

San Francisco Symphony

Financial Statements

August 31, 2017
(With Comparative Totals for 2016)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 28
Supplementary Information	
Schedule of Changes in Endowment Net Assets	30 - 34
2017 Statement of Financial Position - By Restrictions	35
2016 Statement of Financial Position - By Restrictions	36



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 "San Francisco Symphony"), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Symphony as of August 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 30 - 36 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.

Report on Summarized Comparative Information

We have previously audited San Francisco Symphony's 2016 financial statements, and our report dated January 27, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino^{LLP}
San Ramon, California

February 20, 2018

San Francisco Symphony
Statement of Financial Position
August 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Cash	\$ 3,244,297	\$ 4,087,004
Marketable securities	320,821	1,109,252
Promises to give, net	10,163,903	13,593,239
Receivables under charitable remainder trusts	2,467,407	2,477,553
Prepaid and other current assets	9,064,150	8,011,715
Investments	308,117,655	284,246,962
Assets held in split interest agreements	5,467,164	5,447,157
Improvements, furniture, and equipment, net	19,174,015	18,704,470
 Total assets	 \$ 358,019,412	 \$ 337,677,352
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other accrued liabilities	\$ 8,766,003	\$ 8,785,653
Bank loans	21,244,000	15,000,000
Advance ticket sales	11,123,614	12,308,452
Liabilities to beneficiaries of split interest agreements	3,153,970	3,338,591
Pension benefit liabilities	23,547,854	37,614,287
Total liabilities	67,835,441	77,046,983
Net assets		
Unrestricted		
Accumulated operating deficit	(31,571,880)	(23,656,153)
Accumulated pension liability	(43,645,435)	(58,735,064)
Board designated reserve	4,386,474	3,131,278
Board designated endowment and other	99,332,293	95,433,133
Total unrestricted	28,501,452	16,173,194
Temporarily restricted	110,519,740	97,563,943
Permanently restricted	151,162,779	146,893,232
Total net assets	290,183,971	260,630,369
 Total liabilities and net assets	 \$ 358,019,412	 \$ 337,677,352

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

San Francisco Symphony
Statement of Activities
For the Year Ended August 31, 2017
(With Comparative Totals for 2016)

	Unrestricted			Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
	Operating	Other	Total				
Revenue							
Concert and related revenues	\$ 30,630,438	\$ 342,967	\$ 30,973,405	\$ -	\$ -	\$ 30,973,405	\$ 30,401,026
SFS Media	181,475	-	181,475	-	-	181,475	189,452
Retail	1,256,618	-	1,256,618	-	-	1,256,618	1,232,251
Gifts, grants and bequests	15,683,916	3,307,745	18,991,661	7,828,095	2,284,026	29,103,782	32,472,801
Volunteer Council	880,320	-	880,320	-	-	880,320	1,173,050
Investment income and net gains	4,545	10,414,147	10,418,692	24,241,136	1,985,521	36,645,349	19,805,152
Other	99,623	-	99,623	-	-	99,623	53,050
Total revenue	<u>48,736,935</u>	<u>14,064,859</u>	<u>62,801,794</u>	<u>32,069,231</u>	<u>4,269,547</u>	<u>99,140,572</u>	<u>85,326,782</u>
Net assets released							
Net assets released from restriction	11,125,447	495,136	11,620,583	(11,620,583)	-	-	-
Distribution of investment income	13,972,150	(6,479,299)	7,492,851	(7,492,851)	-	-	-
Total net assets released	<u>25,097,597</u>	<u>(5,984,163)</u>	<u>19,113,434</u>	<u>(19,113,434)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>73,834,532</u>	<u>8,080,696</u>	<u>81,915,228</u>	<u>12,955,797</u>	<u>4,269,547</u>	<u>99,140,572</u>	<u>85,326,782</u>
Operating expenses							
Concert production	65,308,060	1,487,540	66,795,600	-	-	66,795,600	61,870,729
SFS Media	522,587	136,114	658,701	-	-	658,701	806,406
Retail	1,160,466	18,319	1,178,785	-	-	1,178,785	1,242,106
Education youth projects	890,684	14,061	904,745	-	-	904,745	1,135,303
Volunteer Council	3,051,116	48,166	3,099,282	-	-	3,099,282	3,180,070
General and administrative	7,327,694	63,456	7,391,150	-	-	7,391,150	6,384,252
Development	3,418,798	1,229,538	4,648,336	-	-	4,648,336	4,239,330
Total operating expenses	<u>81,679,405</u>	<u>2,997,194</u>	<u>84,676,599</u>	<u>-</u>	<u>-</u>	<u>84,676,599</u>	<u>78,858,196</u>
Change in net assets from operations	(7,844,873)	5,083,502	(2,761,371)	12,955,797	4,269,547	14,463,973	6,468,586
Change in pension benefit liabilities	15,089,629	-	15,089,629	-	-	15,089,629	(13,202,440)
Change in net assets	7,244,756	5,083,502	12,328,258	12,955,797	4,269,547	29,553,602	(6,733,854)
Net assets, beginning of year	(82,406,399)	98,579,593	16,173,194	97,563,943	146,893,232	260,630,369	267,364,223
Net assets, end of year	<u>\$ (75,161,643)</u>	<u>\$ 103,663,095</u>	<u>\$ 28,501,452</u>	<u>\$ 110,519,740</u>	<u>\$ 151,162,779</u>	<u>\$ 290,183,971</u>	<u>\$ 260,630,369</u>

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

San Francisco Symphony
Statement of Cash Flows
For the Year Ended August 31, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Changes in net assets	\$ 29,553,602	\$ (6,733,854)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	1,415,976	1,386,346
Net unrealized and realized gains on investments	(32,464,987)	(16,640,911)
Loss on disposal of improvements, furniture, and equipment	18,816	1,528
Contributions restricted for long-term purposes	2,284,026	2,536,818
Change in pension benefit liabilities	(15,089,629)	13,202,440
Changes in operating assets and liabilities		
Receivables, net	(1,896,973)	(9,111,728)
Prepaid expenses and other	(1,251,509)	1,666,512
Accounts payable and other accrued liabilities	1,003,544	(666,329)
Advance ticket sales	(1,184,838)	11,045
Assets held in split interest agreements	(184,621)	-
Liabilities to beneficiaries of split interest agreements	(20,007)	888,255
Net cash used in operating activities	<u>(17,816,600)</u>	<u>(13,459,878)</u>
Cash flows from investing activities		
Proceeds from sale of investments	38,464,231	42,474,122
Purchases of investments	(29,869,940)	(33,919,300)
Proceeds (purchases) of marketable securities	788,431	(787,018)
Acquisitions of improvements, furniture, and equipment	(1,705,259)	(2,098,924)
Payments to fund pension plan in excess of minimum requirement	-	(755,486)
Net cash provided by investing activities	<u>7,677,463</u>	<u>4,913,394</u>
Cash flows from financing activities		
Receipt of contributions to permanently restricted net assets	3,052,430	2,961,418
Net borrowing on bank loans	6,244,000	4,000,000
Net cash provided by financing activities	<u>9,296,430</u>	<u>6,961,418</u>
Net decrease in cash	(842,707)	(1,585,066)
Cash, beginning of year	<u>4,087,004</u>	<u>5,672,070</u>
Cash, end of year	<u>\$ 3,244,297</u>	<u>\$ 4,087,004</u>

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

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

1. NATURE OF OPERATIONS

Founded in 1911, the San Francisco Symphony presents more than 220 concerts and presentations annually for audiences of nearly 600,000 in Davies Symphony Hall, in other Bay Area venues, and through an active national and international touring program. In addition, the San Francisco Symphony provides extensive music education programs that benefit students in San Francisco and throughout the Bay Area. The San Francisco Symphony 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 serves students in grades 1-12 in San Francisco's public schools.

The San Francisco Symphony sets the highest possible standard for excellence in musical performance at home and around the world; enriches, serves, and shapes cultural life throughout the spectrum of Bay Area communities; maintains financial stability, and gains public recognition as a means of ensuring its ability to fulfill its mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for nonprofit organizations.

- *Unrestricted net assets* - Unrestricted net assets represent unrestricted resources available to support the San Francisco Symphony's operations and temporarily restricted resources which have become available for use by the San Francisco Symphony in accordance with the intentions of donors. Also included in unrestricted net assets, are specified board designated endowment net assets, whose income have become available to support the San Francisco Symphony's operations but which the Board of Governors (the "Board") has designated to be held in the San Francisco Symphony's endowment. The activity for these board designated endowment assets is reported in the Unrestricted Other column in the statement of activities along with activities related to the acquisition, sale and depreciation of capital assets.
- *Temporarily restricted net assets* - Temporarily restricted net assets represent contributions that are limited in use by the San Francisco Symphony in accordance with donor imposed stipulations. These restrictions may expire with time or may be satisfied by the actions of the San Francisco Symphony according to the terms of the donor stipulation. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and reported as unrestricted net assets. In accordance with the California Uniform Prudent Management of Institutional Funds Act of 2008 ("UPMIFA"), temporarily restricted net assets also include the income from donor-restricted endowment funds that are not classified as permanently restricted net assets and that have not been appropriated for expenditure by the Board.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Permanently restricted net assets* - Permanently restricted net assets represent contributions to be held in perpetuity as directed by the donor. The income from these contributions is available to support activities of the San Francisco Symphony as directed by the donors. The realized and unrealized gains on certain permanently restricted contributions are required to be reinvested, as directed by the donors.

Cash

Cash consists of demand deposits.

Marketable securities

Marketable securities, which are stated at fair value, represent the San Francisco Symphony's balances that are available for operations and consist of investments in money market funds as of August 31, 2017.

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 contribution revenue. Conditional promises to give are not recorded as revenue until the conditions are substantially met. The San Francisco Symphony 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 San Francisco Symphony over the term of the agreement.

Prepaid and other current assets

Prepaid and other current assets consist primarily of prepaid marketing and special event expenses. Such amounts are deferred and amortized as expenses in the period benefited.

Other assets include loans to employees, other general receivables, inventory, and master recordings used to produce CDs and DVDs. The master recordings are amortized over the estimated life of the recorded performance. There were loans to employees of \$3,515,072 and \$2,825,602 for the years ended August 31, 2017 and 2016, respectively.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments represent a diversified portfolio of public and private domestic and international equity, fixed income securities, and alternative investments in venture capital, real estate, and hedge funds, carried at estimated fair value. Equity and fixed income securities' fair values have been determined by closing market prices on national exchanges. Alternative investments in venture capital, real estate and hedge funds, which are not listed on a national exchange, are valued at estimated fair value based upon various inputs as determined by the managing partner/member. 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 statement of activities.

Alternative investments in venture capital and hedge funds are comprised of limited partnerships. Hedge fund limited partnerships include non-marketable and restricted investment securities whose values have been estimated by the managing partner of the limited partnership in the absence of readily ascertainable market values. Generally, the managing partners may use one or more of the following inputs to estimate fair value of non-marketable or restricted investment securities: 1) original transaction price; 2) recent transactions in the same or similar securities; 3) pending third-party transactions in the security or comparable securities; 4) subsequent sale or investment transactions in the same securities; 5) recapitalizations or other capital structure transactions of the issuer of the securities; 6) subsequent offerings of the same security in the equity markets; and 7) changes in the financial condition of the issuer of the security. These inputs may also be adjusted to reflect illiquidity or non-transferability, as estimated by the managing partner. Because of the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Alternative investments in real estate limited liability corporations are carried at estimated fair value as determined by the managing members of the limited liability corporations. The managing members generally estimate fair value using one or more of the following methodologies: 1) forecasts of future net cash flows discounted at prevailing market rates; 2) prevailing market capitalization rates or earnings multiples; 3) recent sales of comparable investments; 4) independent third party appraisals; and 5) sales negotiations and bona fide purchase offers received from independent third parties. Because of the inherent uncertainties of the real estate valuation, the value reflected in the financial statements may differ significantly from the value that would be determined by negotiations between parties in sales transactions, resulting in differences that could be material.

Investment income and net gains are reported net of custodial and investment advisory fees of \$583,993 for the year ended August 31, 2017.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The San Francisco Symphony determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the San Francisco Symphony has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The types of instruments which would generally be included in this category include limited partnerships and limited liability corporations, real estate, receivables under charitable remainder trusts, and liabilities to beneficiaries of split interest agreements.

Unobservable inputs reflect the San Francisco Symphony's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the San Francisco Symphony's own data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. The San Francisco Symphony's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

Assets held in split interest agreements

Included in assets held in split interest agreements are charitable remainder trusts, pooled income funds and gift annuities controlled by the San Francisco Symphony. Assets held in split interest agreements are recognized at fair value when irrevocable trusts naming the San Francisco Symphony as irrevocable remainderman are executed with a corresponding liability to beneficiaries of split interest agreements. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. The San Francisco Symphony has determined such liability using investment returns consistent with the composition of investment portfolios, single or joint life expectancies from certain mortality tables for the year ended August 31, 2017, and a discount rate of 3.6%. Upon initial recognition of the agreements, contributed income (the difference between assets held in split interest agreements and liabilities to beneficiaries of split interest agreements) is recognized as temporarily restricted net assets. In subsequent periods, income from changes in value of the split interest agreements is recognized as temporarily restricted contributed income in the statement of activities.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements, furniture, and equipment

Improvements, furniture, and equipment (including computers) of at least \$5,000 are capitalized and recorded at cost, net of accumulated depreciation. 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 San Francisco Symphony does not imply 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.

Advance ticket sales

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

Revenue recognition

Contributions are recognized as revenue when they are received or unconditionally promised. The San Francisco Symphony reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

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. In March 2006, the San Francisco Symphony received a conditional \$10,000,000 unrestricted challenge pledge that is held in Board designated endowment funds. The San Francisco Symphony received the payment of the pledge in full prior to August 31, 2015 and has recognized \$5,500,000 as of August 31, 2017 as revenue by obtaining qualifying matching pledges. The unearned portion of this conditional challenge pledge is included in accounts payable and other accrued liabilities as of August 31, 2017 totaling \$4,500,000. Due to the condition placed on this pledge, which has expired, the unearned portion of \$4,500,000 may need to be returned out of the Endowment investments.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

The San Francisco Symphony recognizes contribution revenue for certain services received at the fair value of those services if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would need to be purchased if not donated (see Note 9).

Joint activities

Costs of joint activities that are identifiable with a particular function are charged to that function and joint costs are allocated between development and the appropriate program or general and administrative function. Of the total joint costs incurred of \$3,337,927 for the year ended August 31, 2017, \$2,545,271 has been allocated to program; \$508,450 to development; and \$284,206 to general and administrative.

Fundraising expenses are reflected in the statement of activities as volunteer council and development expenses. For the year ended August 31, 2017, these expenses totaled \$7,747,618.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs applicable to more than one program or activity, such as depreciation and amortization, have been allocated among the program and supporting services. The allocation is based on management's judgment using the individual program expenses in relation to overall expenses.

Income tax status

The San Francisco Symphony has received rulings from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and from the State of California Franchise Tax Board granting exemption from income taxation.

The San Francisco Symphony has evaluated its current tax positions on unrelated business income and has concluded that as of August 31, 2017, the San Francisco Symphony does not have any significant uncertain tax positions for which a reserve would be necessary. For state tax purposes, the San Francisco Symphony is generally no longer subject to tax examinations for years prior to 2013. For federal tax purposes, the San Francisco Symphony is no longer subject to tax examinations for years prior to 2014.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with 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.

Concentrations

Financial instruments which potentially subject the San Francisco Symphony to credit risk consist primarily of cash, marketable securities, and investments. The San Francisco Symphony maintains cash, marketable securities and investments with various major financial institutions. At times, such amounts might exceed Federal Deposit Insurance Corporation limits. The San Francisco Symphony manages credit risk by establishing minimum credit standards for financial institutions and limiting the amount of credit exposure with any one institution. The San Francisco Symphony's investments have been placed with several investment custodian banks to mitigate risk. The San Francisco Symphony closely monitors these investments and has not experienced any credit losses.

As of August 31, 2017, approximately 74% of the San Francisco Symphony's employees were covered by collective bargaining agreements. The collective bargaining agreement with the American Guild of Musical Artists covering San Francisco chorus members expires July 31, 2019. 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, 2019 and the collective bargaining agreement with the Local 6, American Federation of Musicians covering the musicians of the San Francisco Symphony expires on November 24, 2018. 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, 2017 and December 31, 2017, respectively.

Comparative totals

The financial statements include certain 2016 summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the San Francisco Symphony's financial statements as of and for the year ended August 31, 2016, from which the summarized information was derived.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

3. PROMISES TO GIVE

Promises to give consist of the following:

Receivable in		
Less than one year	\$	4,518,430
One to five years		4,348,727
More than five years		<u>1,522,817</u>
Total		10,389,974
Discount		(136,071)
Less allowance for uncollectible pledges		<u>(90,000)</u>
 Total	 \$	 <u><u>10,163,903</u></u>

Included in promises to give as of August 31, 2017 is \$3,000,000 from one donor.

4. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the San Francisco Symphony's assets and liabilities at fair value as of August 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$ 3,734,734	\$ -	\$ -	\$ 3,734,734
Fixed income	30,562,576	-	-	30,562,576
Domestic equity	98,632,112	-	-	98,632,112
International equity	81,354,958	32,830,809	-	114,185,767
Venture capital	-	-	17,877,547	17,877,547
Real estate	-	-	24,609,757	24,609,757
Hedge funds	-	-	<u>18,515,162</u>	<u>18,515,162</u>
Total investments	<u>214,284,380</u>	<u>32,830,809</u>	<u>61,002,466</u>	<u>308,117,655</u>
Receivables under charitable remainder trust	-	-	2,467,407	2,467,407
Assets held in split interest agreement	<u>5,467,164</u>	<u>-</u>	<u>-</u>	<u>5,467,164</u>
	<u>\$ 219,751,544</u>	<u>\$ 32,830,809</u>	<u>\$ 63,469,873</u>	<u>\$ 316,052,226</u>
Liabilities to beneficiaries of split interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,153,970)</u>	<u>\$ (3,153,970)</u>

The San Francisco Symphony uses net asset value per share (NAVS) to determine the fair value of all the underlying investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

4. FAIR VALUE MEASUREMENTS (continued)

The following table lists investments at NAVS by investment strategy as of August 31, 2017:

<u>Strategy</u>	<u>NAV in Funds</u>	<u># of Funds</u>	<u>Remaining Life</u>	<u>\$ Amount of Unfunded Commitments</u>	<u>Redemption Terms</u>	<u>Redemption Price at Year End</u>
MFS International Growth LLC	\$ 15,546,223	1	N/A	\$ -	Monthly	Last business day preceding the 16th day of every month and the last business day of every month, with at least 10 business days prior written notice
Wellington Global Select Capital Appreciation	\$ 17,284,586	1	N/A	\$ -	Monthly	First business day of every month, with prior written notice by the 22nd calendar day of the month preceding the flow

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

4. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended August 31, 2017:

	<u>Venture Capital</u>	<u>Real Estate</u>	<u>Hedge Funds</u>	<u>Receivables Under Charitable Remainder Trusts</u>	<u>Liabilities to Beneficiaries of Split Interest Agreement</u>	<u>Total</u>
Balance, beginning of year	\$ 11,776,282	\$ 27,285,481	\$ 17,622,384	\$ 2,477,553	\$ (3,338,591)	\$ 55,823,109
Purchase, issuance and settlements, net	7,818,805	804,382	-	-	-	8,623,187
Sales proceeds	(5,358,357)	(5,855,383)	(330,014)	-	-	(11,543,754)
Realized and unrealized gains (loss), net	3,564,871	2,451,223	1,222,792	-	-	7,238,886
Change in value	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,146)</u>	<u>184,621</u>	<u>174,475</u>
Balance, end of year	<u>\$ 17,801,601</u>	<u>\$ 24,685,703</u>	<u>\$ 18,515,162</u>	<u>\$ 2,467,407</u>	<u>\$ (3,153,970)</u>	<u>\$ 60,315,903</u>
Total gains for the period included in the change in net assets attributable to the change in unrealized gains or losses for assets held at the end of the reporting period	<u>\$ 90,994</u>	<u>\$ 407,777</u>	<u>\$ 1,134,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,633,176</u>

5. IMPROVEMENTS, FURNITURE, AND EQUIPMENT

Improvements, furniture, and equipment consist of the following:

Davies Symphony Hall renovations	\$ 11,031,479
Furniture and equipment	2,885,196
Computer equipment and software	3,724,186
Leasehold improvements	8,277,581
Musical instruments and artwork	11,449,591
Work in progress	<u>1,137,730</u>
	38,505,763
Accumulated depreciation and amortization	<u>(19,331,748)</u>
	<u>\$ 19,174,015</u>

Depreciation and amortization expense for the year ended August 31, 2017, was \$1,415,976.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

6. BANK LOANS

During 2017, the San Francisco Symphony maintained a revolving secured "Line of Credit 1" in the amount of \$21,000,000. The Line of Credit 1 is secured with a first priority security interest in specific board designated assets maintained in the San Francisco Symphony's Securities Account with a financial institution. As of August 31, 2017, interest on the Line of Credit 1 was at one-quarter percent (0.25%) above the Daily One Month LIBOR rate in effect (1.47% at August 31, 2017). As of August 31, 2017, the San Francisco Symphony's outstanding balance amounted to \$21,000,000. Interest expense incurred for the year ended August 31, 2017 was \$214,827.

Under the terms of the Line of Credit 1 agreement, the San Francisco Symphony is required to comply with a certain reporting covenant. At August 31, 2017, the San Francisco Symphony is in compliance with that covenant.

In January 2017, the San Francisco Symphony entered into a revolving secured "Line of Credit 2" with Wells Fargo Bank to fund capital expenditures of up to \$6,000,000 associated with the Audience Development Initiatives. The Line of Credit 2 will provide a variable interest rate (LIBOR plus 0.50%) with a stepdown amount over the last five years of the loan, have a term of a maximum of seven years, be collateralized by the San Francisco Symphony's unrestricted endowment and be repaid through the collection of a "Hall Improvement" fee added to the majority of tickets sold for concerts in Davies Symphony Hall, beginning with the 2017-18 season. The San Francisco Symphony drew \$244,000 of this line during the final weeks of the fiscal year to cover expenses approved under the Audience Development Initiatives. Interest expense incurred for the year ended August 31, 2017 was \$680.

7. ENDOWMENT

The San Francisco Symphony's endowment consists of 116 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. 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 endowment consists of the following components: (a) permanently restricted investments, which represent the historic dollar value of the contributions restricted by donors for permanent investment, (b) earnings on permanently restricted investments that may be permanently restricted, temporarily restricted by donors for specific purposes, or have not yet been appropriated for expenditure by the Board, (c) temporarily restricted investments whose earnings have been restricted by donors for specific purposes or have not yet been appropriated for expenditure by the Board, and (d) unrestricted endowment investments, which represent funds directed for investment in the endowment by the Board and investment losses on donor-restricted investments in excess of the amount required to be maintained by the donors.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

7. ENDOWMENT (continued)

Interpretation of relevant law

The Board of Governors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the San Francisco Symphony classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the San Francisco Symphony in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the San Francisco Symphony considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the San Francisco Symphony to retain as a fund of perpetual duration. There were no such deficiencies as of August 31, 2017.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

7. ENDOWMENT (continued)

Return objectives and risk parameters

The San Francisco Symphony has adopted investment and spending policies for endowment assets that attempt to preserve and enhance the inflation-adjusted value of the corpus in perpetuity and to limit the volatility of the distributions from the Endowment to provide a relatively stable annual draw to support the San Francisco Symphony's operating needs. These financial objectives are intended to balance the needs of current and future beneficiaries of the San Francisco Symphony's Endowment. It is recognized that the desire to maintain and grow the corpus and produce a stable distribution stream involves tradeoffs that must be balanced in setting the investment objectives and the spending policies. Endowment assets include those assets of donor-restricted funds that the San Francisco Symphony must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Investment decisions about an individual asset or class of assets will not be made in isolation, but in the context of the entire portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the fund and the institution. The San Francisco Symphony expects its endowment funds to return an average annual inflation adjusted real return of 6% annually, net of all investment management fees, over the long-term. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives

To achieve its long-term rate of return objectives, the Board has adopted the total return approach to managing the endowment. The investments will be diversified both by asset class and within asset class and shall include public equity funds, fixed income funds, and alternative investment funds. The public equity and alternative investment funds together should normally represent 91% of the endowment's market value and fixed income funds should normally represent 9% of the endowment's market value. The Board may, at its discretion, change the allocations of the funds in order to achieve its long-term objectives.

Relationship of spending policy to investment objectives

The San Francisco Symphony's investment policy establishes the long-term objective of its endowment funds to return an annual inflation-adjusted return of 6% net of all investment and management fees, over the long-term. For the year ended August 31, 2017, the annual distribution based on the spending policy was calculated using a hybrid approach that includes 70% of the prior fiscal year's calculated draw, adjusted for the prior year's inflation rate plus 1.5%, with the remaining 30% based on the trailing 20-quarter average market value for the period ending February 28 prior to the start of each fiscal year, multiplied by 5.5%. Collars have been set at a minimum of 3.5% and a maximum of 6.5% of the February 28 ending market value. The inflation factor used in this formula will be based on the Core CPI Index for All Urban Consumers for the year ending February 28 preceding the draw formula.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

7. ENDOWMENT (continued)

Relationship of spending policy to investment objectives (continued)

The Board has adopted a policy to preserve the historical dollar value of permanently restricted gifts. After maintaining this value, the Board interprets the law as allowing it to use any of the investment returns as is prudent considering the San Francisco Symphony's long and short term needs, expected total return on its investments, price level trends, general economic conditions and the donors' restrictions.

Endowment net assets

Endowment net asset composition by type of fund as of August 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Unrestricted Reserve</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 99,750,683	\$ 151,162,779	\$ 250,913,462
Board designated endowment funds	59,508,099	-	-	-	59,508,099
Board designated reserve funds	-	4,386,474	-	-	4,386,474
	<u>\$ 59,508,099</u>	<u>\$ 4,386,474</u>	<u>\$ 99,750,683</u>	<u>\$ 151,162,779</u>	<u>\$ 314,808,035</u>

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

7. ENDOWMENT (continued)

Endowment net assets (continued)

Changes in endowment net assets for the fiscal year ended August 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Unrestricted Reserve</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, August 31, 2016	\$ 70,901,688	\$ 3,131,278	\$ 82,990,193	\$ 146,893,232	\$ 303,916,391
Investment return					
Investment income, net of fees	1,324,042	60,194	3,284,892	-	4,669,128
Net realized and unrealized appreciation	<u>9,040,485</u>	<u>8,242</u>	<u>20,956,244</u>	<u>1,985,521</u>	<u>31,990,492</u>
Total investment return	10,364,527	68,436	24,241,136	1,985,521	36,659,620
Contributions	652,871	2,654,875	10,304	2,214,380	5,532,430
Change in actuarial assumptions	-	-	144,901	69,646	214,547
Distribution of investment income	(6,479,299)	-	(7,492,851)	-	(13,972,150)
Release from restrictions	117,734	-	(117,734)	-	-
Appropriation of endowment assets for expenditure	(582,411)	(526,964)	(25,266)	-	(1,134,641)
Appropriation of board designated reserve	-	(941,151)	-	-	(941,151)
Appropriation of board designated net assets	<u>(15,467,011)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,467,011)</u>
Balance, August 31, 2017	<u>\$ 59,508,099</u>	<u>\$ 4,386,474</u>	<u>\$ 99,750,683</u>	<u>\$ 151,162,779</u>	<u>\$ 314,808,035</u>

The appropriation of board designated net assets totaling \$15,467,011 consists of non-cash, inter-fund balances previously recorded as unrestricted board designated endowment funds. During the year ended August 31, 2017, these amounts were appropriated to other unrestricted funds reflected as Board Designated Endowment and other net assets in the Statement of Financial Position. This unrestricted, inter-fund appropriation had no effect on cash, investments, or change in net assets as of and for the year ended August 31, 2017.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

8. RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted and permanently restricted net assets as of August 31, 2017 are available for the following purposes or periods:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Orchestra and artist compensation	\$ 6,971,175	\$ 35,511,528
Youth orchestra and education	18,037,334	32,817,679
Production and general activities	18,653,575	78,098,336
Remainder trusts	2,046,415	-
Fine string instruments	91,451	-
Community engagement	1,526,865	3,900,001
Improvements, furniture and equipment	1,778,958	-
Endowment funds not appropriated for expenditure	50,636,496	-
For subsequent periods	<u>10,777,471</u>	<u>835,235</u>
	<u>\$ 110,519,740</u>	<u>\$ 151,162,779</u>

Net assets were released from restrictions for the year ended August 31, 2017 as follows:

Orchestra and artist compensation	\$ 1,051,497
Youth orchestra and education	3,445,615
Production and general activities	7,734,699
Time restrictions satisfied	1,508,439
Fund-raising events	3,624,821
Property, plant, and equipment	1,274,678
Community engagement	<u>473,685</u>
	<u>\$ 19,113,434</u>

9. CONTRIBUTED GOODS AND SERVICES

The San Francisco Symphony recognizes contributed revenue and a related expense for certain contributed services at the fair value of those services. During the fiscal year ended August 31, 2017, contributed services recognized in the accompanying financial statements and included in contributed revenue was \$70,373 and consisted primarily of legal and consulting services, which are included in general and administrative activities. The San Francisco Symphony receives many 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.

The San Francisco Symphony also recognizes as revenue in-kind contributions of food, improvements, furniture and equipment and other goods at the estimated fair value at the date of donation. The estimated value of such contributions received and recognized in the statement of activities was \$582,579 for the year ended August 31, 2017.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

10. DEFINED BENEFIT RETIREMENT PLANS

Some San Francisco Symphony employees are covered by noncontributory defined benefit retirement plans.

Orchestra Plan - Orchestra members are covered following the completion of at least 23 weeks or one-half season. The plan provides an annual pension at age 62 equal to \$2,600 per year of service, and is subject to a maximum pension of \$78,000 per year at retirement. Actuarially reduced pensions are available upon early retirement at age 55 or later. Benefits vest after the completion of five years of service. Subject to certain conditions, the plan provides supplemental spousal and disability benefits.

Administrative Plan - On March 31, 2010, the Administrative Defined Benefit Retirement Plan was frozen and the San Francisco Symphony instituted a discretionary base contribution on behalf of the employees participating in the frozen plan in its defined contribution plan (see Note 11).

Prior to that date, substantially all administrative employees who worked 1,000 or more hours per year and had one or more years of service were included in this plan. For covered participants prior to March 31, 2010, the plan provides an annual pension at age 65 equal to 1.5% of the employee's highest 60-month average salary per year of service. Actuarially reduced pensions are available upon early retirement at age 55 or later. Benefits vest after the completion of five years of service. Subject to certain conditions, the plan provides supplemental spousal benefits.

The San Francisco Symphony uses an August 31 measurement date for all of its defined benefit pension plan obligations.

The funded status of the plans are as follows:

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Plan assets at fair value	\$ 74,807,639	\$ 17,009,559
Accumulated benefits obligation	<u>(94,300,152)</u>	<u>(21,064,900)</u>
	<u>\$ (19,492,513)</u>	<u>\$ (4,055,341)</u>

Included in unrestricted net assets at August 31, 2017, are the following amounts that have not yet been recognized in net periodic benefit cost for the Orchestra Plan and the Administrative Plan: net actuarial loss of \$31,422,023 and \$5,965,354, respectively, and net prior service cost of \$6,371,075 and \$0, respectively. The prior service cost and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year ended August 31, 2017, are \$1,059,343 and \$2,360,890, respectively, for the Orchestra Plan, and \$0 and \$644,378, respectively, for the Administrative Plan.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

10. DEFINED BENEFIT RETIREMENT PLANS (continued)

Components of the net periodic pension benefit cost for the plans are as follows:

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Service cost	\$ 1,442,820	\$ 110,000
Interest cost	2,615,887	602,283
Expected return on plan assets	(4,698,325)	(1,130,876)
Prior service amortization	1,064,085	-
Recognized net actuarial loss	<u>2,968,645</u>	<u>670,973</u>
	<u>\$ 3,393,112</u>	<u>\$ 252,380</u>

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

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Discount rate - net periodic benefit cost	3.60 %	3.60 %
Expected long-term rate of return on plan assets	6.75 %	7.00 %
Rate of compensation increase	- %	- %
Discount rate - benefit obligation	3.60 %	3.60 %

The overall expected long-term rate of return on plan assets is determined by the plans' historical long-term investment performance, current asset allocation and estimate of future long-term return rates. The discount rate used to determine the net periodic benefit costs and benefit obligation for the plans was calculated using the expected future benefit payments, which are discounted back to the present using the Citigroup Above-Median Pension Discount Curve spot rates of matching duration.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

10. DEFINED BENEFIT RETIREMENT PLANS (continued)

Plan assets - Weighted-average asset allocation of the San Francisco Symphony's pension plans was as follows:

	Policy Allocation <u>Target</u>	Allocation of <u>Plan Assets</u>
Orchestra		
Equities	62.0 %	62.6 %
Absolute return	20.0 %	18.3 %
Fixed income	10.0 %	10.0 %
Real estate	8.0 %	8.0 %
Cash	0.0 %	1.1 %
Admin		
Equities	62.0 %	66.2 %
Absolute return	15.0 %	13.2 %
Fixed income	9.0 %	10.8 %
Real estate	10.0 %	8.7 %
Cash	4.0 %	1.1 %

The San Francisco Symphony's Statements of Investment Policy, Objective, and Procedure for the Orchestra Plan and Administrative Plan, respectively, outline the governance structure for decision-making, set investment objectives and restrictions, and establish criteria for selecting and evaluating investment managers. The Investment Committee, consisting of members of the Board, both supported by independent consultants, are responsible for monitoring compliance with the investment policies noted above.

Benefits paid

Benefits paid during the year were as follows:

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Benefits paid	<u>\$ 2,528,065</u>	<u>\$ 727,547</u>

Contributions - During the year ended August 31, 2017, the San Francisco Symphony contributed \$2,548,000 and \$208,176 to the Orchestra Plan and the Administrative Plan, respectively.

Cash flows

Based on the San Francisco Symphony's forecast at August 31, 2017, the San Francisco Symphony expects to contribute \$3,573,463 and \$252,641 to the Orchestra Plan and the Administrative Plan, respectively, by August 31, 2018.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

10. DEFINED BENEFIT RETIREMENT PLANS (continued)

The San Francisco Symphony anticipates future benefit payments, which reflect future service, to be paid from the pension plans as follows:

<u>Year ending August 31,</u>	<u>Orchestra Plan Pension Benefits (in millions)</u>	<u>Administrative Plan Pension Benefits (in millions)</u>
2018	\$ 3.7	\$ 0.7
2019	4.3	0.8
2020	4.7	0.9
2021	4.9	1.0
2022	5.1	1.1
Thereafter	<u>27.0</u>	<u>6.0</u>
	<u>\$ 49.7</u>	<u>\$ 10.5</u>

Retirement plans - multiemployer

The San Francisco Symphony has contracted to make payments to multiemployer retirement plans for employees covered by various collective bargaining agreements. Contributions to such plans range from 10.2% to 10.9% of the employee's compensation and were \$667,046 for the year ended August 31, 2017.

The San Francisco Symphony is a participating employer in various trustee-managed multiemployer defined benefit pension plans for employees who participate in collective bargaining agreements. The plans generally provide retirement benefits to employees based on years of service to participating employers. The multiemployer pension plans are each managed by a board of trustees. Contributions of \$667,046 in the year ending August 31, 2017, were charged to pension expense for ongoing participation in these plans.

The risks of participating in these multiemployer defined benefit pension plans are different 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) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if the San Francisco Symphony chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to the plan. In connection with ongoing renegotiation of collective bargaining agreements, the San Francisco Symphony may discuss and negotiate for the complete or partial withdrawal from one or more multiemployer pension plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the San Francisco Symphony's consolidated change in net assets in the period of the withdrawal. The San Francisco Symphony has no plans to withdraw from its multiemployer pension plans at this time.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

10. DEFINED BENEFIT RETIREMENT PLANS (continued)

The following schedule presents information about the San Francisco Symphony's multiemployer pension plans at August 31, 2017:

<u>Name of Pension Plan/Fund</u>	<u>EIN and Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>Contributions for the Year Ended August 31</u>		<u>Expiration of Collective Bargaining Agreement</u>
		<u>Applicable Year</u>	<u>FIP/RP Status</u>	<u>2017</u>	<u>Surcharge Imposed</u>	
American Federation of Musicians & Employers' Pension Fund	51-6120204001	Red 3/31/17	Implemented	\$227,914	Yes	8/31/2018
I.A.T.S.E. Local 16 Pension Plan	94-6296420001	Green 12/31/16	Implemented	\$427,100	Yes	10/31/2017

American Federation of Musicians & Employers' Pension Fund ("AFM Pension Fund") - The San Francisco Symphony makes contributions to the AFM Pension Fund on behalf of employees who are members of American Federation of Musicians who meet certain conditions. The Fund was certified "red zone" status as of the most recent Fund reporting date. According to the most recently available Annual Funding Notice, as of March 31, 2017, the funded percentage was 69%; the Actuarial Value of Assets was \$1,976,473,051; and the Actuarial Value of Liabilities was \$2,866,450,348. The San Francisco Symphony did not contribute more than 5% of total Fund contributions.

I.A.T.S.E. Local 16 Pension Plan - The San Francisco Symphony makes contributions to the I.A.T.S.E. Local 16 Pension Plan on behalf of 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. The Fund was certified "green zone" status as of the most recent Fund reporting date. According to the most recently available Annual Funding Notice, as of January 1, 2016, the funded percentage was 81.2%; the Actuarial Value of Assets was \$188,753,817; and the Actuarial Value of Liabilities was \$232,356,660. The San Francisco Symphony did not contribute more than 5% of total Fund contributions.

11. DEFINED CONTRIBUTION PLAN

The San Francisco Symphony participates in a defined contribution plan (the "Plan") covering substantially all San Francisco Symphony employees. The Plan provides for discretionary contributions to be made by both orchestra and administrative participants. The Plan also provides for discretionary contributions to be made by the San Francisco Symphony on behalf of administrative participants. Participants are fully vested upon entering the Plan.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

11. DEFINED CONTRIBUTION PLAN (continued)

The San Francisco Symphony's matching contributions to participants' accounts begin after the participant has completed two years of service. The San Francisco Symphony's matching contributions for the year ended August 31, 2017, were \$205,981.

The San Francisco Symphony's base contributions to participants' accounts begin after the participant has completed one year of service. The San Francisco Symphony's base contributions for the year ended August 31, 2017, were \$307,337. Participants are fully vested in the base contribution after five years.

12. COMMITMENTS AND CONTINGENCIES

The San Francisco Symphony leases facilities and equipment under noncancelable operating leases, subject to various escalation clauses, expiring through the fiscal year ending August 31, 2022. In addition, the San Francisco Symphony 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 San Francisco Symphony 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 San Francisco Symphony also has an ongoing contractual arrangement with its Music Director, which expires at the end of fiscal year 2020.

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

<u>Year ending August 31,</u>	
2018	\$ 4,503,937
2019	4,817,200
2020	4,505,731
2021	1,698,546
2022	<u>1,471,261</u>
	<u>\$ 16,996,675</u>

Rent expense was \$1,839,553 for the year ended August 31, 2017.

The San Francisco Symphony has commitments under partnership and limited liability company agreements to make future capital contributions of \$19,191,397.

Occasionally, the San Francisco Symphony is involved in legal actions arising from normal business activities. Management, upon advice of legal counsel handling such actions, believes that the ultimate resolution of any such actions will not have a material adverse effect on the San Francisco Symphony's financial position or its changes in net assets.

San Francisco Symphony
Notes to Financial Statements
August 31, 2017

13. SUBSEQUENT EVENTS

The San Francisco Symphony has evaluated events through February 20, 2018, the date the financial statements were available to be issued and the following subsequent events are disclosed.

In November 2017, \$29,000,000 of endowment investments were sold to pay off the \$21,000,000 outstanding balance on the revolving secured Line of Credit 1 (see Note 6) and the credit agreement was then cancelled. The remaining \$8,000,000 of funding from the sale of endowment investments will be used to fund the budgeted operating deficit and working capital needs during the 2017-18 fiscal year.

In January 2018, the collective bargaining agreement between the San Francisco Symphony and the International Alliance of Theatrical Stage Employees, Movie Picture Technicians, Artists and Allied Crafts of the United States and Canada, Local 16 (see Note 2) was renewed for a three-year period effective November 1, 2017. The changes in terms and conditions under the new contract will not have a material impact on the overall financial statements going forward.

SUPPLEMENTARY INFORMATION

San Francisco Symphony
Schedule of Changes in Endowment Net Assets
For the Year Ended August 31, 2017

	Net Assets August 31, 2016	Contributions and Change in Actuarial Assumptions	Investment Return	Appropriation of Endowment Assets for Expenditure	Distribution of Investment Income	Net Assets August 31, 2017
Funds Held in Trust						
San Francisco Symphony Endowment Fund	\$ 66,099,133	\$ 795,967	\$ 8,093,653	\$ (16,005,322)	\$ (6,108,753)	\$ 52,874,678
The Edmund W. and Jeannik Mequet Littlefield Fund	22,073,101	-	2,728,651	-	(946,843)	23,854,909
Louise M. Davies Guest Conductor Fund	17,979,166	50,800	2,225,592	-	(276,629)	19,978,929
Phyllis C. Wattis Fund for New Works of Music	17,546,253	25,220	2,184,593	-	(144,834)	19,611,232
Phyllis C. Wattis Endowment Fund	17,620,407	25,220	2,190,896	-	(797,694)	19,038,829
Phyllis C. Wattis Fund for Guest Artists	14,797,806	25,220	1,844,553	-	(374,298)	16,293,281
Adventures in Music Fund	12,855,627	100,000	1,604,328	-	(484,866)	14,075,089
Planned Giving - Permanent Fund	11,611,742	96,813	138,632	-	-	11,847,187
Osgood Hooker Permanent Endowment Fund	7,474,324	-	923,772	-	(357,532)	8,040,564
Ford Foundation Fund	6,878,901	-	852,069	(36,877)	(410,252)	7,283,841
The Hewlett Foundation Fund for Education	6,363,188	-	787,866	-	(318,401)	6,832,653
William and Sakurako Fisher Fund for Adventures in Music	6,052,392	-	749,173	-	(254,141)	6,547,424
The Richard and Rhoda Goldman Section String Fund	4,838,485	-	1,156,288	-	-	5,994,773
Jacqueline Hoefler Fund for Artistic Excellence	5,274,248	-	651,916	-	(240,444)	5,685,720
Naoum Blinder Concertmaster's Chair Fund	4,622,724	-	571,332	-	(221,799)	4,972,257
The Barbro and Bernard Osher Fund for Staged Productions	4,450,446	-	551,923	(25,263)	(267,603)	4,709,503
San Francisco Symphony Board designated reserve	3,175,419	2,654,875	68,697	(1,468,114)	-	4,430,877
William Randolph Hearst Endowment	3,868,883	-	478,311	-	(179,059)	4,168,135
Phyllis C. Wattis Youth Symphony Fund	3,549,617	-	441,325	-	(166,429)	3,824,513
Jean and Bill Lane Chair Fund	3,225,621	-	398,688	-	(149,239)	3,475,070
The Ann L. and Charles B Johnson Fund	3,045,479	-	376,413	-	(142,965)	3,278,927
San Francisco Symphony for Youth Orchestra	2,337,522	350	536,765	-	(42,906)	2,831,731
Penelope Clark Second Century Chair Fund	2,345,967	(600,913)	54,443	-	(22,636)	1,776,861
San Francisco Symphony Education Fund	2,288,007	10,000	283,938	-	(118,244)	2,463,701
Wallance Endowment Fund	2,284,569	-	282,890	-	(122,491)	2,444,968
Hellen and Charles Schwab Fund	2,128,825	-	263,691	-	-	2,392,516

See accompanying independent auditor's report.

San Francisco Symphony
Schedule of Changes in Endowment Net Assets
For the Year Ended August 31, 2017

	Net Assets August 31, 2016	Contributions and Change in Actuarial Assumptions	Investment Return	Appropriation of Endowment Assets for Expenditure	Distribution of Investment Income	Net Assets August 31, 2017
Paul L. & Phyllis Wattis Endowment for the Youth Orchestra Conductor	\$ 2,007,491	\$ -	\$ 248,600	\$ -	\$ (41,280)	\$ 2,214,811
James David Zellerbach Foundation	2,002,083	-	247,443	-	(95,719)	2,153,807
Osher Masterworks Endowment	-	2,000,000	143,415	-	-	2,143,415
Paul L. & Phyllis Wattis Endowment for New Music	1,920,125	-	237,782	-	(117,296)	2,040,611
Robert L. Samter Principal Trombone Chair Fund	1,796,959	-	222,090	-	(86,154)	1,932,895
Agnes Albert Youth Music Education Fund	1,605,260	-	198,934	-	(32,757)	1,771,437
Drs. Ben and Jess A. Shenson Young Artists Debut Fund	1,553,816	-	192,466	-	(55,156)	1,691,126
Marcia and John Goldman Timpani Chair Fund	1,497,528	-	185,494	-	-	1,683,022
Phyllis C. Wattis Fund for Wattis Room Maintenance	1,543,352	-	192,065	-	(58,335)	1,677,082
Wattis Special Performance Fund	1,533,167	-	189,534	-	(63,751)	1,658,950
K Hart Smith Fund	1,471,894	-	182,252	-	(76,568)	1,577,578
The Paula and John Gambs Fund	1,419,444	-	175,446	-	(65,311)	1,529,579
The Harriet Heyman and Michael Moritz Endowed Fund	1,364,831	-	168,962	-	(63,243)	1,470,550
The Lyman and Carol Casey Endowed Fund	1,297,539	-	160,371	-	(61,173)	1,396,737
The Christine and Pierre Lamond Fund	1,296,290	-	160,220	-	(60,242)	1,396,268
Diane Miller AIM Fund	1,291,717	-	159,646	-	(61,943)	1,389,420
Nancy and Charles Geschke Fund	1,280,153	-	158,221	-	(60,508)	1,377,866
Hume Flute Chair Fund	1,258,680	-	155,571	-	(58,792)	1,355,459
Bernard and Barbro Osher Youth Orchestra Touring Fund	1,081,120	-	172,513	-	-	1,253,633
Lawrence Metcalf Second Century Chair Fund	1,103,849	-	136,564	-	(30,027)	1,210,386
Carolyn H. Hume Youth Orchestra Touring Fund	1,065,352	-	138,981	-	-	1,204,333
Stan and Lenora Davis String Chair Endowment Fund	1,032,515	-	128,024	-	-	1,160,539
Nan Tucker McEvoy Instrument Training and Support Fund	1,068,268	-	132,281	-	(45,313)	1,155,236
Emanuel S. Heller Endowment	975,352	-	120,548	-	(46,272)	1,049,628
Athena T. Blackburn Endowed Fund for Russian Music	998,864	1,137	49,489	-	(6,353)	1,043,137
Mrs. Walter Haas Children's Concert Fund	939,756	-	116,348	-	(44,435)	1,011,669

See accompanying independent auditor's report.

San Francisco Symphony
Schedule of Changes in Endowment Net Assets
For the Year Ended August 31, 2017

	Net Assets August 31, 2016	Contributions and Change in Actuarial Assumptions	Investment Return	Appropriation of Endowment Assets for Expenditure	Distribution of Investment Income	Net Assets August 31, 2017
The Leanne and George Roberts Endowment Fund for Community Programs	\$ 913,784	\$ -	\$ 113,158	\$ -	\$ (52,134)	\$ 974,808
Gary and Kathleen Heidenreich Fund	780,772	-	96,712	-	-	877,484
Michael Tilson Thomas First Performances Fund	772,952	-	95,539	-	(35,295)	833,196
Maurice and Stella Eliasar Fund	767,098	-	94,810	-	(36,141)	825,767
Ralph I. Dorfmann Commissioning Fund	679,109	-	84,027	-	-	763,136
William and Gretchen Kimball Education Fund	625,691	-	77,471	-	(33,183)	669,979
The Sandy and Paul Otellini Education Endowed Fund	601,986	-	74,541	-	(32,116)	644,411
John and Lisa Pritzker Fund for CFK	569,188	-	70,459	-	(22,468)	617,179
Pauline C. Chickering Instrument Fund	563,040	-	69,742	(3,018)	(33,579)	596,185
San Francisco Symphony Keyboard Music Fund	480,069	-	59,334	-	(22,721)	516,682
Katherine H. Johnson Fund	456,550	8,810	31,039	(2,447)	(27,228)	466,724
Hanrahan Violin Chair	417,992	-	51,662	-	(19,748)	449,906
Margaret Koshland Sloss Tribute Fund	377,479	-	46,757	-	-	424,236
J. Peter Cahill Guest Pianist Fund	325,797	-	40,344	-	(18,845)	347,296
Walter Edwin Dean II - Lenoir M. Dean Fund	306,144	-	37,921	-	-	344,065
Frannie & Mort Fleishhacker Endowed Touring Fund	302,821	-	37,491	-	(13,038)	327,274
Gary E. Gray Education Fund	-	300,000	21,512	-	-	321,512
Paul and Kathy Bissinger Endowed Fund	289,219	-	35,745	-	(13,877)	311,087
The Barbara and Richard Rosenberg Endowed Fund	285,102	-	35,236	-	(13,697)	306,641
The Hurlbut-Johnson Fund	269,470	-	33,362	-	(13,431)	289,401
Brayton Wilbur Jr. Endowed Fund for Touring	262,569	-	32,511	-	(10,502)	284,578
James C. Hormel & Michael P. Nguyen Concert for Kids	263,011	-	32,566	-	(13,925)	281,652
Shenson Foundation Flute Chair for Youth Orchestra	236,983	-	29,283	-	(12,606)	253,660
The Steinberg Family Education Endowed Fund	189,833	-	23,507	-	(10,463)	202,877
KPMG Fund for Community Engagement	150,429	-	18,611	-	(8,304)	160,736
Barbara Brookins Young Artists Fund	146,373	250	18,141	-	(7,191)	157,573
Joseph Padula Memorial Fund	-	147,000	10,541	-	-	157,541
Agnes Albert Honorary Endowment Fund	137,203	-	16,959	-	-	154,162
Ann and Jim Paras Endowed Fund	140,771	-	17,399	-	(6,527)	151,643

See accompanying independent auditor's report.

San Francisco Symphony
Schedule of Changes in Endowment Net Assets
For the Year Ended August 31, 2017

	Net Assets August 31, 2016	Contributions and Change in Actuarial Assumptions	Investment Return	Appropriation of Endowment Assets for Expenditure	Distribution of Investment Income	Net Assets August 31, 2017
Elizabeth Letts Janss Fund	\$ 140,012	\$ -	\$ 17,343	\$ (751)	\$ (8,350)	\$ 148,254
Nion McEvoy Family Fund	136,625	-	16,849	-	(6,512)	146,962
Terry Family Fund	135,906	-	16,799	-	(6,116)	146,589
John P. and Susan H. Carver Fund	129,535	-	16,010	-	(6,168)	139,377
Leonard Kingsley Endowed Fund	131,145	-	16,245	(703)	(7,821)	138,866
Mrs. George John Otto Memorial Vocalist Fund	125,215	-	15,503	-	(6,199)	134,519
Phyllis and Stuart Moldaw Fund for Instrument Training and Support	121,989	-	15,100	-	(5,078)	132,011
Halfmann-Yee Fund for Touring	121,164	-	14,997	-	(4,852)	131,309
Howard and Agnes Shapiro Fund for Music Education	121,164	-	14,997	-	(4,852)	131,309
Jerome and Thao Dodson Music Education Fund	120,994	-	14,977	-	(5,033)	130,938
The Jon and Linda Gruber Education Fund	121,111	-	14,997	-	(6,617)	129,491
The Richard and Joan Madden Endowed Fund	116,932	-	14,453	-	(5,376)	126,009
The Blair Fund	108,367	-	18,137	-	(1,570)	124,934
Geeslin Family Fund for Community Engagement	115,829	-	14,342	-	(6,209)	123,962
James J. Parker Mostly Mozart Fund	112,742	-	13,935	-	(5,279)	121,398
Jack and Fran Rominger Endowment Fund	110,978	-	13,713	-	(5,844)	118,847
Fay and Ada Tom Family Fund	110,466	-	13,650	-	(5,944)	118,172
Fay and Ada Tom Family Fund for Guest Pianists	104,607	-	12,971	-	-	117,578
Emma and Frederick Goltz Education Fund	108,623	-	13,446	-	(4,738)	117,331
Fay and Ada Tom Family Fund for Concerts for Kids	104,608	-	12,971	-	(1,570)	116,009
Fay and Ada Tom Family Fund for Touring	104,607	-	12,971	-	(1,570)	116,008
Margaret Liu Foundation - AIM	107,242	-	13,275	-	(4,616)	115,901
Howard Skinner Fund	106,957	-	13,233	-	(4,323)	115,867
Joan L. Danforth Guest Artist Fund	104,966	-	12,996	-	(6,115)	111,847
Athena T. Blackburn Fund for Adventures in Music	102,165	-	12,702	-	(5,147)	109,720
Lisa and Douglas Goldman Fund for Adventures in Music	101,814	-	12,597	-	(5,350)	109,061
Kenneth D. & Joanne Snow Music Education	99,067	851	5,103	-	(324)	104,697
Gerald B. Rosenstein Fund	29,840	45,900	4,753	-	-	80,493

See accompanying independent auditor's report.

San Francisco Symphony
Schedule of Changes in Endowment Net Assets
For the Year Ended August 31, 2017

	Net Assets August 31, 2016	Contributions and Change in Actuarial Assumptions	Investment Return	Appropriation of Endowment Assets for Expenditure	Distribution of Investment Income	Net Assets August 31, 2017
Fannie M. Irwin Endowment	\$ 63,067	\$ -	\$ 7,799	\$ -	\$ (2,565)	\$ 68,301
Agnes Albert Display Case Endowment	65,594	-	8,120	-	(6,232)	67,482
Wornick Endowment Fund	56,934	-	7,052	(305)	(3,395)	60,286
William Gregory Youth Orchestra String Fund	-	57,923	1,266	-	-	59,189
Phyllis Blair Cello Chair Fund	27,248	25,000	6,543	-	-	58,791
Brian P. McCune and Darlene Vian Fund for Vocal Performance	32,488	-	4,021	-	(1,296)	35,213
Louisa Jean De Bretteville Living Trust	11,698	-	1,445	-	(562)	12,581
	<u>\$ 303,916,391</u>	<u>\$ 5,770,423</u>	<u>\$ 36,645,349</u>	<u>\$ (17,542,800)</u>	<u>\$ (13,981,328)</u>	<u>\$ 314,808,035</u>

See accompanying independent auditor's report.

San Francisco Symphony
2017 Statement of Financial Position - By Restrictions
For the Year Ended August 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>
ASSETS				
Cash and marketable securities	\$ 1,085,190	\$ 2,479,928	\$ -	\$ 3,565,118
Promises to give, net	3,372,610	4,736,239	2,055,054	10,163,903
Receivables under charitable remainder trusts	-	1,754,102	713,305	2,467,407
Prepaid and other current assets	9,064,150	-	-	9,064,150
Investments	60,486,958	99,358,207	148,272,490	308,117,655
Assets held in split interest agreements	-	5,239,656	227,508	5,467,164
Improvements, furniture, and equipment, net	<u>19,174,015</u>	<u>-</u>	<u>-</u>	<u>19,174,015</u>
 Total assets	 <u>\$ 93,182,923</u>	 <u>\$ 113,568,132</u>	 <u>\$ 151,268,357</u>	 <u>\$ 358,019,412</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and other accrued liabilities	\$ 8,766,003	\$ -	\$ -	\$ 8,766,003
Bank loans	21,244,000	-	-	21,244,000
Advance ticket sales	11,123,614	-	-	11,123,614
Liabilities to beneficiaries of split interest agreements	-	3,048,392	105,578	3,153,970
Pension benefit liabilities	<u>23,547,854</u>	<u>-</u>	<u>-</u>	<u>23,547,854</u>
Total liabilities	64,681,471	3,048,392	105,578	67,835,441
 Net assets	 <u>28,501,452</u>	 <u>110,519,740</u>	 <u>151,162,779</u>	 <u>290,183,971</u>
 Total liabilities and net assets	 <u>\$ 93,182,923</u>	 <u>\$ 113,568,132</u>	 <u>\$ 151,268,357</u>	 <u>\$ 358,019,412</u>

See accompanying independent auditor's report.

San Francisco Symphony
2016 Statement of Financial Position - By Restrictions
For the Year Ended August 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016
ASSETS				
Cash and marketable securities	\$ 2,263,187	\$ 2,933,069	\$ -	\$ 5,196,256
Promises to give, net	3,745,704	7,121,568	2,725,967	13,593,239
Receivables under charitable remainder trusts	-	1,793,023	684,530	2,477,553
Prepaid and other current assets	8,011,715	-	-	8,011,715
Investments	57,156,510	83,720,689	143,369,763	284,246,962
Assets held in split interest agreements	-	5,221,205	225,952	5,447,157
Improvements, furniture, and equipment, net	18,704,470	-	-	18,704,470
 Total assets	 \$ 89,881,586	 \$ 100,789,554	 \$ 147,006,212	 \$ 337,677,352
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and other accrued liabilities	\$ 8,785,653	\$ -	\$ -	\$ 8,785,653
Bank loans	15,000,000	-	-	15,000,000
Advance ticket sales	12,308,452	-	-	12,308,452
Liabilities to beneficiaries of split interest agreements	-	3,225,611	112,980	3,338,591
Pension benefit liabilities	37,614,287	-	-	37,614,287
Total liabilities	73,708,392	3,225,611	112,980	77,046,983
 Net assets	 16,173,194	 97,563,943	 146,893,232	 260,630,369
 Total liabilities and net assets	 \$ 89,881,586	 \$ 100,789,554	 \$ 147,006,212	 \$ 337,677,352

See accompanying independent auditor's report.