

Omaha Symphony Association

Financial Statements

June 30, 2019 (with Comparative Totals for June 30, 2018)

Together with Independent Auditor's Report

Omaha Symphony Association

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Independent Auditor's Report

To 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, 2019, 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 the Association as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Association adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Association's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

SEIM JOHNSON, LLP

Omaha, Nebraska
September 5, 2019.

Omaha Symphony Association

Statement of Financial Position

June 30, 2019, with Comparative Totals for June 30, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 627,998	71,221
Contributions receivable, net	17,513,322	6,484,735
Other receivables	25,874	41,432
Investments	37,791,758	28,970,849
Prepaid expenses	183,525	240,726
Donated property	31,000	31,000
Cash surrender value of life insurance	14,568	14,324
Furniture and equipment, net	689,450	708,591
	<u>689,450</u>	<u>708,591</u>
Total assets	<u>\$ 56,877,495</u>	<u>36,562,878</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Line of credit	\$ --	1,900,000
Accounts payable and accrued expenses	182,631	216,898
Deferred revenues	1,417,223	1,383,029
Note payable	--	6,370
	<u>--</u>	<u>6,370</u>
Total liabilities	<u>1,599,854</u>	<u>3,506,297</u>
Commitments		
Net assets:		
Without donor restrictions:		
Undesignated	(381,557)	(2,689,962)
Board designated	1,003,391	3,478,568
	<u>1,003,391</u>	<u>3,478,568</u>
Total without donor restrictions	621,834	788,606
With donor restrictions	<u>54,655,807</u>	<u>32,267,975</u>
Total net assets	<u>55,277,641</u>	<u>33,056,581</u>
Total liabilities and net assets	<u>\$ 56,877,495</u>	<u>36,562,878</u>

See notes to financial statements.

Omaha Symphony Association

Statement of Activities

For the Year Ended June 30, 2019, with Comparative Totals for the Year Ended June 30, 2018

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenue:				
Ticket sales and contract fees, net	\$ 2,852,845	--	2,852,845	3,027,104
Operating expenses:				
Program service:				
Music administration	4,202,827	--	4,202,827	3,959,838
Music projects	2,284,410	--	2,284,410	2,426,294
Direct marketing	990,616	--	990,616	906,357
Season ticket marketing	107,146	--	107,146	100,934
General and administrative	480,778	--	480,778	497,966
Total operating expenses	8,065,777	--	8,065,777	7,891,389
Operating loss	(5,212,932)	--	(5,212,932)	(4,864,285)
Development activity:				
Fund-raising	1,800,992	1,940,673	3,741,665	5,905,062
Grants and sponsorships	965,232	1,587,989	2,553,221	1,618,477
Contributions to endowment	--	18,824,661	18,824,661	2,103,682
Contribution from Nebraska Cultural Endowment Fund	85,043	--	85,043	94,113
Development department expense	(548,884)	--	(548,884)	(519,132)
Net assets released from restrictions	1,320,723	(1,320,723)	--	--
Total development activity	3,623,106	21,032,600	24,655,706	9,202,202
Nonoperating activity:				
Miscellaneous income	169,386	--	169,386	155,115
Interest and dividends, net	19,409	583,758	603,167	426,042
Net investment appreciation (depreciation)	(118,527)	2,124,016	2,005,489	1,115,616
Change in value of cash surrender value of life insurance	--	244	244	1,988
Net assets released from restrictions	1,352,786	(1,352,786)	--	--
Total nonoperating activity	1,423,054	1,355,232	2,778,286	1,698,761
Change in net assets	(166,772)	22,387,832	22,221,060	6,036,678
Net assets, beginning of year (see Note 15)	788,606	32,267,975	33,056,581	27,019,903
Net assets, end of year	\$ 621,834	54,655,807	55,277,641	33,056,581

See notes to financial statements.

Omaha Symphony Association

Statement of Cash Flows

For the Year Ended June 30, 2019, with Comparative Totals for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 22,221,060	6,036,678
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	95,769	91,567
Net appreciation of investments	(2,005,489)	(1,115,616)
Change in cash surrender value of life insurance	(244)	(1,988)
Payments on annuity obligations	10,071	10,071
Contributions restricted for endowment	(433,807)	(532,305)
Donated securities	(9,345,892)	(1,847,406)
Proceeds from sale of donated securities	248,916	276,029
Decrease (increase) in:		
Contributions receivable, net	(11,438,587)	(3,583,252)
Other receivables	15,558	(7,811)
Prepaid expenses	57,201	(81,864)
Increase (decrease) in:		
Accounts payable and accrued expenses	(34,267)	(29,242)
Deferred revenues	34,194	3,516
Net cash used in operating activities	<u>(575,517)</u>	<u>(781,623)</u>
Cash flows from investing activities:		
Purchases of furniture and equipment	(76,628)	(115,732)
Purchases of investments	(11,055,356)	(2,867,507)
Proceeds from sales of investments	<u>4,239,936</u>	<u>1,783,515</u>
Net cash used in investing activities	<u>(6,892,048)</u>	<u>(1,199,724)</u>
Cash flows from financing activities:		
Proceeds on contributions restricted for endowment	843,807	75,000
Proceeds from sale of donated securities restricted for endowment	9,096,976	1,571,377
(Payments) borrowings on revolving line of credit, net	(1,900,000)	300,000
Payments on note payable	(6,370)	(5,634)
Payments on annuity obligations	<u>(10,071)</u>	<u>(10,071)</u>
Net cash provided by financing activities	<u>8,024,342</u>	<u>1,930,672</u>
Change in cash and cash equivalents	556,777	(50,675)
Cash and cash equivalents, beginning of year	<u>71,221</u>	<u>121,896</u>
Cash and cash equivalents, end of year	<u>\$ 627,998</u>	<u>71,221</u>
Supplemental disclosure of cash flow information:		
Donated securities	<u>\$ 9,345,892</u>	<u>1,847,406</u>
Cash paid for interest	<u>\$ 45,391</u>	<u>76,285</u>

See notes to financial statements.

Omaha Symphony Association

Notes to Financial Statements

June 30, 2019, with Comparative Totals for June 30, 2018

(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:

- *Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions include amounts designated by action of the Association's Board of Directors for endowments.
- *With donor restrictions* – 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 or net assets subject to donor-imposed stipulations that they be maintained permanently by the Association.

C. Use of Estimates

The preparation of 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 are not considered cash and cash equivalents for the purposes of the statement of cash flows.

E. Investments and Related Revenue

All investments are measured at fair value in the statement of financial position. Gains or losses on investments are recognized as increases or decreases in net assets without donor restricted unless their use is restricted by explicit donor stipulations or by law.

Omaha Symphony Association

Notes to Financial Statements

June 30, 2019, with Comparative Totals for June 30, 2018

F. *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.

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.

G. *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.

H. *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 Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

I. *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 associated remittances in expenses) in the statement of activities. The amount of sales tax included in the statement of activities for the years ended June 30, 2019 and 2018 is approximately \$170,000 and \$183,000, respectively.

Omaha Symphony Association

Notes to Financial Statements

June 30, 2019, with Comparative Totals for June 30, 2018

J. 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, 2019 and 2018, 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.

K. 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 statement of activities. Note 13 presents the natural classification detail of expenses by function. The Association allocates salaries and related benefits based on an estimate of employee time spent. The Association allocates occupancy expenses based on employee time spent and square footage, and other expenses are allocated by time and effort or are directly assigned to a functional class.

L. 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, 2019 and 2018, advertising costs totaling \$97,063 and \$62,202, respectively, were reported as prepaid expenses on the statement of financial position. Advertising expense for the years ended June 30, 2019 and 2018 was approximately \$450,000 and \$428,000, respectively.

M. Income Taxes

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

N. Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 reporting format.

O. Comparative Amounts

The amounts shown for 2018 in the accompanying financial statements are included to provide a basis for comparison with 2019, and are not intended to present all information necessary for a fair presentation of the 2018 financial statements in conformity with accounting principles generally accepted in the United States of America.

Omaha Symphony Association

Notes to Financial Statements

June 30, 2019, with Comparative Totals for June 30, 2018

(2) Liquidity and Availability

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 627,998	71,221
Non-endowment contributions receivable	1,981,727	1,060,229
Accounts receivable and other assets	25,874	41,432
Endowment distributions and appropriations	1,726,043	1,352,786
Board designated endowment	<u>1,003,391</u>	<u>3,478,568</u>
Total financial assets available for general expenditure within one year	<u>\$ 5,365,033</u>	<u>6,004,236</u>

The Association's endowment fund consists of donor-restricted endowments and funds designated by the board as endowments. Donor-restricted endowment funds are not available for general expenditure.

The endowment is subject to an annual spending rate of 4.75% as described in Note 10. During fiscal year 2019, the Board of Directors approved the use of approximately \$4,500,000 of board designated funds to pay off the line of credit and fund operations. As of June 30, 2019, approximately \$3,600,000 of the approved funds have been spent.

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As more fully described in Note 6, the Association also has a line of credit in the amount of \$2,000,000, which it could draw upon as needed.

(3) Contributions Receivable

Contributions receivable are discounted using rates ranging from 1.69% to 2.99% and are due in the following periods:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 4,402,500	2,831,002
Due after one year through five years	12,938,385	2,090,000
Due after five years	<u>1,400,000</u>	<u>2,010,000</u>
	18,740,885	6,931,002
Less allowances for uncollectible promises to give	(10,595)	(10,862)
Less discount for time value of money	<u>(1,216,968)</u>	<u>(435,405)</u>
	<u>\$ 17,513,322</u>	<u>6,484,735</u>

The Association has an agreement with a charitable foundation to receive promises to give which are conditional upon receiving matching contributions. The charitable foundation's maximum annual matching contribution would be \$500,000 through June 30, 2019. Contribution income (original gift and match) of \$675,000 and \$300,000, respectively, has been recognized for this gift in each of the years ended June 30, 2019 and 2018.

Omaha Symphony Association

Notes to Financial Statements

June 30, 2019, with Comparative Totals for June 30, 2018

(4) 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.

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:

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, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent.

	2019			
	Level 1	Level 2	Level 3	Total
Equity funds:				
Foreign large blend	\$ 6,098,049	--	--	6,098,049
Large blend	12,527,483	--	--	12,527,483
Large growth	7,934,714	--	--	7,934,714
Fixed income funds:				
Intermediate-term bond	3,465,325	--	--	3,465,325
Short-term bond	4,434,252	--	--	4,434,252
World bond	2,126,965	--	--	2,126,965
Corporate bond	1,204,970	--	--	1,204,970
	<u>\$ 37,791,758</u>	<u>--</u>	<u>--</u>	<u>37,791,758</u>

Omaha Symphony Association

Notes to Financial Statements

June 30, 2019, with Comparative Totals for June 30, 2018

	2018			Total
	Level 1	Level 2	Level 3	
Equity funds:				
Foreign large blend	\$ 4,634,820	--	--	4,634,820
Large blend	9,416,180	--	--	9,416,180
Large growth	7,191,171	--	--	7,191,171
Fixed income funds:				
Intermediate-term bond	2,404,980	--	--	2,404,980
Short-term bond	2,919,588	--	--	2,919,588
World bond	1,602,195	--	--	1,602,195
Corporate bond	801,915	--	--	801,915
	<u>\$ 28,970,849</u>	<u>--</u>	<u>--</u>	<u>28,970,849</u>

Trustee fees on investments paid during 2019 and 2018 were approximately \$185,000 and \$171,000, respectively, and are netted against investment earnings in the statement of activities.

(5) Furniture and Equipment

Furniture and equipment consist of the following at June 30, 2019 and 2018:

	2019	2018
Office furniture and equipment	\$ 1,136,248	1,136,249
Musical instruments and equipment	<u>1,390,570</u>	<u>1,313,941</u>
	2,526,818	2,450,190
Less accumulated depreciation and amortization	<u>(1,837,368)</u>	<u>(1,741,599)</u>
Furniture and equipment, net	<u>\$ 689,450</u>	<u>708,591</u>

(6) Line of Credit

The Association has available a \$2,000,000 revolving line of credit (revolver) that expires on December 31, 2019. The Association had an outstanding balance on the revolver of \$0 and \$1,900,000 at June 30, 2019 and 2018, respectively. The revolving line of credit bears an interest rate of 5.5% and 5.0% at June 30, 2019 and 2018, 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.

Omaha Symphony Association

Notes to Financial Statements

June 30, 2019, with Comparative Totals for June 30, 2018

(7) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of gifts contributed for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Purpose restrictions, available for spending:		
Earnings and collections on general endowment contributions	\$ 23,156,854	21,801,622
Time restrictions:		
Endowment receivables, which are unavailable for spending until received	1,000,000	1,000,000
Other contributions receivable, which are unavailable for spending until received	6,822,605	4,660,314
Occurrence of future event	361,027	297,529
Purpose restrictions, held in perpetuity but available for investing that allow the Association to expend all or part of the income derived from donated assets for general purposes	13,614,010	3,673,227
Time restrictions:		
Endowment receivables to be held in perpetuity, which are unavailable for investing until received	<u>9,701,311</u>	<u>835,283</u>
Total net assets with donor restrictions	<u>\$ 54,655,807</u>	<u>32,267,975</u>

(8) Related Party Transactions

The Association received contributions from related parties (board members) of approximately \$1,417,000 for the year ended June 30, 2019, of which \$645,000 was receivable at year end.

The Association received contributions from related parties (board members) of approximately \$600,000 for the year ended June 30, 2018, of which \$180,000 was receivable at year end. The Association also made payments to these related parties for services incurred of approximately \$202,000 for the year ended June 30, 2018.

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 approximately \$150,000 and \$25,000 for the years ended June 30, 2019 and 2018, respectively, of which \$0 was receivable at either year end.

(9) Employee Benefit Plans

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 their first day of employment and are 100% vested at all times in all accounts. Total matching contributions amounted to approximately \$79,000 and \$72,000 for the years ended June 30, 2019 and 2018, respectively.

Omaha Symphony Association

Notes to Financial Statements

June 30, 2019, with Comparative Totals for June 30, 2018

(10) 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 retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Association in a manner consistent with the standard of prudence established by NUPMIFA.

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, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,003,391	--	1,003,391
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained	--	34,519,919	34,519,919
Accumulated investment gains	--	2,250,945	2,250,945
	<u>\$ 1,003,391</u>	<u>36,770,864</u>	<u>37,774,255</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,478,568	--	3,478,568
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained	--	24,579,136	24,579,136
Accumulated investment gains	--	895,713	895,713
	<u>\$ 3,478,568</u>	<u>25,474,849</u>	<u>28,953,417</u>

Omaha Symphony Association

Notes to Financial Statements

June 30, 2019, with Comparative Totals for June 30, 2018

The changes in endowment assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, end of year, June 30, 2017	\$ 3,292,408	23,480,177	26,772,585
Investment return:			
Interest and dividends	5,488	422,542	428,030
Net appreciation	66,348	1,049,268	1,115,616
Total investment return	71,836	1,471,810	1,543,646
Endowment contributions	--	1,646,377	1,646,377
Collections on endowment pledges	--	110,000	110,000
New designations	554,324	--	554,324
Appropriations	(440,000)	(1,233,515)	(1,673,515)
Endowment assets, end of year, June 30, 2018	<u>3,478,568</u>	<u>25,474,849</u>	<u>28,953,417</u>
Investment return:			
Interest and dividends	18,758	584,002	602,760
Net appreciation (depreciation)	(108,695)	2,124,016	2,015,321
Total investment return	(89,937)	2,708,018	2,618,081
Collections on endowment pledges	500,000	410,000	910,000
Contributions and new designations	251,910	9,530,783	9,782,693
Repayment of borrowings	457,850	--	457,850
Appropriations	(3,595,000)	(1,352,786)	(4,947,786)
Endowment assets, end of year, June 30, 2019	<u>\$ 1,003,391</u>	<u>36,770,864</u>	<u>37,774,255</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted NUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

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

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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, 2019 and 2018, 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.

(11) Risks and Uncertainties

The Association, at times, maintains cash deposits in excess of Federal Deposit Insurance Corporation insurance limits. Management believes the risk relating to these deposits is minimal.

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.

(12) Commitments and Contingencies

Leases

The Association leases office space under a noncancelable operating lease expiring November 30, 2021. Total rent expense under this lease was \$58,494 and \$57,290 during the years ended June 30, 2019 and 2018, respectively. The total future minimum rental commitments under the lease are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Total</u>
2020	59,698
2021	60,902
2022	25,585
	<u>\$ 146,185</u>

Litigation

The Association is subject to lawsuits and claims for various amounts brought about in the normal course of business. In the opinion of management and legal counsel, the ultimate disposition of any claims currently pending will not have a material adverse effect on the financial position, changes in net assets, or cash flows of the Association.

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(13) Functional Expenses

Expenses included in the statement of activities for the year ended June 30, 2019, with comparative totals for the year ended June 30, 2018 are presented by both their nature and function as follows:

	2019			Total	2018
	Program Services	Fundraising	General & Administrative		
Salaries and benefits	\$ 4,269,295	362,187	132,246	4,763,728	4,608,826
Guest artist and conductor expenses	1,129,892	--	--	1,129,892	1,135,223
Concert/project expenses	433,164	--	--	433,164	609,650
Production personnel and expenses	700,953	--	--	700,953	583,189
Rent	323,454	6,996	31,786	362,236	352,448
General expenses	168,008	65,469	74,149	307,626	250,908
Professional fees	64,508	--	147,105	211,613	176,785
Special event expenses	--	114,232	--	114,232	124,432
Season ticket marketing expenses	107,146	--	--	107,146	100,934
Program book	101,451	--	--	101,451	98,576
Travel and lodging	73,447	--	34,761	108,208	94,564
Depreciation	80,429	--	15,340	95,769	91,567
Warehouse and library expense	96,990	--	--	96,990	86,816
Interest expense	--	--	45,391	45,391	76,285
Personnel management expenses	36,262	--	--	36,262	20,318
	<u>\$ 7,584,999</u>	<u>548,884</u>	<u>480,778</u>	<u>8,614,661</u>	<u>8,410,521</u>

(14) Concentrations

The Association receives support from sources that constitute a major portion of its overall contributed revenues. For the year ended June 30, 2019, the Association received approximately 78% of their grants and contributions from three specific donors. At June 30, 2019, approximately 75% of pledges receivable were due from three specific donors. For the year ended June 30, 2018, the Association received approximately 47% of their grants and contributions from one specific donor. At June 30, 2018, approximately 63% of pledges receivable were due from one specific donor.

(15) Change in Accounting Principle

The Association adopted the FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The presentation of these statements has been adjusted accordingly, including expanded footnote disclosure.

The following schedule summarized the impact these changes have on the beginning net asset balances:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net assets, as previously reported, July 1, 2018	\$ 788,606	27,759,465	4,508,510	--	--	33,056,581
Reclassifications due to adoption of ASU 2016-14 -						
Change in net asset terminology:						
Unrestricted	(788,606)	--	--	788,606	--	--
Temporarily restricted	--	(27,759,465)	--	--	27,759,465	--
Permanently restricted	--	--	(4,508,510)	--	4,508,510	--
Net assets, as reclassified, July 1, 2018	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>788,606</u>	<u>32,267,975</u>	<u>33,056,581</u>

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(16) Subsequent Events

The Association has reviewed subsequent events through September 5, 2019, the date the financial statements were available to be issued.