,526                           | -                          | 12,526            |
| Accumulated pension liability                             | (50,682)                         | -                          | (50,682)          | (28,123)                         | -                          | (28,123)          |
| Property Fund   | 17,411                           | -                          | 17,411            | 18,735                           | -                          | 18,735            |
| Board designated reserve                                  | 8,389                            | -                          | 8,389             | 4,308                            | -                          | 4,308             |
| Board designated endowment                                | 7,480                            | -                          | 7,480             | 10,544                           | -                          | 10,544            |
| Total without donor restrictions                          | (4,113)                          | -                          | (4,113)           | 17,990                           | -                          | 17,990            |
| With donor restrictions                                   | -                                | 293,435                    | 293,435           | -                                | 302,035                    | 302,035           |
| Total Net Assets  | <u>(4,113)</u>                   | <u>293,435</u>             | <u>289,322</u>    | <u>17,990</u>                    | <u>302,035</u>             | <u>320,025</u>    |
| Total Liabilities and Net Assets                          | <u>\$ 43,460</u>                 | <u>\$ 296,567</u>          | <u>\$ 340,027</u> | <u>\$ 41,413</u>                 | <u>\$ 305,037</u>          | <u>\$ 346,450</u> |

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

**SAN FRANCISCO SYMPHONY**  
**Statements of Activities**  
For the Years Ended August 31, 2019 and 2018  
(In thousands)

|                                       | <b>2019</b>                           |                                    |                   | <b>2018, as restated (Note 3)</b>     |                                    |                   |
|---------------------------------------|---------------------------------------|------------------------------------|-------------------|---------------------------------------|------------------------------------|-------------------|
|                                       | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>      | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>      |
| <b>REVENUES</b>                       |                                       |                                    |                   |                                       |                                    |                   |
| Gifts, grants, and bequests           | \$ 26,698                             | \$ 11,411                          | \$ 38,109         | \$ 18,356                             | \$ 19,979                          | \$ 38,335         |
| Concert and related revenues          | 29,382                                | -                                  | 29,382            | 29,692                                | -                                  | 29,692            |
| Investment income and net gains       | 488                                   | 3,744                              | 4,232             | 5,675                                 | 20,444                             | 26,119            |
| Retail and media                      | 1,341                                 | -                                  | 1,341             | 1,373                                 | -                                  | 1,373             |
| Other                                 | <u>67</u>                             | <u>-</u>                           | <u>67</u>         | <u>49</u>                             | <u>-</u>                           | <u>49</u>         |
| Total revenues                        | 57,976                                | 15,155                             | 73,131            | 55,145                                | 40,423                             | 95,568            |
| Net assets released from restriction  | 10,501                                | (10,501)                           | -                 | 9,937                                 | (9,937)                            | -                 |
| Endowment earnings appropriated       | <u>13,254</u>                         | <u>(13,254)</u>                    | <u>-</u>          | <u>7,842</u>                          | <u>(7,842)</u>                     | <u>-</u>          |
| Total net assets released             | <u>23,755</u>                         | <u>(23,755)</u>                    | <u>-</u>          | <u>17,779</u>                         | <u>(17,779)</u>                    | <u>-</u>          |
| Total revenues and releases           | 81,731                                | (8,600)                            | 73,131            | 72,924                                | 22,644                             | 95,568            |
| <b>EXPENSES</b>                       |                                       |                                    |                   |                                       |                                    |                   |
| Personnel                             | 52,754                                | -                                  | 52,754            | 54,962                                | -                                  | 54,962            |
| Guest artists and conductors          | 5,670                                 | -                                  | 5,670             | 5,507                                 | -                                  | 5,507             |
| Travel and entertainment              | 4,074                                 | -                                  | 4,074             | 2,057                                 | -                                  | 2,057             |
| Advertising                           | 3,600                                 | -                                  | 3,600             | 3,799                                 | -                                  | 3,799             |
| Consultants and temporary employees   | 3,372                                 | -                                  | 3,372             | 2,801                                 | -                                  | 2,801             |
| Depreciation and amortization         | 2,240                                 | -                                  | 2,240             | 1,434                                 | -                                  | 1,434             |
| Facilities                            | 1,714                                 | -                                  | 1,714             | 1,601                                 | -                                  | 1,601             |
| Professional fees                     | 1,458                                 | -                                  | 1,458             | 1,288                                 | -                                  | 1,288             |
| Event production                      | 1,092                                 | -                                  | 1,092             | 587                                   | -                                  | 587               |
| Miscellaneous                         | <u>5,302</u>                          | <u>-</u>                           | <u>5,302</u>      | <u>5,373</u>                          | <u>-</u>                           | <u>5,373</u>      |
| Total expenses                        | <u>81,276</u>                         | <u>-</u>                           | <u>81,276</u>     | <u>79,409</u>                         | <u>-</u>                           | <u>79,409</u>     |
| Change in net assets from operations  | 455                                   | (8,600)                            | (8,145)           | (6,485)                               | 22,644                             | 16,159            |
| Change in pension benefit liabilities | <u>(22,559)</u>                       | <u>-</u>                           | <u>(22,559)</u>   | <u>15,522</u>                         | <u>-</u>                           | <u>15,522</u>     |
| Change in net assets                  | <u>(22,104)</u>                       | <u>(8,600)</u>                     | <u>(30,704)</u>   | <u>9,037</u>                          | <u>22,644</u>                      | <u>31,681</u>     |
| Net assets, beginning of year         | <u>17,990</u>                         | <u>302,035</u>                     | <u>320,025</u>    | <u>8,953</u>                          | <u>279,391</u>                     | <u>288,344</u>    |
| Net assets, end of year               | <u>\$ (4,113)</u>                     | <u>\$ 293,435</u>                  | <u>\$ 289,322</u> | <u>\$ 17,990</u>                      | <u>\$ 302,035</u>                  | <u>\$ 320,025</u> |

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

SAN FRANCISCO SYMPHONY  
Statements of Cash Flows  
For the Years Ended August 31, 2019 and 2018  
(In thousands)

|   | <u>2019</u>     | <u>2018</u>     |
|---|-----------------|-----------------|
| Cash flows from operating activities                              |                 |                 |
| Change in net assets  | \$ (30,704)     | \$ 31,681       |
| Adjustments to reconcile change in net assets to net cash used in |                 |                 |
| Depreciation and amortization                                     | 2,240           | 1,434           |
| Allowance for doubtful accounts                                   | 65              | 158             |
| Recognition of deferred income                                    | -               | (4,500)         |
| Net unrealized and realized gains on investments                  | (638)           | (21,815)        |
| Loss on disposal of property                                      | -               | 34              |
| Contributions to net assets with donor restrictions               | (785)           | 1,381           |
| Change in pension benefit liabilities                             | 22,226          | (15,522)        |
| Change in operating assets and liabilities:                       |                 |                 |
| Promises to give, net   | (2,800)         | (6,048)         |
| Assets held in split interest agreements                          | 217             | 10              |
| Prepaid and other assets  | (3,294)         | 239             |
| Accounts payable and other accrued liabilities                    | 1,298           | 371             |
| Advance ticket sales  | (293)           | 358             |
| Liabilities to beneficiaries of split interest agreements         | 129             | (151)           |
| Net cash used in operating activities                             | <u>(12,339)</u> | <u>(12,370)</u> |
| Cash flows from investing activities                              |                 |                 |
| Proceeds from sales of investments                                | 63,270          | 60,812          |
| Purchases of investments  | (54,724)        | (22,431)        |
| Proceeds from sales (purchases) of short-term investments         | 4,220           | (4,197)         |
| Acquisitions of property and equipment                            | (1,301)         | (1,513)         |
| Payments to fund pension plan in excess of minimum requirement    | -               | (802)           |
| Net cash provided by investing activities                         | <u>11,465</u>   | <u>31,869</u>   |
| Cash flows from financing activities                              |                 |                 |
| Receipt of contributions to net assets                            | 877             | 1,365           |
| Net (repayments) borrowings on bank loans                         | 919             | (21,163)        |
| Net cash provided by (used in) financing activities               | <u>1,796</u>    | <u>(19,798)</u> |
| Net change in cash  | 922             | (299)           |
| Cash, beginning of year   | 2,945           | 3,244           |
| Cash, end of year   | <u>\$ 3,867</u> | <u>\$ 2,945</u> |
| <b>Supplemental disclosure of cash flow information:</b>          |                 |                 |
| Cash paid - interest  | <u>\$ -</u>     | <u>\$ 61</u>    |

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

SAN FRANCISCO SYMPHONY  
Notes to Financial Statements  
August 31, 2019 and 2018  
(In thousands)

**1. ORGANIZATION**

Founded in 1911, the San Francisco Symphony ("SFS") presents more than 200 concerts and presentations annually for audiences of over 350,000 in Davies Symphony Hall, in other Bay Area venues, and through an active national and international touring program. In addition, the SFS provides extensive music education programs that benefit students in San Francisco and throughout the Bay Area. The SFS has its own recording label, SFS Media, and has produced an extensive body of acclaimed audio and video recordings which are distributed around the world. Its national multimedia project, Keeping Score, encompasses a public television and radio series, educational music websites, documentary and live performance DVDs, and its music education and music coaching programs serve students in grades 1-12 in San Francisco's public schools.

The mission of the SFS is to set the highest possible standard for excellence in musical performance at home and around the world; enrich, serve, and shape cultural life throughout the spectrum of Bay Area communities; maintain financial stability, and gain public recognition as a means of ensuring its ability to fulfill its mission.

**2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the SFS are prepared on the accrual basis. The financial information conforms to the statements of accounting principles of the Financial Accounting Standards Board ("FASB") and to the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Entities.

**NEW AUTHORITATIVE PRONOUNCEMENTS**

Not-for-Profit Financial Statement Presentation

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, Presentation of Financial Statement of Not-for-Profit Entities ("ASU 2016-14"), which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset reporting. The standard requires the SFS to classify its net assets in two categories: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions, among other requirements. The guidance also enhances disclosures about the composition of net assets, liquidity and expenses by both natural and functional classification. SFS adopted ASU 2016-14 in fiscal year ending August 31, 2019 and applied the changes retrospectively. Additionally, in 2019 the SFS changed the presentation of expenses in the Statements of Activities from a functional to a natural expense classification for comparability with peers and industry practice. This change has been retroactively applied to the fiscal year ending August 31, 2018 Statement of Activities. The SFS moved the presentation of functional expenses from the face of the Statements of Activities to the Notes to the Financial Statements alongside the natural expense classifications.

There is no impact on net assets or total expenses from these changes.



SAN FRANCISCO SYMPHONY  
Notes to Financial Statements  
August 31, 2019 and 2018  
(In thousands)

**Significant Accounting Policies –**

**Cash** - cash consists of demand deposits and includes restricted cash amounts of \$1,563 and \$1,173 as of August 31, 2019 and 2018, respectively. Restricted cash balances represent funds collected by the SFS for hall improvement at Davies Symphony Hall and subject to approval by the City of San Francisco for use.

**Short-term investments** - short term investments are primarily money market funds with underlining securities maturing in less than 90 days.

**Promises to give** - Promises to give are recorded when deemed unconditional. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free rates adjusted for potential credit risk applicable in the years in which those promises are received. Amortization of the discounts is included in gifts, grants, and bequests revenue.

Conditional promises to give are not recorded as revenue until the conditions have been substantially met and transfers of assets with a conditional promise to contribute are accounted for as a refundable advance and are included in accounts payable and other accrued liabilities until the conditions have been substantially met or have been explicitly waived by the donor. As of August 31, 2019 and 2018, there are no conditional promises outstanding.

The SFS continually monitors donor's credit worthiness and recognizes allowances for estimated bad debts on donor accounts that are no longer estimated to be collectible.

**Receivables under charitable remainder trusts** - Assets contributed by donors under charitable remainder trust agreements and controlled by third parties are recognized at the present value of the estimated future distributions to be received by the SFS over the term of the agreements. The SFS is a named beneficiary in nine charitable remainder trusts. One of the nine trusts is a perpetual trust where the SFS has an irrevocable right to receive specified yearly distributions over the life of the trust but is not a named beneficiary upon termination of the trust. The eight other trusts provide the SFS with beneficial interests to be received upon termination of the trusts. The SFS' beneficial interest in these trusts has been valued at estimated fair value based on the discounted present value of future cash flows at risk-adjusted rates ranging from 6.6% to 8.3%. Two trusts represented 87% and 88% of the total value of these receivables at August 31, 2019 and 2018, respectively.

**Prepaid and other assets** – Prepaid assets consist primarily of prepaid marketing and special event expenses. Such amounts are deferred and recorded as expense in the period benefitted. Other assets include loans to employees, other general receivables, inventory, and master recordings used to produce CDs and DVDs. Master recordings are amortized over the estimated life of the recorded performance. In the fiscal year ended August 31, 2019, management fully amortized certain master recordings that were previously recorded due to the determination of no remaining estimated life. As of August 31, 2019 and 2018, \$3,183 and \$3,456, respectively, of employee loans are outstanding.

SAN FRANCISCO SYMPHONY  
Notes to Financial Statements  
August 31, 2019 and 2018  
(In thousands)

**Investments and Fair Value Measurements** – Investments represent a diversified portfolio of public and private domestic and international equity securities, fixed income securities, and alternative investments in private equity, venture capital, real estate, and hedge funds. Investments are reported at fair value. The values of publicly-traded fixed income and equity securities are based on quoted market prices. Fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Nonmarketable securities, which include investments in hedge funds, venture capital funds and real estate funds or limited partnerships, are valued using net asset value ("NAV"), or its equivalent, provided by fund managers as a practical expedient to estimate fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. These non-marketable investments often require the estimation of fair values by the fund managers in the absence of readily determinable market values. As of August 31, 2019, and 2018, the SFS had no specific plans or intentions to sell investments at amounts different than NAV. Because of the inherent uncertainty of valuing these investments, the SFS' estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels of inputs:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The investments reported at NAV as practical expedient are not required to be categorized in the fair value hierarchy.

Dividend and interest income are accrued when earned. Net realized and unrealized gains (losses) are included in investment income and net gains (losses) in the statements of activities. Investment income and net gains are reported net of custodial and investment advisory fees of \$349 and \$603 for the years ended August 31, 2019 and 2018, respectively.

SAN FRANCISCO SYMPHONY  
Notes to Financial Statements  
August 31, 2019 and 2018  
(In thousands)

**Assets held in split interest agreements** - Charitable remainder trusts and gift annuities are irrevocable trusts under the administration of the SFS, as trustee, where SFS is an irrevocable remainderman. These assets represent the assets held in split interest agreements and are recognized at fair value upon execution. Liabilities associated are recorded at the present value of the expected payments to the beneficiaries using a rate that is reflective of investment returns consistent with the composition of investment portfolio, life expectancies from certain mortality tables for the years ended August 31, 2019 and 2018, and a discount rate of 2.2% and 4.07%, respectively. Changes in the fair market value as a result of earnings, net of beneficiary distributions, are recognized as either investment income with donor restrictions in the statements of activities. As of August 31, 2019 and 2018, \$3,223 and \$3,371, respectively, of the assets were gift annuities and \$2,017 and \$2,086, respectively, were charitable remainder trusts.

**Property and Equipment** – Such assets consist of musical instruments, leasehold improvements, furniture, equipment and software. Assets in excess of \$5 are capitalized and recorded at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets which range from three to thirty years. Musical instruments and artwork are not depreciated as their estimated useful lives are extraordinarily long. Contributed equipment is recorded at fair value at the date of donation. The SFS does not construe time restrictions on the use of contributed long-lived assets received without explicit donor stipulations concerning how long the contributed assets must be used. The carrying amount of all long-lived assets is evaluated periodically to determine if reductions to the carrying amount or adjustments to the useful lives of the undepreciated balances are warranted.

**Net Assets** - Net assets are categorized as (1) without donor restrictions and (2) with donor restrictions.

*Net assets without donor restrictions* are derived from gifts and other resources that are not subject to explicit donor-imposed restrictions. This category also includes income and gains on these funds. Certain net assets classified as without donor restrictions for external reporting purposes are board-designated for support of SFS' operations.

*Net assets with donor restrictions* are generally established by donors in support of specific purposes such as youth orchestra, education, real estate investments, orchestra and artist compensation, and other specific purposes. This category includes gifts, pledges, trusts and remainder interests, and income and gains that can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions and time restrictions imposed by donors or implied by the nature of the gift, or by the interpretations of law. Donor restrictions are normally released upon the passage of time and/or the incurrence of expenditures that fulfill the donor-specified purpose.

Endowment fund appreciation, gains, and income exceeding donor restrictions are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the SFS. Upon appropriation, appreciation and earnings are reclassified as net assets without donor restrictions.

SAN FRANCISCO SYMPHONY  
Notes to Financial Statements  
August 31, 2019 and 2018  
(In thousands)

**Advance ticket sales** - Advance ticket sales represent concert revenues received in advance of the period the related concerts will be performed. Such amounts are deferred and recognized as revenue in the period the performance takes place.

**Revenue recognition** - Gifts, grants, and bequests are recognized as revenue when received or unconditionally promised. The SFS reports gifts of cash and other assets as restricted support if such gifts are received with donor restrictions that limit for what purpose or when the donated assets can be used. When a donor restriction is met, such net assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

**Contributed services** - Recognition of contributed services require that such services must (i) create or enhance non-financial assets, (ii) require specialized skills, (iii) be performed by individuals possessing those skills, and (iv) typically need to be acquired if not provided by donation. Donated services are recorded at their estimated fair values at the dates of donation and are reported as unrestricted income, unless the donor has restricted the services to a specific purpose. For fiscal years ended August 31, 2019 and 2018, \$266 and \$196, respectively, of legal and consulting contributed services were recognized as income. Additionally, the SFS receives numerous additional hours of donated services from volunteers in various capacities which are not reflected in the accompanying financial statements as the criteria for recognition are not met.

**In-kind contributions** – The SFS received in-kind contributions of food, improvements, furniture, equipment and other goods related to its fundraising events. For the years ended August 31, 2019 and 2018, the SFS received \$780 and \$796, respectively, of in-kind contributions and were recorded at fair value at the date of donation.

**Reclassifications** – Certain prior year balances have been reclassified to conform to the current year presentation.

**Income tax status** - The SFS is a nonprofit organization pursuant to Internal Revenue Code Section 501(c)(3) and the state of California equivalent legislation and, accordingly, is exempt from federal and state income taxes on income related to its tax-exempt purpose.

The SFS evaluated its current tax positions and concluded that as of August 31, 2019 and 2018, the SFS does not have any significant uncertain tax positions for which a reserve would be necessary. For state tax purposes, the SFS is generally no longer subject to tax examinations for years prior to 2015. For federal tax purposes, the SFS is no longer subject to tax examinations for years prior to 2016.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SAN FRANCISCO SYMPHONY  
Notes to Financial Statements  
August 31, 2019 and 2018  
(In thousands)

**Concentrations** - Financial instruments which potentially subject the SFS to credit risk consist primarily of cash, marketable securities, and investments. The SFS maintains cash, marketable securities and investments with various major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits. The SFS manages credit risk by establishing minimum credit standards for financial institutions and limiting the amount of credit exposure with any one institution. The SFS closely monitors its investments and has not experienced any credit losses.

**Collective bargaining agreements** - As of August 31, 2019, approximately 65% of the SFS' employees were covered by collective bargaining agreements. The collective bargaining agreement with the American Guild of Musical Artists covering San Francisco chorus members expires August 31, 2023. The Theatrical Employees Union, Local B-18, of the International Alliance of Theatrical Stage Employees, Moving Picture Machine Operators of the United States and Canada, covering ticket service employees and ushers, expires on May 31, 2023 and the collective bargaining agreement with the Local 6, American Federation of Musicians covering the SFS musicians expires on November 26, 2022. The collective bargaining agreement with the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States and Canada, Local 16, covering stage employees, and Local 784 covering wardrobe employees expires on October 31, 2020 and December 31, 2020, respectively.

**Recently Issued Accounting Pronouncements:**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which was developed to provide a single revenue standard containing comprehensive principles for recognizing revenue. ASU 2014-09 implements a single framework for revenue recognition ensuring that revenue is recognized in a manner which reflects the consideration to which the entity expects to be entitled in exchange for goods and services. This standard specifically excludes contribution revenue and income that arises from investment returns. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 will become effective for non-public entities for annual reporting periods beginning after December 15, 2018. The SFS is currently evaluating the impact of adoption to its financial statements.

In January 2016, the FASB issued ASU No. 2016-01 ("ASU 2016-01") "Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 amends various aspects of the recognition, measurement, presentation, and disclosure for financial instruments. ASU 2016-01 is effective for non-public entities for fiscal years beginning after December 15, 2018. The SFS is currently evaluating the impact of adoption to its financial statements.

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In February 2016, the FASB issued ASU 2016-02 ("ASU 2016-02"), Leases (Topic 842). This guidance requires lessees to recognize (for leases longer than twelve months) at the lease commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents a lessee's right to use, or control the use of, a specified asset for the lease term. In July 2018, the FASB provided entities relief from the transition requirements in ASU 2016-02 by allowing them to elect not to recast prior comparative periods. A full retrospective transition approach is not permitted. This new standard is effective for fiscal years beginning after December 15, 2020, with early application permitted. The SFS is currently evaluating the impact of adoption to its financial statements.

In August 2016, the FASB issued ASU No. 2016-15 ("ASU 2016-15") "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)." The new guidance addresses eight specific cash flow presentation and classification issues in the statement of cash flows to reduce existing diversity in practice. ASU 2016-15 is effective for non-public entities for annual periods beginning after December 15, 2018, although early adoption is permitted. The SFS is currently evaluating the impact of adoption to its financial statements.

In March 2017, the FASB issued ASU 2017-07 ("ASU 2017-07"), Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The ASU requires the service cost component of net periodic benefit cost for pension and other postretirement benefits be presented as a part of employee benefit expense. The other components of net periodic benefit cost, such as interest, gains or losses, and amortization of other actuarially determined amounts, are required to be presented as a nonoperating change in net assets without donor restrictions. ASU 2017-07 is effective for non-public entities for annual periods beginning after December 15, 2018, although early adoption is permitted. The SFS is currently evaluating the impact of adoption to its financial statements.

In June 2018, the FASB issued ASU No. 2018-08 ("ASU 2018-08") "Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." This accounting standard update clarifies and improves the scope of contribution guidance relating to evaluation of contributions versus exchange transactions, or nonreciprocal versus reciprocal transactions, respectively. This ASU also provides clarity in determining whether a contribution is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018. The SFS is currently evaluating the impact of adoption to its financial statements.

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**3. RESTATEMENT OF NET ASSETS**

During the fiscal year ended August 31, 2019, management engaged the advice of external legal counsel and conducted a detailed internal review of historical gift agreements and the associated accounting treatment of such gifts. As a result of this review, management concluded that certain donor documentation could be interpreted as requiring classification as “with donor restrictions” under U.S. GAAP. As such, certain prior year gifts that were originally deemed without donor restrictions and included as part of the board designated endowment, were recategorized to the endowment net assets with donor restrictions based on the legal interpretation of donor intent.

Management also determined that certain capitalized costs in prior fiscal years related to work in progress should have been recorded as expense. As a result, property and equipment and net assets without donor restrictions - property fund were restated.

The impact of the restatements is as follows at August 31, 2018:

|                                  | As Previously<br>Reported | Restatement | Restated<br>Amount |
|----------------------------------|---------------------------|-------------|--------------------|
| Investments                      |                           |             |                    |
| Without donor restrictions       | \$ 29,384                 | \$ (23,242) | \$ 6,142           |
| With donor restrictions          | 262,168                   | 23,242      | 285,410            |
| Total investments                | \$ 291,552                | \$ -        | \$ 291,552         |
| Property and equipment, net      | \$ 19,360                 | \$ (1,840)  | \$ 17,520          |
| Net Assets                       |                           |             |                    |
| Without donor restrictions       |                           |             |                    |
| Accumulated operating net assets | \$ 12,526                 | \$ -        | \$ 12,526          |
| Accumulated pension liability    | (28,123)                  | -           | (28,123)           |
| Property fund                    | 20,575                    | (1,840)     | 18,735             |
| Board designated reserve         | 4,275                     | 33          | 4,308              |
| Board designated endowment       | 33,819                    | (23,275)    | 10,544             |
| Total without donor restrictions | 43,072                    | (25,082)    | 17,990             |
| With donor restrictions          | 278,793                   | 23,242      | 302,035            |
| Total Net Assets                 | \$ 321,865                | \$ (1,840)  | \$ 320,025         |

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**4. LIQUIDITY AND AVAILABLE RESOURCES**

The SFS' financial assets and resources available to meet cash needs for general expenditures within one year of the date of the Statement of Financial Position were as follows:

|   | <b>2019</b> |
|---|-------------|
| Financial assets:   |             |
| Cash (net of restricted cash \$1,563)                           | \$ 537      |
| Short-term investments  | 298         |
| Promises to give - without donor restrictions (within one year) | 8,146       |
| Investments - without donor restrictions                        | 4,418       |
| Total financial assets available within one year                | 13,399      |
| Liquidity resources:  |             |
| Bank line of credit (undrawn)                                   | 2,000       |
| Total financial assets and resources available within one year  | \$ 15,399   |

As part of its liquidity management, the SFS structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The SFS invests cash in excess of daily requirement in short-term investments. To help manage liquidity needs that arise primarily as a result of receipts timing, SFS has a \$3 million line of credit available to draw upon on a daily basis.

For financial reporting purposes, donor-restricted endowment fund appreciation, gains, and income exceeding donor restrictions are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the SFS in a manner consistent with the standard of prudence prescribed by law. Upon appropriation, appreciation and earnings are reclassified as net assets without donor restrictions. The tabular amounts above exclude the portion of the SFS endowment with donor restrictions that relates to endowment fund appreciation, gains, and income that have not yet been appropriated for expenditure which totals \$46,413 at August 31, 2019. The Board can appropriate such amount for expenditure at any time.



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**5. PROMISES TO GIVE**

Promises to give consisted of the following:

|  | <u>2019</u>      | <u>2018</u>      |
|--|------------------|------------------|
| Receivable in:                           |                  |                  |
| Less than one year                       | \$ 8,799         | \$ 4,931         |
| One to five years                        | 6,087            | 7,233            |
| More than five years                     | <u>1,606</u>     | <u>1,698</u>     |
| Total                                    | 16,492           | 13,862           |
| Discount                                 | (229)            | (205)            |
| Less allowance for uncollectible pledges | <u>(274)</u>     | <u>(248)</u>     |
| Total                                    | <u>\$ 15,989</u> | <u>\$ 13,409</u> |

Included in promises to give as of August 31, 2019 and 2018 are \$2,400 and \$1,700, respectively, from one donor.

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**6. FAIR VALUE MEASUREMENTS**

The following table sets forth, by level within the fair value hierarchy, the SFS' assets and liabilities at fair value as of August 31, 2019 and 2018:

| <u>2019</u>   | <u>Level 1</u>    | <u>Level 2</u>  | <u>Level 3</u>  | <u>NAV</u>       | <u>Total</u>      |
|---|-------------------|-----------------|-----------------|------------------|-------------------|
| Cash and short-term investments                           | \$ 4,165          |                 |                 |                  | \$ 4,165          |
| Receivables under charitable remainder trusts             |                   |                 | \$ 2,430        |                  | \$ 2,430          |
| Investments:  |                   |                 |                 |                  |                   |
| Cash and cash equivalents for reinvestment                | \$ 8,578          | \$ -            | \$ -            | \$ -             | \$ 8,578          |
| Short-term investments                                    |                   |                 |                 |                  |                   |
| Mutual funds  | 2,816             | -               | -               | -                | 2,816             |
| Fixed income  |                   |                 |                 |                  |                   |
| Total return  | 20,549            | -               | -               | -                | 20,549            |
| Floating rate high income                                 | 5,272             | -               | -               | -                | 5,272             |
| Equity  |                   |                 |                 |                  |                   |
| Domestic equity   | 60,742            | -               | -               | -                | 60,742            |
| International equity                                      | 48,418            | -               | -               | -                | 48,418            |
| Global equity   | 28,375            | -               | -               | -                | 28,375            |
| Master limited partnership                                | 21,359            | -               | -               | -                | 21,359            |
| Emerging equity   | 8,618             | -               | -               | -                | 8,618             |
| Preferred stock   | 5,968             | -               | -               | -                | 5,968             |
| Absolute Return   |                   |                 |                 |                  |                   |
| Multistrategy   | -                 | -               | -               | 9,880            | 9,880             |
| Hedge fund of funds                                       | -                 | -               | -               | 8,790            | 8,790             |
| Private equity  |                   |                 |                 |                  |                   |
| Buyout  | -                 | -               | -               | 18,232           | 18,232            |
| Direct  | -                 | -               | -               | 5,921            | 5,921             |
| Venture   | -                 | -               | -               | 3,942            | 3,942             |
| Special situations  | -                 | -               | -               | 887              | 887               |
| Real estate   |                   |                 |                 |                  |                   |
| Core  | -                 | -               | -               | 2,338            | 2,338             |
| Opportunistic   | -                 | 6,989           | -               | 8,216            | 15,205            |
| Value added   | -                 | -               | -               | 7,754            | 7,754             |
| Total investments   | <u>\$ 210,695</u> | <u>\$ 6,989</u> | <u>\$ -</u>     | <u>\$ 65,960</u> | <u>\$ 283,644</u> |
| Assets held in split interest agreements                  | <u>\$ 5,240</u>   |                 |                 |                  | <u>\$ 5,240</u>   |
| Liabilities to beneficiaries of split interest agreements |                   |                 | <u>\$ 3,132</u> |                  | <u>\$ 3,132</u>   |

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| <b>2018</b>   | <b>Level 1</b>    | <b>Level 2</b>  | <b>Level 3</b>  | <b>NAV</b>       | <b>Total</b>      |
|---|-------------------|-----------------|-----------------|------------------|-------------------|
| Cash and short-term investments                           | <u>\$ 7,463</u>   |                 |                 |                  | <u>\$ 7,463</u>   |
| Receivables under charitable remainder trusts             |                   |                 | <u>\$ 2,365</u> |                  | <u>\$ 2,365</u>   |
| Investments:  |                   |                 |                 |                  |                   |
| Cash and cash equivalents for reinvestment                | \$ 4,359          | \$ -            | \$ -            | \$ -             | \$ 4,359          |
| Short-term investments                                    |                   |                 |                 |                  |                   |
| Mutual funds  | 419               | -               | -               | -                | 419               |
| Fixed income  |                   |                 |                 |                  |                   |
| Total return  | 20,569            | -               | -               | -                | 20,569            |
| Floating rate high income                                 | 6,150             | -               | -               | -                | 6,150             |
| Equity  |                   |                 |                 |                  |                   |
| Domestic equity   | 67,659            | -               | -               | -                | 67,659            |
| International equity                                      | 53,711            | -               | -               | -                | 53,711            |
| Global equity   | 30,068            | -               | -               | -                | 30,068            |
| Master limited partnership                                | 23,270            | -               | -               | -                | 23,270            |
| Emerging equity   | 10,091            | -               | -               | -                | 10,091            |
| Preferred stock   | 5,612             | -               | -               | -                | 5,612             |
| Absolute Return   |                   |                 |                 |                  |                   |
| Multistrategy   | -                 | -               | -               | 9,124            | 9,124             |
| Hedge fund of funds                                       | -                 | -               | -               | 8,959            | 8,959             |
| Private equity  |                   |                 |                 |                  |                   |
| Buyout  | -                 | -               | -               | 13,552           | 13,552            |
| Direct  | -                 | -               | -               | 6,835            | 6,835             |
| Venture   | -                 | -               | -               | 3,639            | 3,639             |
| Special situations  | -                 | -               | -               | 1,256            | 1,256             |
| Real estate   |                   |                 |                 |                  |                   |
| Core  | -                 | -               | -               | 2,293            | 2,293             |
| Opportunistic   | -                 | 7,110           | -               | 9,264            | 16,374            |
| Value added   | -                 | -               | -               | 7,611            | 7,611             |
| Total investments   | <u>\$ 221,907</u> | <u>\$ 7,110</u> | <u>\$ -</u>     | <u>\$ 62,535</u> | <u>\$ 291,552</u> |
| Assets held in split interest agreements                  | <u>\$ 5,457</u>   |                 |                 |                  | <u>\$ 5,457</u>   |
| Liabilities to beneficiaries of split interest agreements |                   |                 | <u>\$ 3,002</u> |                  | <u>\$ 3,002</u>   |

\*Certain investments that are measured at fair value using the NAV (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to illustrate the reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

In accordance with ASU No. 2009-12, Fair Value Measurements and Disclosures, disclosures regarding the category, fair value, unfunded commitments, redemption, frequency, and redemption notice period for those assets whose fair value is estimated using NAV per share as of August 31, 2019 and 2018, are summarized as follows:

During the preparation of the 2019 financial statements, management classified the investments into more specific categories. 2018 has been restated to conform with the revised classifications and these reclassifications have no impact on the SFS' accompanying financial statements.

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The following table summarizes investments that are measured at NAV by category as of August 31, 2019 and 2018:

| Category/Objective          | Fair Value<br>Determined<br>Using NAV | Unfunded<br>Commitments | Redemption<br>Frequency | Redemption Notice<br>Period            |
|-----------------------------|---------------------------------------|-------------------------|-------------------------|--|
| <b>2019</b>                 |                                       |                         |                         |  |
| Absolute return/hedge funds | \$ 18,669                             | \$ -                    | quarterly / semi-annual | 1 month prior                          |
| Private Equity              | 28,982                                | 4,946                   | n/a                     | n/a                                    |
| Real estate                 | 18,309                                | 7,052                   | quarterly / n/a         | if applicable, 10 and<br>30 days prior |
| Total                       | <u>\$ 65,960</u>                      | <u>\$ 11,998</u>        |                         |  |
| <b>2018</b>                 |                                       |                         |                         |  |
| Absolute return/hedge funds | \$ 18,084                             | \$ -                    | quarterly / semi-annual | 1 month prior                          |
| Private Equity              | 25,282                                | 9,460                   | n/a                     | n/a                                    |
| Real estate                 | 19,168                                | 2,570                   | quarterly / n/a         | if applicable, 10 and<br>30 days prior |
| Total                       | <u>\$ 62,535</u>                      | <u>\$ 12,030</u>        |                         |  |

## 7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31, 2019 and 2018, as restated (Note 3):

|   | <u>2019</u>      | <u>2018</u>      |
|---|------------------|------------------|
| Musical instruments and artwork                 | \$ 12,058        | \$ 11,570        |
| Davies Symphony Hall renovations                | 11,032           | 11,032           |
| Leasehold improvements                          | 8,361            | 8,335            |
| Computer equipment and software                 | 4,101            | 3,746            |
| Furniture and office equipment                  | 3,426            | 2,810            |
| Work in progress                                | <u>270</u>       | <u>453</u>       |
| Total property                                  | 39,248           | 37,946           |
| Less: accumulated depreciation and amortization | <u>(21,766)</u>  | <u>(20,426)</u>  |
| Total   | <u>\$ 17,482</u> | <u>\$ 17,520</u> |

Depreciation and amortization expense for the years ended August 31, 2019 and 2018, were \$2,240 and \$1,434, respectively.

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**8. BANK LOANS**

In November 2017, the SFS paid down and closed a revolving secured line of credit in the amount of \$21,000. Interest expense incurred for the year ending August 31, 2018 was \$61.

On May 15, 2017, the SFS entered into an agreement to provide for advances up to an aggregate principal amount of \$6,000 to fund capital expenditures associated with its Audience Development Initiatives. This line of credit expires on May 3, 2020, bears interest at a variable rate of one-month LIBOR plus 0.50%, is collateralized by assets maintained in two of the SFS's securities accounts at the lender and is to be repaid through the collection of a "Hall Improvement" fee added to tickets sold for concerts in Davies Symphony Hall. As of August 31, 2019 and 2018, the outstanding balance was \$0 and \$81, respectively. Interest expense incurred for the year ended August 31, 2019 and 2018 was \$0 and \$5, respectively.

On January 7, 2019, the SFS obtained a \$3 million line of credit to finance working capital needs. Any outstanding principal balance shall be due and payable in full on April 1, 2020. Interest expense is determined at the SFS' discretion using rates of a) 2.65% above Daily One Month LIBOR, or b) a fixed rate per annum of 2.65% above LIBOR in effect on the first day of the applicable LIBOR period, at the discretion of the SFS. As of August 31, 2019, the outstanding balance on this line of credit was \$1,000. Interest expense incurred for the year ended August 31, 2019 totaled \$11.

**9. ENDOWMENT**

The SFS' endowment consists of 125 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board to function as endowments ("board designated endowment"). As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The SFS' investment policy is designed to preserve and enhance the inflation-adjusted value of the endowment investments using the total return approach to meet its long-term performance objective of an average annual inflation-adjusted net return of 6%. Asset allocation parameters are established taking into consideration those investments with lock-up periods. This strategy allows for a significant allocation to equity-oriented investments, diversified across asset classes and managers, offering long-term capital appreciation. Portfolio performance is compared against relevant market benchmarks on a quarterly basis. At present, the SFS' investment policy requires asset allocations of 89% publicly traded global and domestic equities and alternatives (i.e., private equity, hedge funds and real estate), 9% fixed income investments, and 2% cash and cash equivalents. The Board may, at its discretion, change asset allocations, as deemed necessary.

The long-term objective of the SFS is to stabilize annual spending levels to preserve the real value of the endowment over time. In order to do so, the expected return of the endowment considers the annual spending rate, the long-term inflation rate and any growth factors, which the Investment and Finance Committees deem appropriate.

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Under SFS' endowment spending policy, a variation of a formula commonly referred to as the "Yale Method" is used to determine the annual amount appropriated to support current operations. For the years ended August 31, 2019 and 2018, the annual endowment draw has been determined using a formula consisting of two components:

1. An inflation component of 70% of the previous year's endowment draw, adjusted for inflation, plus 1.5%.
2. A market value component of 30% of the trailing 20-quarter average market value for the periods ending February 28<sup>th</sup> prior to the start of each new fiscal year, multiplied by 5.5%.

The total of the two components is the amount appropriated to support current operations. To the extent that current yield is inadequate to meet the amount appropriated, a portion of accumulated unexpended gains and the board designated endowment funds are available for current use. The effective appropriation rates for the years ended August 31, 2019 and 2018 were 5.49% and 4.99%, respectively.

FASB Accounting Standards Codification Topic 958, Not-for-Profit Entities, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), which was enacted in the state of California on January 1, 2009.

Under UPMIFA, prudent appropriation of income or appreciation from a fund where the value is less than its historic dollar value is permitted. In particular, UPMIFA provides that unless a donor expresses a contrary intention in a gift instrument, a charitable institution may appropriate as much of an endowment fund as it "determines is prudent for the uses, benefits, purposes and duration for which the fund is established," without regard for historic dollar value. Additionally, UPMIFA requires that in making any decision to appropriate "the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances." Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board. It further provides a requirement that the institution "shall consider, if relevant" the following factors in deciding whether or not to appropriate from a fund:

- (1) Duration and preservation of the endowment fund
- (2) Purposes of the Symphony and the endowed fund
- (3) General economic conditions
- (4) Possible effects of inflation or deflation
- (5) Expected total return from income and the appreciation of investments
- (6) Other resources of the SFS
- (7) Investment policy of the SFS

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As a result of market declines, the fair value of the donor-restricted endowments may fall below original contributed value. Deficiencies can result from unfavorable market fluctuations that occur while continued appropriations are deemed prudent by the Board. SFS has one fund with an aggregate market value of \$2,312 at August 31, 2019 that is below the values of the original gifts and it will not draw on such fund until the balance is restored to that of the original gifts. There was no such fund as August 31, 2018. These unrealized losses have been recorded as reductions in net assets with donor restrictions. Future market gains will be used to restore this reduction in net assets.

For financial reporting purposes, donor-restricted endowment fund appreciation, gains, and income exceeding donor restrictions are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board. Upon appropriation, appreciation and earnings are reclassified as net assets without donor restrictions.

Endowment net asset composition by type of fund as of August 31, 2019 and 2018 are:

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
|---|-------------------------------|----------------------------|------------|
| <b><u>2019</u></b>  |                               |                            |            |
| Board-designated endowment funds  | \$ 7,480                      | \$ -                       | \$ 7,480   |
| Donor-restricted endowment funds:   |                               |                            |            |
| Original donor-restricted gift amount and amounts<br>required to be maintained in perpetuity by donor | -                             | 189,414                    | 189,414    |
| Accumulated investment earnings:  |                               |                            |            |
| Available for appropriation   | -                             | 46,413                     | 46,413     |
| Available for appropriation and restricted for purpose  | -                             | 37,332                     | 37,332     |
| subtotal donor-restricted endowment funds   | -                             | 273,159                    | 273,159    |
| Total   | \$ 7,480                      | \$ 273,159                 | \$ 280,639 |
| <b><u>2018</u></b>  |                               |                            |            |
| Board-designated endowment funds  | \$ 10,544                     | \$ -                       | \$ 10,544  |
| Donor-restricted endowment funds:   |                               |                            |            |
| Original donor-restricted gift amount and amounts<br>required to be maintained in perpetuity by donor | -                             | 188,482                    | 188,482    |
| Accumulated investment earnings:  |                               |                            |            |
| Available for appropriation   | -                             | 44,212                     | 44,212     |
| Available for appropriation and restricted for purpose  | -                             | 49,099                     | 49,099     |
| subtotal donor-restricted endowment funds   | -                             | 281,793                    | 281,793    |
| Total   | \$ 10,544                     | \$ 281,793                 | \$ 292,337 |

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Changes in endowment net assets for the years ended August 31, 2019 and 2018 are:

|  | Without Donor<br>Restrictions<br>(Board-<br>designated<br>Endowment) | With Donor<br>Restrictions | Total             |
|--|--|----------------------------|-------------------|
| Balance, August 31, 2017                 | \$ 65,042  | \$ 231,025                 | \$ 296,067        |
| Net investment return                    | 5,606  | 20,490                     | 26,096            |
| Contributions                            | 82   | 5,793                      | 5,875             |
| Endowment draw                           | (7,555)  | (7,842)                    | (15,397)          |
| Appropriation of Board-designated assets | 33,090   | (36,853)                   | (3,763)           |
| Total                                    | <u>31,223</u>  | <u>(18,412)</u>            | <u>12,811</u>     |
| Balance, August 31, 2018                 | 33,819   | 249,437                    | 283,256           |
| Restatement of endowment (Note 3)        | <u>(23,275)</u>  | <u>32,356</u>              | <u>9,081</u>      |
| Balance, August 31, 2018, restated       | 10,544   | 281,793                    | 292,337           |
| Net investment return                    | 209  | 3,895                      | 4,104             |
| Contributions                            | 60   | 725                        | 785               |
| Endowment draw                           | <u>(3,333)</u>   | <u>(13,254)</u>            | <u>(16,587)</u>   |
| Total                                    | <u>(3,064)</u>   | <u>(8,634)</u>             | <u>(11,698)</u>   |
| Balance, August 31, 2019                 | <u>\$ 7,480</u>  | <u>\$ 273,159</u>          | <u>\$ 280,639</u> |

In addition to the endowment draw in the fiscal year ended August 31, 2018, \$21,000 was appropriated to pay down the outstanding balance on the revolving secured line of credit (Note 8) and \$8,000 was appropriated for working capital.



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**10. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of August 31, 2019 and 2018, as restated (Note 3), are restricted for the following purposes or subject to the passage of time:

|  | <u>2019</u>       | <u>2018</u>       |
|--|-------------------|-------------------|
| Production and general activities        | \$ 171,482        | \$ 178,198        |
| Education                                | 44,020            | 44,693            |
| Orchestra and artist compensation        | 41,957            | 42,963            |
| Youth orchestra                          | 14,847            | 14,897            |
| Community engagement                     | 5,473             | 5,490             |
| Split interest agreements                | 4,636             | 4,828             |
| Fundraising events                       | 4,250             | 3,102             |
| Time restricted for operating activities | 2,573             | 3,752             |
| Tour - youth orchestra                   | 2,229             | 3,211             |
| Tour                                     | 1,968             | 901               |
| Total                                    | <u>\$ 293,435</u> | <u>\$ 302,035</u> |

Net assets released from restrictions for the years ended August 31, 2019 and 2018 are as follows:

|                                   | <u>2019</u>      | <u>2018</u>      |
|-----------------------------------|------------------|------------------|
| Production and general activities | \$ 10,044        | \$ 7,618         |
| Youth Orchestra and education     | 4,337            | 3,719            |
| Fundraising events                | 3,977            | 3,535            |
| Time restricted satisfied         | 1,744            | 1,051            |
| Orchestra and artist compensation | 1,504            | 1,432            |
| Tour - youth orchestra            | 1,088            | -                |
| Tour                              | 500              | -                |
| Community engagement              | 561              | 424              |
| Total                             | <u>\$ 23,755</u> | <u>\$ 17,779</u> |

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**11. DEFINED BENEFIT RETIREMENT PLANS**

The SFS maintains two defined-benefit pension plans, one for members of the orchestra, the San Francisco Retirement Plan (the "Orchestra Plan"), and one for administrative employees, the San Francisco Symphony Retirement Plan (the "Administrative Plan"). On March 31, 2010, the Administration Plan was frozen, and the SFS added a discretionary base contribution to its defined contribution plan (Note 12). The Symphony uses an August 31 measurement date for its defined benefit pension plan obligations.

The following tables set forth each plan's funded status, net pension expense and other pension-related amounts reported in the SFS' financial statements:

|   | Orchestra Plan                |                   | Administrative Plan           |                   |
|---|-------------------------------|-------------------|-------------------------------|-------------------|
|   | Year ended August 31,<br>2019 | 2018              | Year ended August 31,<br>2019 | 2018              |
| Plan assets at fair value   | \$ 81,756                     | \$ 81,504         | \$ 17,123                     | \$ 17,765         |
| Accumulated benefit obligation  | (104,499)                     | (86,150)          | (23,830)                      | (20,343)          |
| Unfunded status   | <u>\$ (22,743)</u>            | <u>\$ (4,646)</u> | <u>\$ (6,707)</u>             | <u>\$ (2,578)</u> |
| Service cost - benefits earned during the period  | \$ 1,249                      | \$ 1,338          | \$ 110                        | \$ 110            |
| Interest cost - on projected benefit obligation   | 3,229                         | 2,846             | 757                           | 645               |
| Expected annual return on plan assets   | (5,115)                       | (4,956)           | (1,149)                       | (1,146)           |
| Amortization of prior service cost  | 1,059                         | 1,059             | -                             | -                 |
| Recognized net actuarial losses   | <u>1,148</u>                  | <u>2,361</u>      | <u>468</u>                    | <u>644</u>        |
| Net periodic benefit cost (pension expense)   | <u>\$ 1,570</u>               | <u>\$ 2,648</u>   | <u>\$ 186</u>                 | <u>\$ 253</u>     |
| Employer contributions  | \$ 1,571                      | \$ 3,573          | \$ 346                        | \$ 189            |
| Benefits and expenses paid  | 2,762                         | 2,644             | 987                           | 882               |
| Amounts included in net assets without donor restrictions<br>and not yet recognized in net periodic benefit cost: |                               |                   |                               |                   |
| Net actuarial loss  | \$ 33,962                     | \$ 18,560         | \$ 8,713                      | \$ 4,424          |
| Net prior service cost  | 8,007                         | 5,312             | -                             | -                 |

The following table sets forth the respective amounts to be reflected in the financial statements for the year ended August 31, 2020:

|                    | Orchestra Plan | Administrative Plan |
|--------------------|----------------|---------------------|
| Prior service cost | \$ 1,103       | \$ -                |
| Actuarial losses   | \$ 2,107       | \$ 941              |

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The SFS' policy is to make annual contributions to the Orchestra and Administrative Plans that are the greater of an amount equal to the annual net periodic benefit expense or the minimum required contribution per Internal Revenue Service ("IRS") requirements of each plan. Contributions equal to net periodic benefit expense are funded from the SFS' operating budget and any additional contributions required if the IRS minimum required contribution is greater than net periodic pension benefit cost are to be funded from the assets of the board-designated reserve. The SFS expects to contribute \$2,232 to the Orchestra Plan and \$549 to the Administrative Plan by August 31, 2020.

The SFS anticipates future benefit payments, which reflect future service, to be paid from the pension plan as follows:

|                        | <u>Orchestra Plan</u> | <u>Administrative Plan</u> |
|------------------------|-----------------------|----------------------------|
| Year ending August 31, |                       |                            |
| 2020                   | \$ 4,272              | \$ 915                     |
| 2021                   | 4,534                 | 1,039                      |
| 2022                   | 4,811                 | 1,146                      |
| 2023                   | 5,011                 | 1,197                      |
| 2024                   | 5,179                 | 1,259                      |
| Thereafter             | <u>27,724</u>         | <u>6,455</u>               |
| Total                  | <u>\$ 51,531</u>      | <u>\$ 12,011</u>           |

*Assumptions* – Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost for the years were as follows:

|  | <u>Orchestra Plan</u> |             | <u>Administrative Plan</u> |             |
|--|-----------------------|-------------|----------------------------|-------------|
|  | Year ended August 31, |             | Year ended August 31,      |             |
|  | <u>2019</u>           | <u>2018</u> | <u>2019</u>                | <u>2018</u> |
| Weighted average assumptions:                  |                       |             |                            |             |
| Discount rate for net periodic benefit cost    | 2.91%                 | 4.07%       | 2.91%                      | 4.07%       |
| Discount rate for projected benefit obligation | 2.91%                 | 4.07%       | 2.91%                      | 4.07%       |
| Expected return on plan assets                 | 6.50%                 | 6.75%       | 6.75%                      | 7.00%       |
| Rate of compensation increase                  | n/a                   | n/a         | n/a                        | n/a         |

The plans' investments are made for the purpose of providing retirement reserves for the present and future benefit of participants of the plans. The Investment Committee of Board of Governors of the SFS and its external service providers (i.e., investment managers and advisors) shall adhere to the Employee Retirement Income Security Act of 1974 ("ERISA") "prudent investor" standard of care and other fiduciary obligations under ERISA in carrying out their duties with respect to the plans' assets. The primary investment objective is to maximize returns while maintaining an acceptable level of risk, subject to the funding policies determined by the Finance Committee of the Board of Governors of the SFS. The SFS acknowledges this goal is long-term in nature and that interim investment environments may provide anticipated or actual returns in excess or below the level indicated.

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*Plan assets* – Weighted-average asset allocation of the SFS' pension plans were as follows:

| <u>Asset Category</u>       | <u>Orchestra Plan - Asset Allocations</u> |                |                | <u>Administrative Plan - Asset Allocations</u> |                |                |
|-----------------------------|---|----------------|----------------|--|----------------|----------------|
|                             | Years ending August 31,                   |                |                | Years ending August 31,                        |                |                |
|                             | Target                                    | 2019<br>Actual | 2018<br>Actual | Target   | 2019<br>Actual | 2018<br>Actual |
| Public equities             | 62%                                       | 62%            | 63%            | 62%  | 66%            | 67%            |
| Hedge funds/absolute return | 20%                                       | 17%            | 17%            | 15%  | 13%            | 13%            |
| Real estate                 | 8%  | 8%             | 8%             | 9%   | 9%             | 10%            |
| Fixed income                | 10%                                       | 12%            | 10%            | 10%  | 12%            | 9%             |
| Cash                        | 0%  | 1%             | 2%             | 4%   | 0%             | 1%             |

Retirement plans – multiemployer

The SFS is a participating employer in various trustee-managed multiemployer defined benefit pension plans for employees who participate in collective bargaining agreements. These plans are each managed by a board of trustees and certain employees who are members of the American Federation of Musicians and certain employees who are members of the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States and Canada, Local 16 ("I.A.T.S.E. 16") participate in these plans. These plans generally provide retirement benefits to employees based on years of service to participating employers. Contributions to these plans range from 10% to 12% of the employee's compensation and \$668 and \$640 for the years ended August 31, 2019 and 2018, respectively, were charged to pension expense for ongoing participation in these plans.

The risks of participating in these multiemployer defined benefit pension plans differ from single employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the unfunded obligations of the plan may be required to be borne by the remaining participating employers if a participating employer stops contribution to the plan and (c) it may be required to pay a withdrawal liability to the plan if the SFS chooses to cease participation in one of its multiemployer plans. In connection with its recurring periodic re-negotiation of collective bargaining agreements, the SFS may negotiate for the complete or partial withdrawal from these plans. Withdrawal liabilities could be material to the SFS' change in net assets in the period of the withdrawal. The SFS has no plans to withdraw from its multiemployer pension plans at this time.

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*American Federation of Musicians & Employers' Pension Fund ("AFM Pension Fund") –  
EIN and Plan Number: 51-6120204001*

The SFS makes contributions to the AFM Pension Fund on behalf of those employees who are members of American Federation of Musicians who meet certain conditions. The AFM Pension Fund was in "critical" status (funded percentage is less than 65%) in the year ending March 31, 2019 because the AFM Pension Fund's actuary determined that (i) it was in critical status last year and, over the next nine years, it is projected to have an accumulated funding deficiency for the AFM Pension Fund's year ending March 31, 2019 and (ii) the sum of the normal cost and interest on the unfunded benefits for the current AFM Pension Fund year exceeds the present value of all expected contributions for the year, the present value of vested benefits of inactive participants is greater than the present value of vested benefits of active participants and over the next four plan years, the AFM Pension Fund is projected to have an accumulated funding deficiency in the plan year ended March 31, 2019. On June 28, 2019, the actuary for the AFM Pension Fund certified that the AFM Pension Fund is in critical and declining status for the plan year beginning April 1, 2019 (i.e., Deep Red Pension Protection Zone Act Status) as it is expected to become insolvent during the plan year ending March 31, 2037.

The SFS contributed \$509 and \$384 for the years ended August 31, 2019 and 2018, respectively, and did not contribute more than 5% of total AFM Pension Fund contributions for each respective plan year end. The SFS paid a contribution surcharge in both fiscal years.

The following table sets forth the most recent information about the AFM Pension Fund:

|   | Plan Year Ended       |                       |
|---|-----------------------|-----------------------|
|   | <u>March 31, 2019</u> | <u>March 31, 2018</u> |
| Valuation date                                | April 1, 2018         | April 1, 2017         |
| Funded percentage                             | 61.8%                 | 64.5%                 |
| Actuarial value of assets                     | \$ 1,844,512          | \$ 1,908,814          |
| Actuarial value of liabilities                | \$ 2,985,962          | \$ 2,958,238          |
| Pension Protection Zone Act Status            | Red                   | Red                   |
| Zone status applicable year                   | March 31, 2019        | March 31, 2018        |
| FIP/RP status                                 | Implemented           | Implemented           |
| Expiration of collective bargaining agreement | November 26, 2022     | November 24, 2018     |

*I.A.T.S.E. Local 16 Pension Plan - EIN and Plan Number 94-6296420001*

The SFS makes contributions to the I.A.T.S.E. Local 16 Pension Plan on behalf of employees who are members of the I.A.T.S.E. 16. The AFM Pension Fund was in "green" zone status (i.e., funded percentage is greater than 80%) for the years ending December 31, 2018 and December 31, 2017. The SFS contributed \$226 and \$205 for the Plan years ended December 31, 2018 and 2017, respectively, and did not contribute more than 5% of total AFM Pension Fund contributions for each respective plan year end.

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The following table sets forth the most recent information about the I.A.T.S.E Local 16 Pension Plan:

|   | Plan Year Ended          |                          |
|---|--------------------------|--------------------------|
|   | <u>December 31, 2018</u> | <u>December 31, 2017</u> |
| Valuation date                                | January 1, 2018          | January 1, 2017          |
| Funded percentage                             | 85.6%                    | 83.0%                    |
| Actuarial value of assets                     | \$ 209,051               | \$ 198,574               |
| Actuarial value of liabilities                | \$ 244,256               | \$ 239,220               |
| Pension Protection Zone Act Status            | Green                    | Green                    |
| Zone status applicable year                   | December 31, 2018        | December 31, 2017        |
| FIP/RP Status                                 | Implemented              | Implemented              |
| Expiration of Collective Bargaining Agreement | October 31, 2020         | October 31, 2020         |

**12. DEFINED CONTRIBUTION PLAN**

The SFS participates in a defined contribution plan (the "403b Plan") covering substantially all SFS employees. The Plan provides for discretionary contributions to be made by both orchestra and administrative participants. The 403b Plan also provides for discretionary contributions to be made by the SFS on behalf of administrative participants. The SFS's discretionary base contributions to participants' accounts begin after the participant has completed one year of service. Base contributions for the years ended August 31, 2019 and 2018 were \$277 and \$295, respectively. Participants are fully vested in the base contribution after five years.

The SFS' matching contributions to participants' accounts begin after the participant has completed two years of service. The SFS' matching contributions for the years ended August 31, 2019 and 2018 were \$184 and \$184, respectively.

**13. COMMITMENTS AND CONTINGENCIES**

The SFS leases facilities and equipment under noncancelable operating leases, subject to various escalation clauses, expiring through the year ending August 31, 2023. In addition, the SFS leases the Louise M. Davies Symphony Hall. Lease arrangements for the auditorium and office space in the hall are negotiated on a periodic basis. The SFS retains, in perpetuity, the right to lease space in Davies Symphony Hall at terms to be determined as long as the Orchestra continues to perform in San Francisco.

The SFS also has a contractual arrangement with its current Music Director, which expires on August 31, 2020; with its Music Director Laureate, which expires August 31, 2024; and with its Music Director Designate, which expires August 31, 2025.

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The following table lists the amounts for minimum lease payments under lease terms as well as the amounts pertaining to the contractual arrangements with its Music Director, Music Director Designate, Music Director Laureate, and other contracts:

|                       |                  |
|-----------------------|------------------|
| Year ended August 31, |                  |
| 2020                  | \$ 3,996         |
| 2021                  | 4,045            |
| 2022                  | 3,845            |
| 2023                  | 3,956            |
| 2024                  | 4,009            |
| Thereafter            | <u>2,590</u>     |
| Total                 | <u>\$ 22,441</u> |

Rent expense was \$1,709 and \$1,865 for the years ended August 31, 2019 and 2018, respectively. The SFS has commitments under partnership and limited liability company agreements to make future capital contributions of \$11,998 (Note 6).

**14. RELATED PARTY TRANSACTION**

The former chief executive officer and current chair of the board of a global investment management organization is a member of the SFS' Board of Governors and chair of the Investment Committee. SFS had \$10,827 of investments in a mutual fund managed by this organization as of August 31, 2019.

**15. FUNCTIONAL AND NATURAL CLASSIFICATION OF EXPENSES**

Expense by functional and natural classification for the fiscal years ended August 31, 2019 and 2018 are as follows:

| <u>2019</u>                         | Concert          | Education/<br>Youth | Retail          | Total<br>Program | Development     | Management<br>& General | Total            |
|-------------------------------------|------------------|---------------------|-----------------|------------------|-----------------|-------------------------|------------------|
| Personnel                           | \$ 44,238        | \$ 794              | \$ 1,257        | \$ 46,289        | \$ 2,848        | \$ 3,617                | \$ 52,754        |
| Guest artists and conductors        | 5,490            | -                   | 11              | 5,501            | 169             | -                       | 5,670            |
| Travel and entertainment            | 2,712            | 131                 | 7               | 2,850            | 1,137           | 87                      | 4,074            |
| Advertising                         | 3,281            | -                   | 34              | 3,315            | 284             | 1                       | 3,600            |
| Consultants and temporary employees | 2,055            | 611                 | 69              | 2,735            | 442             | 195                     | 3,372            |
| Depreciation and amortization       | 2,240            | -                   | -               | 2,240            | -               | -                       | 2,240            |
| Facilities                          | 812              | -                   | 130             | 942              | 78              | 694                     | 1,714            |
| Professional fees                   | 270              | 69                  | 279             | 618              | 105             | 735                     | 1,458            |
| Event production                    | 693              | -                   | 1               | 694              | 348             | 50                      | 1,092            |
| Miscellaneous                       | 2,276            | 174                 | 801             | 3,251            | 1,000           | 1,051                   | 5,302            |
| Total                               | <u>\$ 64,067</u> | <u>\$ 1,779</u>     | <u>\$ 2,589</u> | <u>\$ 68,435</u> | <u>\$ 6,411</u> | <u>\$ 6,430</u>         | <u>\$ 81,276</u> |
| As a percentage of the total        | 79%              | 2%                  | 3%              | 84%              | 8%              | 8%                      | 100%             |

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| <u>2018</u>                         | Concert          | Education/<br>Youth | Retail          | Total<br>Program | Development     | Management<br>& General | Total            |
|-------------------------------------|------------------|---------------------|-----------------|------------------|-----------------|-------------------------|------------------|
| Personnel                           | \$ 46,186        | \$ 827              | \$ 1,169        | \$ 48,182        | \$ 3,080        | \$ 3,700                | \$ 54,962        |
| Guest artists and conductors        | 5,324            | 5                   | 6               | 5,335            | 171             | 1                       | 5,507            |
| Travel and entertainment            | 833              | 120                 | 6               | 959              | 1,076           | 22                      | 2,057            |
| Advertising                         | 3,497            | -                   | 49              | 3,546            | 253             | -                       | 3,799            |
| Consultants and temporary employees | 1,576            | 456                 | 93              | 2,125            | 458             | 218                     | 2,801            |
| Depreciation and amortization       | 1,434            | -                   | -               | 1,434            | -               | -                       | 1,434            |
| Facilities                          | 686              | -                   | 140             | 826              | 126             | 649                     | 1,601            |
| Professional fees                   | 234              | 22                  | 279             | 535              | 95              | 658                     | 1,288            |
| Event production                    | 160              | -                   | -               | 160              | 422             | 5                       | 587              |
| Miscellaneous                       | 2,262            | 158                 | 526             | 2,946            | 1,168           | 1,259                   | 5,373            |
| Total                               | <u>\$ 62,192</u> | <u>\$ 1,588</u>     | <u>\$ 2,268</u> | <u>\$ 66,048</u> | <u>\$ 6,849</u> | <u>\$ 6,512</u>         | <u>\$ 79,409</u> |
| As a percentage of the total        | 78%              | 2%                  | 3%              | 83%              | 9%              | 8%                      | 100%             |

**16. SUBSEQUENT EVENTS**

In preparing these financial statements, SFS has evaluated events and transactions for potential recognition for disclosure through January 30, 2020, the date the financial statements were available to be issued. As of January 30, 2020, SFS did not have any subsequent events that require recognition or disclosure.



**SUPPLEMENTARY INFORMATION**

**SAN FRANCISCO SYMPHONY**  
**Schedule of Changes in Endowment Net Assets**  
**For the Year Ended August 31, 2019**

| Fund Name  | Net Assets                                 |               | Investment<br>Return | Appropriation of<br>Endowment Assets<br>for Expenditure | Net Assets<br>August 31, 2019 |
|--|--|---------------|----------------------|---|-------------------------------|
|  | September 1, 2018<br>(as restated, Note 9) | Contributions |                      |   |                               |
| The Edmund W. and Jeannik Mequet Littlefield Fund                    | \$ 24,929,995                              | \$ -          | \$ 476,583           | \$ (1,394,984)  | \$ 24,011,594                 |
| Louise M. Davies Guest Conductor Fund                                | 21,553,629                                 | 50,000        | 414,673              | (326,486)   | 21,691,816                    |
| Phyllis C. Wattis Fund for New Works of Music                        | 21,074,589                                 | -             | (65,399)             | (551,790)   | 20,457,400                    |
| Phyllis C. Wattis Endowment Fund                                     | 19,809,593                                 | -             | (61,299)             | (1,084,308)   | 18,663,986                    |
| Phyllis C. Wattis Fund for Guest Artists                             | 16,895,540                                 | -             | (53,104)             | (924,823)   | 15,917,613                    |
| San Francisco Symphony Endowment Fund                                | 16,381,360                                 | 20,009        | 385,248              | (921,693)   | 15,864,924                    |
| Adventures in Music Fund   | 15,775,820                                 | 40,000        | 303,638              | (885,136)   | 15,234,322                    |
| The Richard and Rhoda Goldman Section String Fund                    | 11,143,106                                 | -             | 213,592              | (623,556)   | 10,733,142                    |
| 250 Post Street  | 9,872,987                                  | -             | 37,322               | (488,578)   | 9,421,731                     |
| Osgood Hooker Permanent Endowment Fund                               | 8,372,023                                  | -             | 159,983              | (468,462)   | 8,063,544                     |
| Ford Foundation Fund   | 7,457,078                                  | -             | 142,668              | (2,381,531)   | 5,218,215                     |
| The Hewlett Foundation Fund for Education                            | 7,102,895                                  | -             | 135,938              | (130,193)   | 7,108,640                     |
| William and Sakurako Fisher Fund for Adventures in Music             | 6,977,544                                  | -             | 133,612              | (390,456)   | 6,720,700                     |
| Jacqueline Hoefer Fund for Artistic Excellence                       | 5,800,656                                  | -             | 110,799              | (324,577)   | 5,586,878                     |
| Naoum Blinder Concertmaster's Chair Fund                             | 5,176,624                                  | -             | 98,920               | (289,661)   | 4,985,883                     |
| The Barbro and Bernard Osher Fund for Staged Productions             | 4,495,784                                  | -             | 85,953               | (85,953)  | 4,495,784                     |
| William Randolph Hearst Endowment                                    | 4,357,340                                  | -             | 83,300               | (243,820)   | 4,196,820                     |
| Phyllis C. Wattis Youth Symphony Fund                                | 4,153,346                                  | -             | (12,881)             | (227,343)   | 3,913,122                     |
| Jean and Bill Lane Chair Fund  | 3,622,809                                  | -             | 69,238               | (202,717)   | 3,489,330                     |
| The Ann L. and Charles B. Johnson Fund                               | 3,356,457                                  | -             | 64,113               | (187,811)   | 3,232,759                     |
| Organ Performance and Maintenance Fund                               | 2,656,219                                  | -             | 50,932               | (84,019)  | 2,623,132                     |
| Helen and Charles Schwab Fund  | 2,605,224                                  | -             | 49,982               | -   | 2,655,206                     |
| Wallace Endowment Fund   | 2,534,909                                  | -             | 48,511               | (141,861)   | 2,441,559                     |
| Paul L. & Phyllis Wattis Endowment for the Youth Orchestra Conductor | 2,390,529                                  | -             | 45,827               | (127,723)   | 2,308,633                     |
| Osher Masterworks Endowment  | 2,333,857                                  | -             | 44,750               | (130,609)   | 2,247,998                     |
| San Francisco Symphony Education Fund                                | 2,265,617                                  | 770           | 43,878               | -   | 2,310,265                     |
| James David Zellerbach Foundation                                    | 2,242,639                                  | -             | 42,855               | (125,488)   | 2,160,006                     |
| Paul L. & Phyllis Wattis Endowment for New Music                     | 2,103,819                                  | -             | 40,252               | (117,725)   | 2,026,346                     |
| Robert L. Samter Principal Trombone Chair Fund                       | 2,012,399                                  | -             | 38,455               | (112,605)   | 1,938,249                     |
| Agnes Albert Youth Music Education Fund                              | 1,897,203                                  | -             | 36,385               | (34,776)  | 1,898,812                     |
| Marcia and John Goldman Timpani Chair Fund                           | 1,832,652                                  | -             | 35,160               | -   | 1,867,812                     |
| Phyllis C. Wattis Fund for Wattis Room Maintenance                   | 1,811,546                                  | -             | (5,623)              | (80,441)  | 1,725,482                     |
| Penelope Clark Second Century Chair Fund                             | 1,785,990                                  | (102,258)     | 12,299               | (25,159)  | 1,670,872                     |
| Drs. Ben and Jess A. Shenson Young Artists Debut Fund                | 1,755,359                                  | -             | 33,616               | (98,228)  | 1,690,747                     |
| Wattis Special Performance Fund                                      | 1,735,867                                  | -             | 33,187               | (97,132)  | 1,671,922                     |
| K Hart Smith Fund  | 1,637,475                                  | 12            | 31,338               | (91,631)  | 1,577,194                     |
| The Paula and John Gambs Fund  | 1,594,993                                  | -             | 30,484               | (89,249)  | 1,536,228                     |
| The Harriet Heyman and Michael Moritz Endowed Fund                   | 1,533,479                                  | -             | 29,349               | (85,811)  | 1,477,017                     |
| The Lyman and Carol Casey Endowed Fund                               | 1,455,114                                  | -             | 27,808               | (81,422)  | 1,401,500                     |
| The Christine and Pierre Lamond Fund                                 | 1,429,277                                  | -             | 27,302               | (79,976)  | 1,376,603                     |
| Diane Miller AIM Fund  | 1,422,257                                  | -             | 27,165               | (79,584)  | 1,369,838                     |
| Hume Flute Chair Fund  | 1,412,572                                  | -             | 26,996               | (79,041)  | 1,360,527                     |
| Nancy and Charles Geschke Fund                                       | 1,410,435                                  | -             | 26,941               | (78,921)  | 1,358,455                     |
| San Francisco Symphony Youth Orchestra Fund                          | 1,405,004                                  | -             | 29,616               | (78,768)  | 1,355,852                     |
| Bernard and Barbro Osher Youth Orchestra Touring Fund                | 1,392,791                                  | -             | 32,700               | (304,554)   | 1,120,937                     |
| Carolyn H. Hume Youth Orchestra Touring Fund                         | 1,316,443                                  | -             | 26,344               | (234,232)   | 1,108,555                     |
| Lawrence Metcalf Second Century Chair Fund                           | 1,278,143                                  | 200,000       | 31,675               | (82,899)  | 1,426,919                     |
| Stan and Lenora Davis String Chair Endowment Fund                    | 1,246,482                                  | -             | 23,927               | (69,754)  | 1,200,655                     |
| Nan Tucker McEvoy Instrument Training and Support Fund               | 1,221,031                                  | -             | 23,384               | (68,328)  | 1,176,087                     |
| Emanuel S. Heller Endowment  | 1,093,243                                  | -             | 20,892               | (61,173)  | 1,052,962                     |
| Mrs. Walter Haas Children's Concert Fund                             | 1,054,114                                  | -             | 20,175               | (58,986)  | 1,015,303                     |
| Athena T. Blackburn Endowed Fund for Russian Music                   | 1,045,458                                  | (10,519)      | 8,947                | (34,388)  | 1,009,498                     |
| The Leanne and George Roberts Endowment Fund for Community Programs  | 1,008,040                                  | -             | 19,289               | (56,408)  | 970,921                       |
| Gary and Kathleen Heidenreich Fund                                   | 955,497                                    | -             | 18,332               | -   | 973,829                       |
| Michael Tilson Thomas First Performances Fund                        | 869,029                                    | -             | 16,609               | (48,627)  | 837,011                       |
| Maurice and Stella Eliasar Fund                                      | 860,295                                    | -             | 16,441               | (48,138)  | 828,598                       |
| Board Designated Endowment   | 845,400                                    | 53,836        | 24,590               | (291,897)   | 631,929                       |
| Ralph I. Dorfmann Commissioning Fund                                 | 830,917                                    | -             | 15,927               | -   | 846,844                       |
| William and Gretchen Kimball Education Fund                          | 694,983                                    | -             | 13,299               | (12,739)  | 695,543                       |
| The Sandy and Paul Otellini Education Endowed Fund                   | 668,242                                    | -             | 12,788               | (12,249)  | 668,781                       |
| John and Lisa Pritzker Fund for CFK                                  | 646,617                                    | -             | 12,378               | (36,189)  | 622,806                       |
| Pauline C. Chickering Instrument Fund                                | 610,365                                    | -             | 11,677               | (194,929)   | 427,113                       |

**SAN FRANCISCO SYMPHONY**  
**Schedule of Changes in Endowment Net Assets**  
**For the Year Ended August 31, 2019**

| Fund Name  | Net Assets                                 |                   | Investment          | Appropriation of       | Net Assets            |
|--|--|-------------------|---------------------|------------------------|-----------------------|
|  | September 1, 2018<br>(as restated, Note 9) | Contributions     |                     |                        |                       |
| Gary E. Gray Education Fund  | 568,916                                    | -                 | 10,904              | (10,428)               | 569,392               |
| San Francisco Symphony Keyboard Music Fund                         | 538,200                                    | -                 | 10,285              | -                      | 548,485               |
| Hanrahan Violin Chair  | 468,664                                    | -                 | 8,956               | (26,224)               | 451,396               |
| Katherine H. Johnson Fund  | 466,018                                    | 5,880             | 7,190               | (91,722)               | 387,366               |
| Margaret Koshland Sloss Tribute Fund                               | 461,953                                    | -                 | 8,863               | (147,539)              | 323,277               |
| Walter Edwin Dean II - Lenoir M. Dean Fund                         | 374,654                                    | -                 | 7,188               | (119,658)              | 262,184               |
| J. Peter Cahill Guest Pianist Fund                                 | 358,826                                    | -                 | 6,866               | (20,079)               | 345,613               |
| Frannie & Mort Fleishhacker Endowed Touring Fund                   | 356,331                                    | -                 | 6,828               | (19,942)               | 343,217               |
| Paul and Kathy Bissinger Endowed Fund                              | 323,874                                    | -                 | 6,189               | (18,123)               | 311,940               |
| The Barbara and Richard Rosenberg Endowed Fund                     | 313,888                                    | -                 | 5,995               | (17,564)               | 302,319               |
| Brayton Wilbur Jr. Endowed Fund for Touring                        | 309,849                                    | -                 | 5,938               | (26,509)               | 289,278               |
| The Hurlbut-Johnson Fund   | 300,917                                    | -                 | 5,759               | (5,516)                | 301,160               |
| James C. Hormel & Michael P. Nguyen Concert for Kids               | 292,158                                    | -                 | 5,591               | (16,349)               | 281,400               |
| Shenson Foundation Flute Chair for Youth Orchestra                 | 259,648                                    | -                 | 4,958               | (14,529)               | 250,077               |
| The Steinberg Family Education Endowed Fund                        | 210,090                                    | -                 | 4,020               | (3,851)                | 210,259               |
| Joseph Padula Memorial Fund  | 180,581                                    | -                 | 3,462               | (10,105)               | 173,938               |
| James Schwabacher Vocal Artists Fund                               | 180,092                                    | -                 | 3,448               | (10,078)               | 173,462               |
| KPMG Fund for Community Engagement                                 | 166,561                                    | -                 | 3,185               | (9,320)                | 160,426               |
| Barbara Brookins Young Artists Fund                                | 164,065                                    | -                 | 3,138               | (9,181)                | 158,022               |
| Agnes Albert Honorary Endowment Fund                               | 160,554                                    | -                 | 2,950               | (8,977)                | 154,527               |
| Ann and Jim Paras Endowed Fund                                     | 158,087                                    | -                 | 3,021               | (8,846)                | 152,262               |
| Mr. & Mrs. George Otto Sibelius Fund                               | 154,775                                    | -                 | 2,963               | (8,661)                | 149,077               |
| Terry Family Fund  | 152,973                                    | -                 | 2,924               | (8,560)                | 147,337               |
| Nion McEvoy Family Fund  | 152,738                                    | -                 | 2,919               | (8,547)                | 147,110               |
| Elizabeth Letts Janss Fund   | 151,781                                    | -                 | 2,904               | (48,473)               | 106,212               |
| Linda Tabor-Beck Friends and Family, et.al                         | 145,383                                    | 2,253             | 2,148               | (2,948)                | 146,836               |
| John P. and Susan H. Carver Fund                                   | 145,163                                    | -                 | 2,774               | (8,123)                | 139,814               |
| Halfmann-Yee Fund for Touring                                      | 142,965                                    | -                 | 2,739               | (8,000)                | 137,704               |
| Leonard Kingsley Endowed Fund                                      | 142,169                                    | -                 | 2,720               | (45,403)               | 99,486                |
| Mrs. George John Otto Memorial Vocalist Fund                       | 139,970                                    | -                 | 2,679               | (7,833)                | 134,816               |
| Jerome and Thao Dodson Music Education Fund                        | 139,574                                    | -                 | 2,673               | (7,810)                | 134,437               |
| Phyllis and Stuart Moldaw Fund for Instrument Training and Support | 139,512                                    | -                 | 2,671               | (7,807)                | 134,376               |
| Howard and Agnes Shapiro Fund for Music Education                  | 137,477                                    | -                 | 2,631               | (2,520)                | 137,588               |
| The Blair Fund   | 136,021                                    | -                 | 3,338               | (7,652)                | 131,707               |
| The Jon and Linda Gruber Education Fund                            | 134,144                                    | -                 | 2,567               | (2,459)                | 134,252               |
| The Richard and Joan Madden Endowed Fund                           | 128,988                                    | -                 | 2,464               | (7,218)                | 124,234               |
| Geeslin Family Fund for Community Engagement                       | 128,535                                    | -                 | 2,460               | (7,193)                | 123,802               |
| James J. Parker Mostly Mozart Fund                                 | 126,504                                    | -                 | 2,418               | (7,079)                | 121,843               |
| Fay and Ada Tom Family Fund for Touring                            | 126,328                                    | -                 | 2,425               | (7,069)                | 121,684               |
| Howard Skinner Fund  | 126,149                                    | -                 | 2,416               | (7,059)                | 121,506               |
| Fay and Ada Tom Family Fund for Guest Pianists                     | 125,194                                    | -                 | 2,403               | (7,006)                | 120,591               |
| Emma and Frederick Goltz Education Fund                            | 123,870                                    | -                 | 2,371               | (6,932)                | 119,309               |
| Margaret Liu Foundation - AIM                                      | 123,544                                    | -                 | 2,366               | (6,913)                | 118,997               |
| Fay and Ada Tom Family Fund for Concerts for Kids                  | 123,482                                    | -                 | 2,369               | (6,910)                | 118,941               |
| Jack and Fran Rominger Endowment Fund                              | 123,273                                    | -                 | 2,355               | (6,898)                | 118,730               |
| Fay and Ada Tom Family Fund  | 122,456                                    | -                 | 2,339               | (6,852)                | 117,943               |
| Athena T. Blackburn Fund for Adventures in Music                   | 116,642                                    | -                 | 2,242               | (6,528)                | 112,356               |
| Phyllis Blair Cello Chair Fund                                     | 116,532                                    | 100,000           | 4,142               | (12,117)               | 208,557               |
| Lisa and Douglas Goldman Fund for Adventures in Music              | 115,802                                    | -                 | 2,216               | (6,480)                | 111,538               |
| Joan L. Danforth Guest Artist Fund                                 | 115,574                                    | -                 | 2,211               | (6,467)                | 111,318               |
| Kenneth D. & Joanne Snow Music Education                           | 114,244                                    | 288               | 1,853               | (4,747)                | 111,638               |
| Gerald B. Rosenstein Fund  | 87,149                                     | -                 | 1,672               | (4,877)                | 83,944                |
| Archie Aye New Music Fund (#257612)                                | 81,037                                     | 2,318             | 1,293               | (1,293)                | 83,355                |
| Agnes Albert Display Case Endowment                                | 74,032                                     | -                 | 1,539               | -                      | 75,571                |
| Fannie M. Irwin Endowment  | 71,605                                     | -                 | 1,369               | (4,007)                | 68,967                |
| Wornick Endowment Fund   | 62,107                                     | -                 | 1,188               | (3,475)                | 59,820                |
| William Gregory Youth Orchestra String Fund                        | 61,012                                     | 623               | 235                 | (1,236)                | 60,634                |
| San Francisco Symphony Community Engagement                        | 53,503                                     | -                 | (2,845)             | (658)                  | 50,000                |
| Brian P. McCune and Darlene Vian Fund for Vocal Performance        | 36,894                                     | -                 | 706                 | (2,065)                | 35,535                |
| Louisa Jean De Bretteville Living Trust                            | 13,097                                     | -                 | 250                 | (733)                  | 12,614                |
| The Joseph and Anna Meyer Endowed Fund                             | -  | 94,214            | 166                 | (166)                  | 94,214                |
| The Evelyn Greenspan Endowed Fund                                  | -  | 82,012            | 1,656               | (1,660)                | 82,008                |
| Stuart C. Gallion Youth Orchestra Endowment Fund                   | -  | 245,318           | 14,757              | (14,280)               | 245,795               |
| <b>\$</b>  | <b>292,336,824</b>                         | <b>\$ 784,756</b> | <b>\$ 4,104,156</b> | <b>\$ (16,586,791)</b> | <b>\$ 280,638,945</b> |