

**OMAHA SYMPHONY ASSOCIATION**

Financial Statements

June 30, 2017

(with Comparative Totals for June 30, 2016)

(Together with Independent Auditor's Report)

**OMAHA SYMPHONY ASSOCIATION**

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## Independent Auditor's Report

The Board of Directors  
Omaha Symphony Association  
Omaha, Nebraska

### Report on the Financial Statements

We have audited the accompanying financial statements of Omaha Symphony Association (the Association) which comprise the statement of financial position as of June 30, 2017, 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 Omaha Symphony Association as of June 30, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Association's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*SEIM JOHNSON, LLP*

Omaha, Nebraska  
September 7, 2017

**OMAHA SYMPHONY ASSOCIATION**

Statements of Financial Position

June 30, 2017, with Comparative Totals for June 30, 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 121,896	141,606
Contributions receivables, net	2,444,178	3,448,864
Other receivables	33,621	74,219
Investments	26,771,241	23,405,403
Prepaid expenses	158,862	168,199
Donated property	31,000	31,000
Cash surrender value of life insurance	12,336	12,187
Furniture and equipment, net	684,426	712,281
Cash restricted for endowment	—	300,000
Total assets	<u>\$ 30,257,560</u>	<u>28,293,759</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Line of credit	\$ 1,600,000	1,500,000
Accounts payable and accrued expenses	246,140	203,173
Deferred revenues	1,379,513	1,276,207
Note payable	12,004	17,388
Total liabilities	<u>3,237,657</u>	<u>2,996,768</u>
Commitments		
Net assets:		
Unrestricted:		
Undesignated	(2,459,290)	(2,100,607)
Board designated	3,292,408	1,926,078
Total unrestricted	833,118	(174,529)
Temporarily restricted	23,682,186	22,973,191
Permanently restricted	2,504,599	2,498,329
Total net assets	<u>27,019,903</u>	<u>25,296,991</u>
Total liabilities and net assets	<u>\$ 30,257,560</u>	<u>28,293,759</u>

See accompanying notes to financial statements.

## OMAHA SYMPHONY ASSOCIATION

### Statements of Activities

For the Year Ended June 30, 2017, with Comparative Totals for the Year Ended June 30, 2016

	2017			Total	2016 Total
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating revenue:					
Ticket sales and contract fees	\$ 2,603,179	—	—	2,603,179	2,407,240
Operating expenses:					
Program service:					
Music projects	1,887,364	—	—	1,887,364	1,799,272
Music administration	3,773,979	—	—	3,773,979	3,713,541
Direct marketing	838,825	—	—	838,825	803,104
Season ticket marketing	99,593	—	—	99,593	100,443
General and administrative	745,904	—	—	745,904	710,831
Total operating expenses	7,345,665	—	—	7,345,665	7,127,191
Net operating loss	(4,742,486)	—	—	(4,742,486)	(4,719,951)
Development activity:					
Fund-raising	1,245,334	184,318	—	1,429,652	1,435,714
Grants and sponsorships	910,762	721,457	—	1,632,219	1,757,044
Contributions to endowment	1,058,296	24,129	6,270	1,088,695	61,865
Contribution from Nebraska Cultural Endowment Fund	84,652	—	—	84,652	76,004
Development department expense	(384,866)	—	—	(384,866)	(405,052)
Net assets released from restrictions	1,309,723	(1,309,723)	—	—	—
Net development activity	4,223,901	(379,819)	6,270	3,850,352	2,925,575
Non-operating activity:					
Miscellaneous income	121,716	—	—	121,716	114,584
Interest and dividends, net	6,120	491,804	—	497,924	568,185
Net investment appreciation (depreciation)	293,535	1,701,722	—	1,995,257	(1,710,681)
Change in value of cash surrender value of life insurance	—	149	—	149	185
Net assets released from restrictions	1,104,861	(1,104,861)	—	—	—
Net non-operating activity	1,526,232	1,088,814	—	2,615,046	(1,027,727)
Change in net assets	1,007,647	708,995	6,270	1,722,912	(2,822,103)
Net assets:					
Beginning of year	(174,529)	22,973,191	2,498,329	25,296,991	28,119,094
End of year	\$ 833,118	23,682,186	2,504,599	27,019,903	25,296,991

See accompanying notes to financial statements.

## OMAHA SYMPHONY ASSOCIATION

### Statements of Cash Flows

For the Year Ended June 30, 2017, with Comparative Totals for the Year Ended June 30, 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,722,912	(2,822,103)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	86,256	73,338
Net (appreciation) depreciation of investments	(1,995,257)	1,710,681
Investment and earnings subject to annuity agreements	—	(60)
Change in cash surrender value of life insurance	(149)	(185)
Payments on annuity obligations	10,071	10,071
Contributions restricted for endowment	—	(51,657)
Donated securities	(477,436)	(221,477)
Proceeds from sale of donated securities	477,436	221,477
Decrease (increase) in:		
Contributions receivable	384,686	(47,369)
Other receivables	40,598	(41,923)
Prepaid expenses	9,337	(15,952)
Increase (decrease) in:		
Accounts payable and accrued expenses	42,967	(21,736)
Deferred revenue on ticket subscriptions	103,306	65,294
Net cash provided by (used in) operating activities	404,727	(1,141,601)
Cash flows from investing activities:		
Purchases of equipment	(58,401)	(87,511)
Decrease (increase) in restricted cash	300,000	(300,000)
Purchases of investments	(2,975,442)	(1,201,736)
Sales of investments	1,604,861	1,195,107
Net cash used in investing activities	(1,128,982)	(394,140)
Cash flows from financing activities:		
Investment and earnings subject to annuity agreements	—	60
Contributions restricted for endowment	620,000	891,851
Borrowings on revolving line of credit, net	100,000	626,000
Payments on note payable	(5,384)	(5,145)
Payments on annuity obligations	(10,071)	(10,071)
Net cash provided by financing activities	704,545	1,502,695
Net decrease in cash and cash equivalents	(19,710)	(33,046)
Cash and cash equivalents at beginning of year	141,606	174,652
Cash and cash equivalents at end of year	\$ 121,896	141,606
Supplemental disclosures of cash flow information:		
Donated securities	\$ 477,436	221,447
Cash paid for interest	\$ 58,871	40,639

See accompanying notes to financial statements.

# OMAHA SYMPHONY ASSOCIATION

## Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

### (1) Organization and Summary of Significant Accounting Policies

#### (a) Organization

The Omaha Symphony Association (the Association) is organized to provide symphonic orchestral music of the highest quality to the greater Omaha area, the State of Nebraska, and the Midwest region; to produce a wide variety of concerts in order to reach the most diverse audiences possible; and to be the primary musical resource in the region.

The accompanying financial statements present the financial position, activities, and cash flows of the Association and do not include any amounts related to support organizations.

#### (b) Basis of Presentation

The accompanying financial statements have been prepared in accordance with standards for financial statements of not-for-profit organizations, which require the Association to report information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include amounts designated by action of the Association’s Board of Directors for endowments.
- *Temporarily restricted* – Net assets whose use by the Association is subject to donor-imposed stipulations that can be fulfilled by actions of the Association pursuant to those stipulations or that expire by the passage of time.
- *Permanently restricted* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association.

#### (c) Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Association to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

#### (d) Cash and Cash Equivalents

The Association considers all short-term investments with original maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents held in investment accounts and in restricted cash are not considered cash and cash equivalents for the purposes of the statements of cash flows.

# OMAHA SYMPHONY ASSOCIATION

## Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

**(e) *Investments and Related Revenue***

All investments are measured at fair value in the statements of financial position. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

**(f) *Fair Value of Financial Instruments***

The Association applies the provisions included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At June 30, 2017 and 2016, there were no nonfinancial items recognized or disclosed at fair value and there were no financial assets or liabilities measured at fair value in the financial statements on a nonrecurring basis.

**(g) *Contributions Receivable***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. 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 risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Association evaluates contributions receivable for collectability periodically and establishes an allowance for uncollectible promises to give for all accounts or portions thereof considered uncollectible.

**(h) *Furniture and Equipment***

Furniture and equipment are stated at cost at the date of acquisition or fair value at the date of donation. Depreciation is recorded on a straight-line basis over estimated useful lives ranging from 5 to 20 years.

When furniture and equipment is retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts, and any resulting gain or loss on disposition is reflected in operations. Repairs and maintenance are expensed as incurred; expenditures for additions, improvements and replacements are capitalized. The Association maintains a capitalization policy of \$2,000.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or long-lived assets are acquired.

## OMAHA SYMPHONY ASSOCIATION

### Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

**(i) Donor Restricted Gifts**

Unconditional promises to give cash and other assets to the Association are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received and the conditions are substantially met. The gifts are reported as either temporarily or permanently restricted support if they 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

**(j) Revenue Recognition**

Ticket sales are accounted for as deferred revenue until the date of the related performances, at which time the income is recognized.

The Association includes sales tax charged to customers in revenues and expenses in the statements of activities. The amount of sales tax included in the statements of activities for the years ended June 30, 2017 and 2016 is approximately \$75,200 and \$71,600, respectively.

**(k) In-Kind Contributions**

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2017 and 2016, several contributors provided free services to the Association. The estimated values of those contributed services are not reflected in the accompanying financial statements, as these services do not require specialized skills.

**(l) Functional Expense Allocation**

The costs of providing the various programs and other activities of the Association have been summarized on a functional basis in the statements of activities.

**(m) Advertising Costs**

The Association follows the policy of charging the costs of advertising to expense in the same period as the advertised event. As of June 30, 2017 and 2016, advertising costs totaling \$63,195 and \$64,749 respectively, were reported as assets on the statements of financial position. Advertising expense for the years ended June 30, 2017 and 2016 was \$437,050 and \$418,603, respectively.

**(n) Income Taxes**

The Association is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

## OMAHA SYMPHONY ASSOCIATION

### Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

**(o) *Reclassification***

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 reporting format.

**(p) *Comparative Amounts***

The amounts shown for 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017, and are not intended to present all information necessary for a fair presentation of the 2016 financial statements in conformity with general accepted accounting principles.

**(q) *Recent Account Pronouncement***

In February 2016, the FASB issued Account Standards Update (ASU) No. 2016-02, Leases (Topic 842), requiring an entity to recognize lease assets and lease liabilities on the statement of financial position and disclose key information about leasing arrangements. The main difference between the updated standard and the existing guidance is the recognition of lease assets and lease liabilities for lessees for those leases classified as operating leases. ASU No. 2016-02 is required to be applied retrospectively and is effective for fiscal years beginning after December 15, 2019, with early application permitted. Management is currently evaluating the effect that the updated standard will have on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources – and the changes in those resources – to donors, grantors, creditors, and other financial statement users. This ASU will be effective for the Association for fiscal years beginning after December 15, 2017. Management is currently evaluating the effect that the standard will have on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), in an effort to converge standards between accounting principles generally accepted in the United States of America and the International Financial Reporting Standards. The guidance supersedes revenue recognition requirements in general and in most industry guidance. Guidance for exchange transactions for not-for-profit entities will now be held within Topic 606 as part of this update. Contributions will continue to be accounted for using guidance from the not-for-profit industry specific guidance.

## OMAHA SYMPHONY ASSOCIATION

### Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

#### (2) Contributions Receivable

Contributions receivable are discounted using rates ranging from .82% to 2.54% and are due in the following periods:

	<u>2017</u>	<u>2016</u>
Due within one year	\$ 1,051,625	1,927,075
Due after one year through five years	1,417,500	1,568,000
Due after five years	<u>20,000</u>	<u>30,000</u>
	2,489,125	3,525,075
Less allowances for uncollectible promises to give	(10,862)	(10,862)
Less discount for time value of money	<u>(34,085)</u>	<u>(65,349)</u>
Net contributions receivable	<u>\$ 2,444,178</u>	<u>3,448,864</u>

During fiscal year 2015, the Association entered into an agreement with a charitable foundation in an effort to increase the Association's endowment fund. As part of this agreement, the Association received promises to give which are conditional upon receiving matching contributions. The charitable foundation's maximum annual matching contribution would be five hundred thousand dollars through June 30, 2019. Contribution income of \$150,000 and \$0 has been recognized for this gift for the years ended June 30, 2017 and 2016.

#### (3) Investments

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements). The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- Level 1** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

**OMAHA SYMPHONY ASSOCIATION**

Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

- Level 2** Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

**Level 3** Inputs are unobservable for the asset or liability.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

*Cash equivalents:* Approximates fair value due to short term nature.

*Mutual funds and exchange traded funds:* Valued at fair value as determined by quoted market prices, which represents the net asset value of shares held by the Association at year end.

For the years ended June 30, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities has been consistent.

	2017			
	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Foreign large blend	\$ 3,753,862	—	—	3,753,862
Large blend	7,618,179	—	—	7,618,179
Large growth	8,833,899	—	—	8,833,899
Fixed income mutual funds:				
Intermediate-term bond	1,943,347	—	—	1,943,347
Short-term bond	2,686,983	—	—	2,686,983
World bond	1,287,375	—	—	1,287,375
Corporate bond	647,596	—	—	647,596
	\$ 26,771,241	—	—	26,771,241

**OMAHA SYMPHONY ASSOCIATION**

Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

	<b>2016</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 107,175	—	—	107,175
Equity mutual funds:				
Diversified emerging markets	780,810	—	—	780,810
Foreign large blend	735,005	—	—	735,005
Foreign large value	1,244,464	—	—	1,244,464
Foreign small/mid value	230,506	—	—	230,506
Large blend	753,779	—	—	753,779
Long/short equity	1,286,407	—	—	1,286,407
Managed futures	704,363	—	—	704,363
Multialternative	1,044,022	—	—	1,044,022
Small value	288,484	—	—	288,484
Large growth	9,278,907	—	—	9,278,907
Large value	1,510,529	—	—	1,510,529
Fixed income mutual funds:				
Intermediate-term bond	1,957,068	—	—	1,957,068
Short-term bond	1,697,990	—	—	1,697,990
Inflation-protected bond	393,178	—	—	393,178
Long government	269,466	—	—	269,466
Exchange traded funds:				
Real estate	432,337	—	—	432,337
Energy limited partnership	690,913	—	—	690,913
	<u>\$ 23,405,403</u>	<u>—</u>	<u>—</u>	<u>23,405,403</u>

Trustee fees on investments paid during 2017 and 2016 were \$235,969 and \$210,254, respectively, and are netted against investment earnings in the statements of activities.

**(4) Furniture and Equipment**

Furniture and equipment consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Office furniture and equipment	\$ 1,129,490	1,129,490
Musical instruments and equipment	1,204,968	1,146,567
	2,334,458	2,276,057
Less accumulated depreciation and amortization	<u>(1,650,032)</u>	<u>(1,563,776)</u>
Furniture and equipment, net	<u>\$ 684,426</u>	<u>712,281</u>

**OMAHA SYMPHONY ASSOCIATION**

Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

**(5) Line of Credit**

The Association has available a \$2,000,000 revolving line of credit (revolver) that expires on December 31, 2017. The Association had an outstanding balance on the revolver of \$1,600,000 and \$1,500,000 at June 30, 2017 and 2016 respectively. The revolving line of credit bears an interest rate of 4.75% and 4.0% at the end of each year, respectively, which is 0.50% plus the prime rate announced by the bank. All assets of the Association are pledged as collateral on the revolving line of credit.

**(6) Restricted Net Assets**

Temporarily restricted net assets consist of gifts contributed for the following purposes or periods:

	<b>2017</b>	<b>2016</b>
Purpose restrictions, available for spending:		
Earnings and collections on general endowment contributions	\$ 21,488,327	20,099,662
Time restrictions:		
Endowment receivables, which are unavailable for spending until received	975,229	1,251,072
Other contributions receivable, which are unavailable for spending until received	967,062	1,382,174
Occurrence of future event	251,568	240,283
Total temporarily restricted net assets	\$ 23,682,186	22,973,191

Permanently restricted net assets are available for the following purposes or period:

	<b>2017</b>	<b>2016</b>
Purpose restrictions, available for investing that allow the Association to expend all or part of the income derived from donated assets for general purposes	\$ 1,991,850	1,671,850
Time restrictions:		
Endowment receivables, which are unavailable for investing until received	512,749	826,479
Total permanently restricted net assets	\$ 2,504,599	2,498,329

## OMAHA SYMPHONY ASSOCIATION

### Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

#### **(7) Related-Party Transactions**

The Association received contributions from related parties (board members) of approximately \$1,847,000 for the year ended June 30, 2017, of which \$355,000 was receivable at year-end. The Association also made payments to these related party for services incurred of approximately \$288,000 for the year ended June 30, 2017.

The Association received contributions from related parties (board members) of approximately \$970,000 for the year ended June 30, 2016, of which \$731,000 was receivable at year-end. The Association also made payments to these related party for services incurred of approximately \$264,000 for the year ended June 30, 2016.

The Omaha Symphony Guild (the Guild) is organized pursuant to the articles and bylaws of the Association with the major purpose of raising funds for the Association through various fund-raising activities. The Association received contributions from the Guild of \$141,000 for the year ended June 30, 2017 of which \$115,000 was receivable at year-end and contributions of \$206,000 for the year ended June 30, 2016, of which \$124,000 was receivable at year-end.

#### **(8) Employee Benefit Plan**

The Association sponsors two defined-contribution benefit plans established under Section 403(b) of the Internal Revenue Code that collectively cover substantially all employees of the Association. Employees are eligible to participate in the plans upon first day of employment and are 100% vested at all times in all accounts. Total matching contributions amounted to \$65,872 and \$62,293 for the years ended June 30, 2017 and 2016, respectively.

#### **(9) Endowment**

The Association has established an endowment fund to support Association activities. As required by accounting principles generally accepted in the United States of America, net assets and the changes therein associated with endowment funds, including funds designated by the Board of Directors (the Board) to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor-imposed restrictions, interest, dividends and net appreciation of donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by NUPMIFA.

**OMAHA SYMPHONY ASSOCIATION**

Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

In accordance with NUPMIFA, the Association 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 Association 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 Association
- (7) The investment policies of the Association

The composition of endowment assets by type of fund is as follows at June 30, 2017 and June 30, 2016:

		<b>2017</b>			
		<b>Board Designated</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$	—	21,488,327	1,991,850	23,480,177
Board-designated endowment funds		3,292,408	—	—	3,292,408
	\$	<u>3,292,408</u>	<u>21,488,327</u>	<u>1,991,850</u>	<u>26,772,585</u>
		<b>2016</b>			
		<b>Board Designated</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$	—	20,099,662	1,671,850	21,771,512
Board-designated endowment funds		1,926,078	—	—	1,926,078
	\$	<u>1,926,078</u>	<u>20,099,662</u>	<u>1,671,850</u>	<u>23,697,590</u>

**OMAHA SYMPHONY ASSOCIATION**

Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

The changes in endowment assets for the years ended June 30, 2017 and 2016 are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, end of year, June 30, 2015	\$ 2,004,752	21,788,251	1,371,850	25,164,853
Investment loss:				
Interest and dividends	5,029	561,846	—	566,875
Net depreciation	(126,492)	(1,573,653)	—	(1,700,145)
Total investment loss	(121,463)	(1,011,807)	—	(1,133,270)
Endowment contributions	—	51,658	—	51,658
Collections on endowment pledges	—	466,667	300,000	766,667
New designations	42,789	—	—	42,789
Appropriations	—	(1,195,107)	—	(1,195,107)
Endowment assets, end of year, June 30, 2016	1,926,078	20,099,662	1,671,850	23,697,590
Investment return:				
Interest and dividends	5,128	491,804	—	496,932
Net appreciation	302,906	1,701,722	—	2,004,628
Total investment return	308,034	2,193,526	—	2,501,560
Collections on endowment pledges	—	300,000	320,000	620,000
New designations	1,058,296	—	—	1,058,296
Appropriations	—	(1,104,861)	—	(1,104,861)
Endowment assets, end of year, June 30, 2017	\$ 3,292,408	21,488,327	1,991,850	26,772,585

***Return Objectives and Risk Parameters***

The Association has adopted an investment policy for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity and those that have been restricted for the endowment but which an explicit time restriction was not made by the donor. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

# OMAHA SYMPHONY ASSOCIATION

## Notes to Financial Statements

June 30, 2017, with Comparative Totals for June 30, 2016

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy*

The Association has a policy of appropriating for distribution each year a percentage of the endowment fund's fair value at a specified date. A 4.75% distribution was approved for the years ended June 30, 2017 and 2016, respectively. In establishing this policy, the Association considers the long-term expected return on its endowment. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### **(10) Risks and Uncertainties**

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

### **(11) Operating Lease**

The Association leases office space under a noncancelable lease expiring November 30, 2021. Total rent expense under this lease was \$56,588 during the years ended June 30, 2017 and 2016, respectively. The total future minimum rental commitments under the lease are as follows:

<b>Ending June 30,</b>		<b>Total</b>
2018	\$	57,290
2019		58,494
2020		59,698
2021		60,902
2022		25,585
	\$	<u>261,969</u>

### **(12) Subsequent Events**

The Association has reviewed subsequent events through September 7, 2017, the date the financial statements were available to be issued.