



A S S U R A N C E D I M E N S I O N S

Consolidating Financial Statements and
Independent Auditor's Report

**Jacksonville Symphony Association, Inc. and
Jacksonville Symphony Foundation, Inc.**

For the Years ended June 30, 2019 and 2018

Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Members' of **Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.**

We have audited the accompanying consolidating financial statements of **Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.** (collectively, the "Symphony"), which comprise the consolidating statements of financial position as of June 30, 2019 and 2018, and the related consolidating statements of activities and cash flows for the years then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Symphony's preparation and fair presentation of the consolidating 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 Symphony'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 opinions.

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Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of the Symphony as of June 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncement

As described in Note B of the financial statements, the Symphony adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which did not change opening net assets. Our opinion is not modified with respect to this matter.

Assurance Dimensions

Jacksonville, Florida
December 23, 2019

Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.
Consolidating Statement of Financial Position
As of June 30, 2019

	<u>Jacksonville Symphony Association</u>	<u>Jacksonville Symphony Foundation</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 532,294	\$ -	\$ 532,294
Contributions receivable, net	4,172,985	-	4,172,985
Other receivables	64,196	-	64,196
Investments	8,678,892	11,067,687	19,746,579
Prepaid expenses	165,754	-	165,754
Property and equipment, net	33,685	-	33,685
Total assets	<u>\$ 13,647,806</u>	<u>\$ 11,067,687</u>	<u>\$ 24,715,493</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,250,616	\$ -	\$ 1,250,616
Deferred revenue - concert ticket sales and sponsorships	991,338	-	991,338
Line of credit	3,759,311	-	3,759,311
Total liabilities	<u>6,001,265</u>	<u>-</u>	<u>6,001,265</u>
Net assets:			
Without donor restrictions	2,753,556	11,067,687	13,821,243
With donor restrictions	4,892,985	-	4,892,985
Total net assets	<u>7,646,541</u>	<u>11,067,687</u>	<u>18,714,228</u>
Total liabilities and net assets	<u>\$ 13,647,806</u>	<u>\$ 11,067,687</u>	<u>\$ 24,715,493</u>

The accompanying notes are an integral part of this financial statement.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.
Consolidating Statement of Financial Position
As of June 30, 2018

	Jacksonville Symphony Association	Jacksonville Symphony Foundation	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 105,416	\$ -	\$ 105,416
Contributions receivable, net	6,410,787	-	6,410,787
Investments	8,117,523	12,097,749	20,215,272
Other assets	238,523	-	238,523
Property and equipment, net	96,406	-	96,406
Total assets	<u>\$ 14,968,655</u>	<u>12,097,749</u>	<u>\$ 27,066,404</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,407,923	\$ -	\$ 1,407,923
Deferred revenue - concert ticket sales and sponsorships	1,144,664	-	1,144,664
Line of credit	3,665,275	-	3,665,275
Total liabilities	<u>6,217,862</u>	<u>-</u>	<u>6,217,862</u>
Net assets:			
Without donor restrictions	1,195,006	12,097,749	13,292,755
With donor restrictions	7,555,787	-	7,555,787
Total net assets	<u>8,750,793</u>	<u>12,097,749</u>	<u>20,848,542</u>
Total liabilities and net assets	<u>\$ 14,968,655</u>	<u>\$ 12,097,749</u>	<u>\$ 27,066,404</u>

The accompanying notes are an integral part of this financial statement.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.
Consolidating Statement of Activities
For the Year Ended June 30, 2019

	Jacksonville Symphony Association			Jacksonville Symphony Foundation	Total
	Without Donor Restrictions	With Donor Restrictions	Total		
Revenues, gains, and other support:					
Ticket sales and concert fees	\$ 3,269,731	\$ -	\$ 3,269,731	\$ -	\$ 3,269,731
Contributions	-	4,152,875	4,152,875	-	4,152,875
Grants	-	271,741	271,741	-	271,741
Fundraising activities	328,915	-	328,915	-	328,915
Interest and dividends	133,337	-	133,337	133,753	267,090
Realized gains on sale of investments, net	22,954	-	22,954	389,870	412,824
Unrealized investment gains (losses), net	391,014	-	391,014	(169,850)	221,164
Other revenue	108,019	-	108,019	-	108,019
Total revenues, gains, and other support	<u>4,253,970</u>	<u>4,424,616</u>	<u>8,678,586</u>	<u>353,773</u>	<u>9,032,359</u>
Net assets released from restriction	<u>6,987,418</u>	<u>(6,987,418)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
Program expenses					
Performances	7,243,094	-	7,243,094	-	7,243,094
Education	436,951	-	436,951	-	436,951
Supporting expenses					
Managerial	2,038,750	-	2,038,750	43,835	2,082,585
Fundraising	1,404,043	-	1,404,043	-	1,404,043
Total expenses	<u>11,122,838</u>	<u>-</u>	<u>11,122,838</u>	<u>43,835</u>	<u>11,166,673</u>
Net assets transferred to the Association	<u>1,440,000</u>	<u>-</u>	<u>1,440,000</u>	<u>(1,440,000)</u>	<u>-</u>
Net assets transferred to the Foundation	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>
Change in net assets	1,558,550	(2,662,802)	(1,104,252)	(1,030,062)	(2,134,314)
Net assets at beginning of the year	1,195,006	7,555,787	8,750,793	12,097,749	20,848,542
Net assets at end of year	<u>\$ 2,753,556</u>	<u>\$ 4,892,985</u>	<u>\$ 7,646,541</u>	<u>\$ 11,067,687</u>	<u>\$ 18,714,228</u>

The accompanying notes are an integral part of this financial statement.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.
Consolidating Statement of Activities
For the Year Ended June 30, 2018

	Jacksonville Symphony Association			Jacksonville Symphony Foundation	Total
	Without	With	Total		
	Donor Restrictions	Donor Restrictions			
Revenues, gains, and other support:					
Ticket sales and concert fees	\$ 3,299,748	\$ -	\$ 3,299,748	\$ -	\$ 3,299,748
Contributions	-	5,069,465	5,069,465	-	5,069,465
Grants	-	401,566	401,566	-	401,566
Advertising	98,182	-	98,182	-	98,182
Fundraising activities	183,721	-	183,721	-	183,721
Interest and dividends	152,911	-	152,911	190,720	343,631
Realized gains on sale of investments	54,281	-	54,281	602,983	657,264
Unrealized investment gains	681,266	-	681,266	497,964	1,179,230
Other revenue	273,391	-	273,391	-	273,391
Total revenues, gains, and other support	4,743,500	5,471,031	10,214,531	1,291,667	11,506,198
Net assets released from restriction	6,263,250	(6,263,250)	-	-	-
Expenses:					
Program expenses					
Performances	7,108,301	-	7,108,301	-	7,108,301
Education	683,469	-	683,469	-	683,469
Supporting expenses					
Managerial	2,249,301	-	2,249,301	42,751	2,292,052
Fundraising	1,634,925	-	1,634,925	-	1,634,925
Total expenses	11,675,996	-	11,675,996	42,751	11,718,747
Net assets transferred to the Association	750,807	-	750,807	(750,807)	-
Net assets transferred to the Foundation	(981,211)	-	(981,211)	981,211	-
Change in net assets	(899,650)	(792,219)	(1,691,869)	1,479,320	(212,549)
Net assets at beginning of the year	2,094,656	8,348,006	10,442,662	10,618,429	21,061,091
Net assets at end of year	\$ 1,195,006	\$ 7,555,787	\$ 8,750,793	\$ 12,097,749	\$ 20,848,542

The accompanying notes are an integral part of this financial statement.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program expenses			Support expenses		Total
	Performances	Education	Total	Managerial	Fundraising	
Expenses:						
Salaries & benefits	\$ 5,313,521	\$ 170,233	\$ 5,483,754	\$ 935,660	\$ 609,921	\$ 7,029,335
Guest artist & conductors	1,624,711	38,022	1,662,733	-	-	1,662,733
Supplies and travel	-	4,028	4,028	-	-	4,028
Services & professional fees	24,999	179,644	204,643	1,025,176	640,703	1,870,522
Office and occupancy	96,758	39,205	135,963	111,133	143,346	390,442
Depreciation	37,115	5,819	42,934	10,616	10,073	63,623
Interest	145,990	-	145,990	-	-	145,990
Total expenses	<u>\$ 7,243,094</u>	<u>\$ 436,951</u>	<u>\$ 7,680,045</u>	<u>\$ 2,082,585</u>	<u>\$ 1,404,043</u>	<u>\$ 11,166,673</u>

The accompanying notes are an integral part of this financial statement.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Activities			Support Activities		Total
	Performances	Education	Total	Managerial	Fundraising	
Expenses:						
Salaries & benefits	\$ 5,117,165	\$ 272,994	\$ 5,390,159	\$ 1,049,964	\$ 528,623	\$ 6,968,746
Guest artist & conductors	1,810,585	14,898	1,825,483	-	-	1,825,483
Supplies and travel	-	111,901	111,901	-	1,039	112,940
Services & professional fees	13,625	225,038	238,663	982,729	897,530	2,118,922
Office and occupancy	93,955	46,977	140,932	140,931	187,909	469,773
Depreciation	72,971	11,661	84,632	20,990	19,824	125,445
Interest	97,438	-	97,438	-	-	97,438
Total expenses	<u>\$ 7,205,739</u>	<u>\$ 683,469</u>	<u>\$ 7,889,208</u>	<u>\$ 2,194,614</u>	<u>\$ 1,634,925</u>	<u>\$ 11,718,747</u>

The accompanying notes are an integral part of this financial statement.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.
Consolidating Statement of Cash Flows
For the Year Ended June 30, 2019

	Jacksonville Symphony Association	Jacksonville Symphony Foundation	Total
Cash flows from operating activities:			
Change in net assets	\$ (1,104,252)	\$ (1,030,062)	\$ (2,134,314)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation expense	63,623	-	63,623
Investment income, net	(547,305)	(353,773)	(901,078)
Changes in:			
Contributions receivable	2,173,606	-	2,173,606
Other assets	72,769	-	72,769
Accounts payable and accrued liabilities	(157,307)	-	(157,307)
Deferred revenue	(153,326)	-	(153,326)
Net cash provided (used) by operating activities	<u>347,808</u>	<u>(1,383,835)</u>	<u>(1,036,027)</u>
Cash flows from investing activities:			
Proceeds from sale of investments	187,268	4,909,216	5,096,484
Purchase of investments	(1,541,332)	(2,185,381)	(3,726,713)
Purchases of property and equipment	(902)	-	(902)
Net cash provided (used) by investing activities	<u>(1,354,966)</u>	<u>2,723,835</u>	<u>1,368,869</u>
Cash flows from financing activities:			
Net fund transfers	1,340,000	(1,340,000)	-
Net borrowings on line of credit	94,036	-	94,036
Net cash provided (used) by financing activities	<u>1,434,036</u>	<u>(1,340,000)</u>	<u>94,036</u>
Net increase in cash and cash equivalents	426,878	-	426,878
Cash and cash equivalents, beginning of the year	105,416	-	105,416
Cash and cash equivalents, end of the year	<u>\$ 532,294</u>	<u>\$ -</u>	<u>\$ 532,294</u>
Supplementary disclosures:			
Cash paid for interest	<u>\$ 145,990</u>	<u>\$ -</u>	<u>\$ 145,990</u>

The accompanying notes are an integral part of this financial statement.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony Foundation, Inc.
Consolidating Statement of Cash Flows
For the Year Ended June 30, 2018

	Jacksonville Symphony Association	Jacksonville Symphony Foundation	Total
Cash flows from operating activities:			
Change in net assets	\$ (1,691,869)	\$ 1,479,320	\$ (212,549)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation expense	125,445	-	125,445
Investment income, net	(888,458)	(1,248,916)	(2,137,374)
Changes in:			
Contributions receivable	317,219	-	317,219
Other assets	(119,415)	-	(119,415)
Accounts payable and accrued liabilities	(147,459)	-	(147,459)
Deferred revenue	(262,821)	-	(262,821)
Net cash provided (used) by operating activities	<u>(2,667,358)</u>	<u>230,404</u>	<u>(2,436,954)</u>
Cash flows from investing activities:			
Proceeds from sale of investments	3,068,824	1,724,573	4,793,397
Purchase of investments	(1,541,332)	(2,185,381)	(3,726,713)
Purchases of property and equipment	(3,398)	-	(3,398)
Net cash provided (used) by investing activities	<u>1,524,094</u>	<u>(460,808)</u>	<u>1,063,286</u>
Cash flows from financing activities:			
Net fund transfers	(230,404)	230,404	-
Net borrowings on line of credit	1,345,470	-	1,345,470
Net cash provided by financing activities	<u>1,115,066</u>	<u>230,404</u>	<u>1,345,470</u>
Net decrease in cash and cash equivalents	(28,198)	-	(28,198)
Cash and cash equivalents, beginning of the year	133,614	-	133,614
Cash and cash equivalents, end of the year	<u>\$ 105,416</u>	<u>\$ -</u>	<u>\$ 105,416</u>
Supplementary disclosures:			
Cash paid for interest	<u>\$ 97,438</u>	<u>\$ -</u>	<u>\$ 97,438</u>

The accompanying notes are an integral part of this financial statement.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.

Notes to Consolidating Financial Statements

June 30, 2019 and 2018

Note A – Organization and Description of Business

The Jacksonville Symphony Association (the “Association”) is a not-for-profit organization established to encourage and expand musical appreciation in the community.

The Jacksonville Symphony Foundation (the “Foundation”) is a not-for-profit organization established to provide financial assistance and support to the Association. The Foundation was fully funded by investments transferred from the Association.

The Association and the Foundation are collectively referred to as the Symphony.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The consolidating financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Principles of Consolidation

The Association and the Foundation have common members of their boards of directors and utilize the same management and employees and were organized to achieve common goals. The Association appoints the majority of the board members of the Foundation and has an economic interest in the Foundation. Therefore, the financial statements are presented on a consolidated basis. Significant intercompany transactions and balances have been eliminated in the consolidation.

Recently Adopted Accounting Standards

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) released Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit entity (“NFP”) financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The ASU significantly changes how NFPs present net assets on the face of the financial statements, as well as requires additional disclosures for expenses by nature and function and for the liquidity and availability of resources. The Symphony adopted this ASU in the current year, applying the changes retrospectively. The new standard changes the following aspects of these financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a note about liquidity and availability of financial assets.

These changes had no effect on total net assets at June 30, 2018.

Recently Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The effective date for this Standard for nonpublic entities is annual reporting periods beginning after December 15, 2018, with early adoption permitted for annual periods beginning after December 15, 2016. ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note B – Summary of Significant Accounting Policies (continued)

This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. The Symphony is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheet. It also makes targeted changes to lessor accounting, including a change to the treatment of initial direct leasing costs, which no longer considers fixed internal leasing salaries as capitalizable costs. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments — Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates.*, which changes the effective date of ASC 842 for private companies to years beginning on or after December 15, 2020. Management is evaluating the impact of this ASU on the Symphony's financial reporting.

In June 2018, the FASB released ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU will take effect for all fiscal years beginning after December 15, 2018.

Liquidity

Assets are presented in the accompanying consolidating statements of financial position according to their nearness of conversion to cash and liabilities according to their nearness of maturity and resulting use of cash.

Use of Estimates

The preparation of consolidating financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Asset Classifications

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These are presented as undesignated and board designated.

Undesignated net assets - Net assets and contributions not subject to donor-imposed stipulations or board designations.

Board designated net assets. Net assets subject to Board designation. Generally, the income earned on board designated investments is designated for general or specific purposes. Board designated net assets include investments designated as endowments, certain contributions received and accumulated gains or losses on restricted endowments which are not stipulated by the donor or law for permanent reinvestment.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note B – Summary of Significant Accounting Policies (continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions or Board action. Federal and local grants are recognized as unrestricted revenue to the extent expenses have been incurred under the terms of the respective grant agreements in the consolidating statement of activities. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in designated net assets unless their use is restricted by donor stipulations or law.

Contributions received with donor-imposed restrictions that are met in the same year as the contribution is received are reported initially as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value at the date received. Contributions of cash or other assets to be used to acquire property and equipment are temporarily restricted; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

The Organization records the value of donated goods or services as in-kind contributions when there is an objective basis available to measure their value. Donated services of a professional or skilled nature are presented at the estimated value of such services. Donated materials are reflected in the accompanying statements at their estimated value at date of receipt.

A substantial number of volunteers have donated significant amounts of their time to the Symphony. When that time includes services that require specialized skills or enhance nonfinancial assets and would otherwise require to be purchased, in-kind values are recorded as contributions and expenses in the statements of activities.

Deferred Revenue and Ticket Sales and Concert Fees

The Symphony records amounts received for the purchase of the following season's concert tickets and sponsorships as deferred revenue. These amounts will be recognized as revenue in the related concert year.

Grants

Grant revenues from state and local grants are recorded based on the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs or units of service of the specific grant provisions have been incurred or provided. Such revenue is subject to audit by the grantor and, if the examination results in a non-allowance of units of service or expenses, the Symphony will be required to reimburse any overpayments.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note B – Summary of Significant Accounting Policies (continued)

Fundraising Activities

Fundraising activities consists primarily of special event revenue which is recognized as revenue when the event takes place.

Cash and Cash Equivalents

The Symphony considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents, except for certain money market and commercial paper investments held within the marketable securities portfolio. The Symphony places its temporary cash investments with FDIC insured institutions. At times, such investments may be in excess of FDIC insurance limits. The Symphony does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

Contributions Receivable

Contributions, including unconditional promises to give due in future periods, are recognized as revenues in the period made or received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity. It is the Symphony's policy to charge off uncollectible accounts when management determines the receivable will not be collected. As of June 30, 2019 and 2018, the allowance for uncollectible contributions was approximately \$88,000 and \$135,000, respectively.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Investments

Investments are carried at fair value. Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in the consolidating statements of activities.

Property and Equipment

Property and equipment with values of \$1,000 or more, and a useful life longer than a year, are capitalized. Property and equipment are stated at historical cost. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in operations. Depreciation is provided over the estimated useful life (3 to 10 years) of the related assets using the straight-line method. Leasehold improvements recorded at the inception of the lease are amortized over the life of the lease, or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, their amortization period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonably assured).

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note B – Summary of Significant Accounting Policies (continued)

The Symphony periodically reviews property and equipment for indicators of potential impairment. If this review indicates that the carrying amount of these assets may not be recoverable, the Symphony estimates the future cash flows expected to result from the operations of the asset and its eventual disposition. If the sum of these future cash flows (undiscounted and without interest charges) is less than the carrying amounts of the asset, the Symphony records an impairment loss based on the fair value of the asset. No impairments were deemed to exist at June 30, 2019 or 2018.

Income Taxes

The Association and the Foundation are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

The Symphony evaluates its tax positions for any uncertainties based on the technical merits of the positions taken. The Symphony recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Symphony has analyzed the tax positions taken and has concluded that as of June 30, 2019 and 2018, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the consolidating financial statements.

Management is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, including federal and certain state taxing authorities. With few exceptions, at June 30, 2019, the Symphony is no longer subject to U.S. federal, state or local income tax examinations by taxing authorities for years before 2017. As of and for the years ended June 30, 2019 and 2018, the Symphony did not have a liability for any unrecognized taxes. The Symphony has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

Functional Allocation of Expenses

Expenses that can be identified with a specific function are charged directly to that function, whereas costs common to multiple functions have been allocated. Salaries and wages, benefits and payroll taxes are allocated based on employee estimates of the percentage of time spent in each function. Facilities, telecommunications, office, printing, supplies and insurance expenses are allocated based on salary allocations. These functions are defined as follows:

Program Services – The costs related to providing services related to the Symphony’s mission.

Managerial – Activities that provide governance, oversight, business and financial management, financial recordkeeping, budgeting, legal, and human resource management services.

Fundraising – Activities include publicizing and conducting fundraising campaigns, maintaining donor lists, conducting fundraising events, and any other activities that solicit contributions from corporations, foundations, individuals and others. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
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Note C – Line of Credit

The Symphony has a \$4,000,000 asset-based revolving line of credit with a bank which is due on demand and bears interest at 1-month LIBOR plus 1.50% (3.90% at June 30, 2019). The line renews each June 30 until such time when the bank wishes to terminate, and is secured by assets held in the Symphony's brokerage account that had a balance of \$5,830,020 at June 30, 2019. The Symphony may borrow up to 75% of the collateral's value. As of June 30, 2019, the Symphony had approximately \$241,000 of available borrowing on the line of credit.

Note D – Property and Equipment

Property and equipment consisted of the following at June 30:

	2019	2018
Furniture and fixtures	\$ 816,428	\$ 815,526
Instruments	444,001	444,001
Leasehold improvements	344,953	344,953
Total property and equipment	1,605,382	1,604,480
Less: accumulated depreciation	(1,571,697)	(1,508,074)
Property and equipment, net	<u>\$ 33,685</u>	<u>\$ 96,406</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was approximately \$64,000 and \$125,000, respectively.

Note E – Investments

The Association's investments consisted of the following at June 30, 2019:

	Fair Value	Cost Basis	Gross Unrealized Gain (Loss)
Cash (interest-bearing)	\$ 809,358	\$ 809,358	\$ -
Money market funds	1,504,683	1,504,683	-
US Treasury bonds	48,227	45,024	3,203
Certificate of deposit - SunTrust	100,000	100,000	-
Corporate bonds	1,615,695	1,615,162	533
Corporate stock	4,600,929	4,540,024	60,905
Total investments	<u>\$ 8,678,892</u>	<u>\$ 8,614,251</u>	<u>\$ 64,641</u>

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note E –Investments (continued)

The Foundation's investments consisted of the following at June 30, 2019:

	Fair Value	Cost Basis	Gross Unrealized Gain (Loss)
	<u> </u>	<u> </u>	<u> </u>
Cash (interest-bearing)	\$ 1,742,046	\$ 1,742,046	\$ -
Corporate stock	707,938	702,450	5,488
Spitfire Fund, L.P.	1,064,319	500,000	564,319
683 Capital Partners, L.P.	917,287	500,000	417,287
TPG Public Equity Partners-B, LTD	624,431	500,000	124,431
Lone Pine Capital, LLC	1,355,699	283,000	1,072,699
Semper Vic Partners, L.P.	4,526,052	175,000	4,351,052
Other limited partnerships	129,915	115,400	14,515
Total investments	<u>\$ 11,067,687</u>	<u>\$ 4,517,896</u>	<u>\$ 6,549,791</u>

The Association's investments consisted of the following at June 30, 2018:

	Fair Value	Cost Basis	Gross Unrealized Gain (Loss)
	<u> </u>	<u> </u>	<u> </u>
Cash (interest-bearing)	\$ 1,323,734	\$ 1,323,734	\$ -
Money market funds	76,933	76,933	-
US Treasury bonds	49,850	51,728	(1,878)
Certificate of deposit - SunTrust	100,000	100,000	-
Corporate bonds	2,367,037	2,377,975	(10,938)
Corporate stock	4,199,969	1,062,430	3,137,539
Total investments	<u>\$ 8,117,523</u>	<u>\$ 4,992,800</u>	<u>\$ 3,124,723</u>

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
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June 30, 2019 and 2018

Note E – Investments (continued)

The Foundation’s investments consisted of the following as of June 30, 2018:

	Fair Value	Cost Basis	Gross Unrealized Gain (Loss)
Cash (interest-bearing)	\$ 2,051,193	\$ 2,051,193	\$ -
Corporate stock	1,345,648	1,144,574	201,074
Spitfire Fund, L.P.	1,249,333	500,000	749,333
683 Capital Partners, L.P.	941,647	500,000	441,647
Sparrow Partners, L.P.	492,436	500,000	(7,564)
TPG Public Equity Partners-B, LTD	516,625	500,000	16,625
Lone Pine Capital, LLC	1,282,708	283,000	999,708
Semper Vic Partners, L.P.	4,162,818	175,000	3,987,818
Other limited partnerships	55,341	50,286	5,055
Total investments	<u>\$ 12,097,749</u>	<u>\$ 5,704,053</u>	<u>\$ 6,393,696</u>

The Spitfire Fund, L.P. is an investor in small capitalization U.S. equities. Most of its targets are underfollowed by sell side analysts and institutional investors and are often attractive acquisition candidates. Since inception, fifteen companies representing 25% of its investments have been acquired, by strategic or financial buyers. The Spitfire Fund, L.P. allows for quarterly redemptions and requires at least a 90 day notice period

683 Capital Partners, L.P. emphasizes fundamental-company and industry-specific research in selecting investments. It targets dislocations and special investment situations occurring across all industries and geographies. It is primarily invested in long-short equities and distressed debt as well as equity options and interest rate swap contracts. 683 Capital Partners, L.P. allows for quarterly redemptions and requires at least a 75 day notice period.

Sparrow Partners, L.P. (“Sparrow”) seeks to achieve capital appreciation primarily through a combination of long and short investments in the global securities markets, with an anticipated focus on the United States and an emphasis on catalyst driven investments undergoing structural, frictional or cyclical change. Sparrow allows for redemptions at the end of each quarter and requires at least a 60 day notice period.

TPG Public Equity Partners-B, LTD (“TPG”) invests in publically traded equities globally across all sectors and capitalizations. TPG allows for redemptions at the end of each quarter and requires at least a 60 day notice period.

Lone Pine Capital, LLC's investment objective is to provide investors with compound annual long-term returns that are superior to the broad market averages while having less risk than the overall stock market. To accomplish this, the partnership invests primarily in public equity securities of U.S. and non-U.S. issuers. The partnership also invests (no more than 5% of partners' capital) in private placement securities, may utilize both over-the-counter and exchange traded instruments (including derivative instruments such as options, swaps, and futures on equities and equity indices and other equity derivatives), invest in other funds and invest in the high yield and convertible fixed income markets. The partnership does not engage in speculative

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note E – Investments (continued)

trading in the interest rate, currency or physical commodities markets. Lone Pine Capital, LLC, allows for quarterly redemptions and requires at least a 30 day notice period.

Semper Vic Partners, L.P., is a limited partnership whose purpose is to serve as a fund through which the assets of its partners may be utilized in investing, holding and trading in securities, other financial instruments and rights and options relating thereto. Semper Vic Partners, L.P., allows for quarterly redemptions and requires at least a 30 day notice period.

Note F – Fair Value Measurements

The FASB has established a framework for measuring fair value in ASC 820, *Fair Value Measurements*. That framework provides a fair value hierarchy that prioritizes the 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 unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

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 to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2018 and 2019. Following is a description of the valuation methodologies used for Level 2 and 3 assets measured at fair value:

U.S. Treasury bonds: Valued using a third party data pricing service.

Corporate bonds: Valued using matrix pricing. Matrix pricing is a mathematical technique used without relying exclusively on quoted prices for the specific investments, but rather on the investments' relationship to other benchmark quoted investments.

Corporate stocks: Valued at the closing price reported on the market on which the individual securities are traded.

Money market funds: Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value and to transact at that price.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note F – Fair Value Measurements (continued)

The preceding methods described may produce fair value calculations that may not be indicative of net realizable values or reflective of future fair values. Furthermore, although the Symphony believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in different fair value measurements at the reporting date.

Investments exempt from the fair value hierarchy under Accounting Standards Codification ("ASC") 820 are measured using the net asset value practical expedient (ASU 2015-07) and are required to be separately disclosed from the fair value hierarchy. The investments held in limited partnerships are reported at net asset value ("NAV") practical expedient. Investments using the NAV practical expedient are shown as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total assets measured at fair value on the face of the financial statements.

The following table sets forth by level, within the fair value hierarchy, the Symphony's consolidated financial instruments at fair value at June 30, 2019:

	Level 1	Level 2	Total
Money market funds	\$ 1,504,683	\$ -	\$ 1,504,683
Corporate stocks:			
Basic materials	58,287	-	58,287
Consumer goods	14,710	-	14,710
Consumer services	93,042	-	93,042
Financials	4,556,684	-	4,556,684
Oil and gas	54,026	-	54,026
Industrial goods	232,164	-	232,164
Technology	217,836	-	217,836
Other	82,116	-	82,116
U.S treasury bonds	48,227	-	48,227
Corporate bonds	-	1,615,695	1,615,695
Total assets at fair value	<u>\$ 6,861,775</u>	<u>\$ 1,615,695</u>	8,477,470
Cash (interest-bearing)			2,551,404
Certificates of deposit			100,000
Investments at NAV expedient			8,617,705
Total investments			<u>\$ 19,746,579</u>

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note F – Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Symphony's consolidated financial instruments at fair value at June 30, 2018:

	Level 1	Level 2	Total
Money market funds	\$ 76,933	\$ -	\$ 76,933
Corporate stocks:			
Basic materials	69,791	-	69,791
Consumer goods	152,874	-	152,874
Consumer services	94,195	-	94,195
Financials	4,454,792	-	4,454,792
Oil and gas	73,469	-	73,469
Industrial goods	244,199	-	244,199
Technology	337,964	-	337,964
Other	86,553	31,780	118,333
U.S treasury bonds	49,850	-	49,850
Corporate bonds	2,367,037	-	2,367,037
Total assets at fair value	<u>\$ 8,007,657</u>	<u>\$ 31,780</u>	8,039,437
Cash (interest-bearing)			3,374,927
Certificates of deposit			100,000
Investments at NAV expedient			8,700,908
Total investments			<u>\$ 20,215,272</u>

Note G – In-Kind Contributions

In-kind contributions include the following in-kind amounts for the years ended June 30:

	2019	2018
Production expenses	\$ 258,117	\$ 238,116
Advertising and promotions	55,000	55,000
Fundraising activities	-	-
General and administrative	12,388	12,327
Total	<u>\$ 325,505</u>	<u>\$ 305,443</u>

The Association receives rent-free rehearsal space for the Jacksonville Symphony Youth Orchestra as a contribution from an unrelated party. During the years ended June 30, 2019 and 2018, the Association recognized \$140,197 and \$140,197, respectively, for such facilities in the consolidating statements of activities as both contributions and production expenses. In-kind rent is recorded at fair value on a straight line basis over the life of the lease and is included in contributions and production expense on the consolidating statement of activities.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note H – Contributions

Contributions receivable consisted of the following at June 30:

	2019	2018
Unconditional promises expected to be collected in:		
Less than one year	\$ 560,811	\$ 1,905,192
Between one to five years	3,647,938	4,258,696
More than five years	175,000	575,000
Total contributions	4,383,749	6,738,888
Less: discount to present value	(122,589)	(192,815)
Less: allowance for uncollectible contributions	(88,175)	(135,286)
Total	\$ 4,172,985	\$ 6,410,787

Contributions have been discounted by a 2.00% annual rate of interest. Two donors represented 40% of contributions receivable at June 30, 2019. Two donors represented 29% of contributions receivable at June 30, 2018.

Note I – Grant Programs – City of Jacksonville

The Association applied for and received a grant from the Cultural Council of Greater Jacksonville, Inc. (the “City”) for the years ended June 30, 2019 and 2018 as outlined in the table below. The Association requests funds to support the 2018-2019 and 2017-2018 seasons of programs, music education and community enrichment.

	City FY 2018- 2019	City FY 2017-2018
Amount of award (per City budget ordinance)	\$ 261,580	\$ 269,045
Amount received 7/1/18 - 6/30/19	(261,580)	-
Amount received 7/1/17 - 6/30/18	-	(269,045)
Amount remaining to be distributed	\$ -	\$ -

Expenditures of City Funds

	Approved Budget	Actual Expenditures 10/1/17- 6/30/18	Actual Expenditures 7/1/17- 9/30/17	Total Expenditures	Remaining Balance
Artistic salaries and expenses	\$ 269,045	\$ 269,045	\$ -	\$ 269,045	\$ -
Total	\$ 269,045	\$ 269,045	\$ -	\$ 269,045	\$ -

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note I – Grant Programs – City of Jacksonville (continued)

City FY 2018/19 CGSP

	Approved Budget	Actual Expenditures 10/1/18- 6/30/19	Actual Expenditures 7/1/18- 9/30/18	Total Expenditures	Remaining Balance
Artistic salaries and expenses	\$ 261,580	\$ 261,580	\$ -	\$ 261,580	\$ -
Total	<u>\$ 261,580</u>	<u>\$ 261,580</u>	<u>\$ -</u>	<u>\$ 261,580</u>	<u>\$ -</u>

Note J – Commitments

The Symphony has a collective bargaining agreement with the International Alliance of Theatrical Stage Employees, Local 115, representing its stage hands, which is expired August 31, 2018. This agreement was renewed and is in effect until August 31, 2021. The Symphony also has a collective bargaining agreement with the American Federation of Musicians, Local 444, representing its Musicians, which is in effect until September 3, 2022. The Symphony has an employment agreement with its President and Chief Executive Officer which includes salary and benefits through December 31, 2019.

Note K – Multiemployer Plan

The Symphony contributes to the American Federation of Musicians and Employers' Pension Plan ("Pension Plan"), a multiemployer defined benefit pension plan, under the terms of a collective-bargaining agreement, see Note J, which covers its union-represented musicians. The risks of participating in a multiemployer plan are different from single-employer plan in the following aspects:

- 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 borne by the remaining participating employers.
- c. If the Symphony chooses to stop participating in the Pension Plan, the Symphony may be required to pay the Pension Plan an amount based on the underfunded status of the Pension Plan, referred to as a withdrawal liability.

The Symphony's participation in the Pension Plan for the periods ended June 30, 2019 and 2018 is outlined in the table below. The EIN/Pension Plan Number column provides the Employer Identification Number ("EIN") and the three-digit plan number. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2019 is for the Pension Plan's year-end at March 31, 2019. The zone status is based on information that the Symphony received from the Pension Plan and is certified by the Pension Plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The FIP /RP Status Pending/Implemented column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note K – Multiemployer Plan (continued)

The last column lists the expiration date of the collective-bargaining agreement is also disclosed in Note J, and reflects the Symphony’s commitment to the Pension Plan.

American Federation of Musicians and Employers’ Pension Plan	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP /RP Status Pending/ Implemented	Contributions for the Year Ended			Expiration Date of Collective Bargaining Agreement?
				June 30, 2019	June 30, 2018	Surcharge Imposed?	
	51-6120204 Plan 001	Red	Yes	\$220,643	214,016	No	September 3 2022

As of June 30, 2019 and 2018, the Symphony had \$17,257 and \$16,044, respectively, of contributions to the Pension Fund in accounts payable and accrued liabilities on the consolidating statement of financial position. The contributions above did not exceed 5% of the total contributions to the Pension Fund in any of the years listed above.

Note L – Net Assets with Donor Restrictions - Permanently Restricted

The Symphony has three endowment programs (Fine Arts I, Fine Arts II and Fine Arts III) with assets held at Stifel Nicholas. The endowments were set up in order to obtain matching funds from the State of Florida Department of State Division of Cultural Affairs (the “State”). The Symphony contributed \$360,000 and applied for and received \$240,000 from the State for each endowment fund. The Symphony is required, at all times, to maintain \$600,000 for each award in these separate accounts. If the funds fall below \$600,000 the Symphony would be required to refund the State matching contribution. Therefore, the matching contributions from the State are considered permanently restricted. The Symphony has set up a fourth endowment with a balance as of June 30, 2019 of \$385,049, and submitted an application to the State for matching funds of \$240,000, and anticipates that the funds will be received in fiscal 2020.

As of June 30, 2019 and 2018, the balance of the Fine Arts endowment accounts that have received State matching funds was as follows, and the Symphony was in compliance with the minimum balance requirement.

	Fine Arts I	Fine Arts II	Fine Arts III
June 30, 2019			
Cash	\$ 108,990	\$ 136,995	\$ 305,252
Corporate stocks	116,444	116,123	91,280
Corporate bonds	510,516	569,840	330,941
Total	<u>\$ 735,950</u>	<u>\$ 822,958</u>	<u>\$ 727,473</u>

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note L – Net Assets with Donor Restrictions - Permanently Restricted (continued)

	<u>Fine Arts I</u>	<u>Fine Arts II</u>	<u>Fine Arts III</u>
June 30, 2018			
Cash	\$ 5,758	\$ 106,388	\$ 18,568
Corporate stocks	170,136	140,318	101,672
Corporate bonds	<u>561,931</u>	<u>564,950</u>	<u>588,840</u>

Note M – Net Assets with Donor Restrictions - Temporarily Restricted

Temporarily restricted net assets of \$4,172,985 and \$6,835,787 as of June 30, 2019 and 2018, respectively, consist of pledges receivable that are time restricted and have not been collected and support designated for specific purposes. Net assets are released from temporary restrictions through the occurrence of expenses satisfying the restricted purposes or by occurrence of events specified by the donors and are summarized as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Time restrictions satisfied	\$ 6,715,677	\$ 5,861,684
City of Jacksonville Cultural Services Grant Program	261,580	269,045
Cultural enrichment and music education programs	10,161	83,520
General program support grant	-	49,001
Net assets released from temporary restrictions	<u>\$ 6,987,418</u>	<u>\$ 6,263,250</u>

Note N – Net Assets without Donor Restrictions - Board Designated

At June 30, 2019 and 2018, the Board had designated \$18,926,579 and \$19,395,272, respectively, of unrestricted net assets of the Association and the Foundation as a general endowment to support the mission of the Symphony. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Symphony has a spending policy of appropriating for distribution each year of no less than 5% and no more than 7% of its Board designated endowment's fair market value at year end. The transfer rate is based on a five year average return. In establishing this policy, the Symphony considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Symphony expects the current spending policy to allow its general endowment fund to grow at an average of 3% annually. This is consistent with the Symphony's objective to maintain, and preferably enhance, the transfer power of its assets in perpetuity.

To achieve that objective, the Symphony has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a diversified asset mix, which includes equity and debt securities and certain approved alternative investments, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the fund if possible. Accordingly, the Symphony expects its endowment assets, over time, to produce an average rate of return of approximately 7.5%. Actual returns in any given year may vary from this amount.

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note N – Net Assets without Donor Restrictions - Board Designated (continued)

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

A reconciliation of the board designated of the Association’s and Foundation’s endowment funds are as follows for the years ended June 30, 2019 and 2018:

Board designated net assets at June 30, 2017	\$	18,324,582
Transfers in, net		266,736
Interest and dividends		343,631
Net realized gain on investments		657,264
Net unrealized gain on investments		1,179,230
Investment fees		(43,051)
Distributions		(1,333,120)
Board designated net assets at June 30, 2018		<u>19,395,272</u>
Transfers in, net		100,000
Interest and dividends		267,090
Net realized gain on investments		412,824
Net unrealized gain on investments		235,228
Investment fees		(43,835)
Distributions		(1,440,000)
Board designated net assets at June 30, 2019	\$	<u><u>18,926,579</u></u>

The distributions to the Association's operating fund are consistent with the Association's "Endowment Investment and Spending Policy."

Note O – Operating Lease

The Symphony leases the concert hall and its office facility under an operating lease agreement that expires on June 30, 2021. The lease was entered into on July 1, 2016 with payments of approximately \$7,500 at inception, and a 3% increase on rental fees every year after. The lease agreement includes a rent abatement clause associated with ticket sales ranging from an abatement of \$3,000 for 27,000 tickets sold to \$9,000 for 33,000 tickets sold. The Symphony exceeded the maximum and received an abatement of \$9,000 for fiscal 2019 and 2018. Total rent expense for the years ended June 30, 2019 and 2018 was approximately \$89,000 and \$86,000, respectively.

Scheduled future minimum lease payments on the lease agreements are as follows for fiscal year ended June 30:

	<u>Amount</u>
2020	101,394
2021	104,435
Total	<u>\$ 205,829</u>

Jacksonville Symphony Association, Inc. and Jacksonville Symphony, Inc.
Notes to Consolidating Financial Statements
June 30, 2019 and 2018

Note P – Liquidity and Availability of Financial Assets

The Symphony's management monitors its liquidity so that it is able to cover operating expenses. Management budgets for such costs based on the prior year actual expenses and anticipated future expenses. Budgets are approved by the board of directors in June for the following year.

Management has budgeted approximately \$10,807,000 of operating expenses to be paid within one year of the balance sheet date. The Symphony has the following financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$	532,294
Contributions receivable, due within one year		585,811
Other receivables		64,196
Investments		<u>10,178,892</u>
Total	\$	<u>11,361,193</u>

The Symphony's endowment funds consist of board-designated endowments. The investments available within one year include an estimated distribution from the endowment of \$1,500,000. However, if additional funds are needed, the board of directors may elect to transfer more.

As part of the Symphony's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Symphony invests cash in excess of daily requirements in short-term investments. The Symphony's funds are invested conservatively with the primary objective of preservation of capital (including diversification of risk of institutional failure) and liquidity in order to provide sufficient cash to meet obligations in a timely manner and maintain reserves to cover between 5 and 6 months of expenses. This range provides a conservative figure intended to balance the desire to mitigate risks while ensuring that cash needs are met without adding administrative burdens. The Symphony relies on annual tuition payments to meet its operating needs.

Note Q – Subsequent Events

Subsequent events have been evaluated through December 23, 2019, which is the date the consolidating financial statements were available to be issued.