

San Francisco Symphony

Financial Statements

August 31, 2016
(With Comparative Totals for 2015)



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of San Francisco Symphony (a California nonprofit corporation) (the "Symphony"), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (the "U.S."); 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 U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Symphony as of August 31, 2016, 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 U.S.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 29 - 33 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the U.S. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited San Francisco Symphony's 2015 financial statements, and our report dated January 27, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino^{LLP}
San Ramon, California

January 24, 2017

San Francisco Symphony
 Statement of Financial Position
 August 31, 2016
 (With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 4,087,004	\$ 5,672,070
Marketable securities	1,109,252	322,234
Promises to give, net	13,593,239	9,528,195
Receivables under charitable remainder trusts	2,477,553	2,929,105
Prepaid and other current assets	8,011,715	9,882,976
Investments	284,246,962	276,160,873
Assets held in split interest agreement	5,447,157	5,515,510
Improvements, furniture, and equipment, net	<u>18,704,470</u>	<u>17,788,671</u>
Total assets	<u>\$ 337,677,352</u>	<u>\$ 327,799,634</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other accrued liabilities	\$ 8,785,653	\$ 9,451,982
Line of credit	15,000,000	11,000,000
Advance ticket sales	12,308,452	12,297,407
Liabilities to beneficiaries of split interest agreements	3,338,591	2,518,689
Pension benefit liabilities	<u>37,614,287</u>	<u>25,167,333</u>
Total liabilities	<u>77,046,983</u>	<u>60,435,411</u>
Net assets		
Unrestricted		
Accumulated operating deficit	(23,656,153)	(20,246,502)
Accumulated pension liability	(58,735,064)	(45,532,624)
Board designated reserve	3,131,278	4,442,304
Board designated endowment and other	<u>95,433,133</u>	<u>93,296,089</u>
Total unrestricted	16,173,194	31,959,267
Temporarily restricted	97,563,943	91,673,796
Permanently restricted	<u>146,893,232</u>	<u>143,731,160</u>
Total net assets	<u>260,630,369</u>	<u>267,364,223</u>
Total liabilities and net assets	<u>\$ 337,677,352</u>	<u>\$ 327,799,634</u>

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

San Francisco Symphony
Statement of Activities
For the Year Ended August 31, 2016
(With Comparative Totals for 2015)

	Unrestricted			Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
	Operating	Other	Total				
Revenue							
Concert and related revenues	\$ 30,401,026	\$ -	\$ 30,401,026	\$ -	\$ -	\$ 30,401,026	\$ 30,338,218
SFS Media	189,452	-	189,452	-	-	189,452	238,735
Retail	1,232,251	-	1,232,251	-	-	1,232,251	1,304,200
Gifts, grants and bequests	16,470,250	1,667,168	18,137,418	11,798,565	2,536,818	32,472,801	33,124,032
Volunteer Council	1,173,050	-	1,173,050	-	-	1,173,050	766,960
Investment income and net gains (losses)	3,140	5,344,757	5,347,897	13,782,447	674,808	19,805,152	(1,768,224)
Other	53,050	-	53,050	-	-	53,050	112,895
Total revenue	49,522,219	7,011,925	56,534,144	25,581,012	3,211,626	85,326,782	64,116,816
Net assets released							
Net assets released from restriction	9,590,397	2,973,816	12,564,213	(12,514,659)	(49,554)	-	-
Distribution of investment income	13,537,421	(6,361,215)	7,176,206	(7,176,206)	-	-	-
Total net assets released	23,127,818	(3,387,399)	19,740,419	(19,690,865)	(49,554)	-	-
Total revenue and releases	72,650,037	3,624,526	76,274,563	5,890,147	3,162,072	85,326,782	64,116,816
Operating expenses							
Concert Production	60,462,148	1,408,581	61,870,729	-	-	61,870,729	62,398,155
SFS Media	585,390	221,016	806,406	-	-	806,406	909,788
Retail	1,223,399	18,707	1,242,106	-	-	1,242,106	1,262,853
Education/youth projects	1,118,205	17,098	1,135,303	-	-	1,135,303	2,836,393
Volunteer Council	3,132,177	47,893	3,180,070	-	-	3,180,070	3,060,272
General and administrative	6,310,603	73,649	6,384,252	-	-	6,384,252	6,507,966
Development	3,242,948	996,382	4,239,330	-	-	4,239,330	4,927,151
Total operating expenses	76,074,870	2,783,326	78,858,196	-	-	78,858,196	81,902,578
Change in net assets from operations	(3,424,833)	841,200	(2,583,633)	5,890,147	3,162,072	6,468,586	(17,785,762)
Change in pension benefit liabilities	13,202,440	-	13,202,440	-	-	13,202,440	10,167,186
Change in net assets	(16,627,273)	841,200	(15,786,073)	5,890,147	3,162,072	(6,733,854)	(27,952,948)
Net assets, beginning of year	(65,779,126)	97,738,393	31,959,267	91,673,796	143,731,160	267,364,223	295,317,171
Net assets, end of year	\$ (82,406,399)	\$ 98,579,593	\$ 16,173,194	\$ 97,563,943	\$ 146,893,232	\$ 260,630,369	\$ 267,364,223

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

San Francisco Symphony
Statement of Cash Flows
For the Year Ended August 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities		
Changes in net assets	\$ (6,733,854)	\$ (27,952,948)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	1,386,346	1,883,203
Net unrealized and realized losses (gains) on investments	(16,640,911)	7,260,665
Loss on disposal of improvements, furniture, and equipment	1,528	56,536
Contributions restricted for long-term purposes	2,536,818	(1,594,621)
Donated improvements, furniture, and equipment	-	(15,000)
Change in pension benefit liabilities	13,202,440	10,167,186
Changes in operating assets and liabilities		
Receivables, net	(9,111,728)	(1,503,338)
Prepaid expenses and other	1,348,000	56,523
Accounts payable and other accrued liabilities	(666,329)	280,760
Advance ticket sales	11,045	(421,148)
Assets held in liability to beneficiaries of split interest agreements	888,255	392,947
Net cash used in operating activities	<u>(13,778,390)</u>	<u>(11,389,235)</u>
Cash flows from investing activities		
Proceeds from sale of investments	42,474,122	73,220,670
Purchases of investments	(33,919,300)	(67,512,341)
Purchases of marketable securities	(787,018)	(126,191)
Acquisitions of improvements, furniture, and equipment	(2,098,924)	(1,393,432)
Payments to fund pension plan in excess of minimum requirement	(755,486)	(257,176)
Disbursements for loans to employees	(142,398)	(641,015)
Collection of payments on loans to employees	<u>460,910</u>	<u>648,925</u>
Net cash provided by investing activities	<u>5,231,906</u>	<u>3,939,440</u>
Cash flows from financing activities		
Receipt of contributions to permanently restricted net assets	2,961,418	1,742,226
Borrowing on line of credit	20,250,000	14,150,000
Payments on line of credit	<u>(16,250,000)</u>	<u>(9,850,000)</u>
Net cash provided by financing activities	<u>6,961,418</u>	<u>6,042,226</u>
Net decrease in cash	(1,585,066)	(1,407,569)
Cash, beginning of year	<u>5,672,070</u>	<u>7,079,639</u>
Cash, end of year	<u>\$ 4,087,004</u>	<u>\$ 5,672,070</u>

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

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

1. NATURE OF OPERATIONS

Founded in 1911, the San Francisco Symphony (the "Symphony") presents more than 220 concerts and presentations annually for audiences of nearly 600,000 in Davies Symphony Hall, in other Bay Area venues, and through an active national and international touring program. In addition, the Symphony provides extensive music education programs that benefit students in San Francisco and throughout the Bay Area. The Symphony has its own recording label, SFS Media, and has produced an extensive body of acclaimed audio and video recordings which are distributed around the world. Its national multimedia project, Keeping Score, encompasses a public television and radio series, educational music websites, documentary and live performance DVDs, and an education program for K-12 schools to further teaching through the arts by integrating classical music into core subjects.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

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

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

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

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

Cash

Cash consists of demand deposits.

Marketable securities

Marketable securities, which are stated at fair value, represent the Symphony's balances that are available for operations and consist of investments in money market funds as of August 31, 2016.

Promises to give

Promises to give are recorded when deemed unconditional. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the risk-free rates adjusted for potential credit risk applicable in the years in which those promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as revenue until the conditions are substantially met. The Symphony continually monitors donor's credit worthiness and recognizes allowances for estimated bad debts on donor accounts that are no longer estimated to be collectible.

Receivables under charitable remainder trusts

Assets contributed by donors under charitable remainder trust agreements and controlled by third parties are recognized at the present value of the estimated future distributions to be received by the Symphony over the term of the agreement.

Prepaid and other current assets

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

Other assets include loans to employees, other general receivables, inventory and master recordings used to produce CD's and DVD's. The master recordings are amortized over the estimated life of the recorded performance.

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments represent a diversified portfolio of public and private equity, fixed income securities, and alternative investments in venture capital, real estate and hedge funds, carried at estimated fair value. Equity and fixed income securities' fair values have been determined by closing market prices on national exchanges. Alternative investments in venture capital, real estate and hedge funds, which are not listed on a national exchange, are valued at estimated fair value based upon various inputs as determined by the managing partner/member. Dividend and interest income are accrued when earned. Net realized and unrealized gains (losses) are included in investment income and net gains (losses) on the Statement of Activities.

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

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

Investment income and net gains (losses) are reported net of custodial and investment advisory fees of \$473,228 for the year ended August 31, 2016.

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

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

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

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

Assets held in split interest agreements

Included in assets held in split interest agreements are charitable remainder trusts, pooled income funds and gift annuities controlled by the Symphony. Assets held in split interest agreements are recognized at fair value when irrevocable trusts naming the Symphony as irrevocable remainderman are executed with a corresponding liability to beneficiaries of split interest agreements. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. The Symphony has determined such liability using investment returns consistent with the composition of investment portfolios, single or joint life expectancies from certain mortality tables for the year ended August 31, 2016, and a discount rate of 3.35%. Upon initial recognition of the agreements, contributed income (the difference between assets held in split interest agreements and liabilities to beneficiaries of split interest agreements) is recognized as temporarily restricted net assets. In subsequent periods, income from changes in value of the split interest agreements is recognized as temporarily restricted contributed income in the statement of activities.

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements, furniture, and equipment

Improvements, furniture, and equipment (including computers) of at least \$5,000 are capitalized and stated at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets which range from three to thirty years. Musical instruments and artwork are not depreciated as their estimated useful lives are extraordinarily long. Contributed equipment is recorded at fair value at the date of donation. The Symphony does not imply time restrictions on the use of contributed long-lived assets received without explicit donor stipulations concerning how long the contributed assets must be used.

The carrying amount of all long-lived assets is evaluated periodically to determine if reductions to the carrying amount or adjustments to the useful lives of the undepreciated balances are warranted.

Advance ticket sales

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

Revenue recognition

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

Transfers of assets with a conditional promise to contribute are accounted for as a refundable advance and are included in accounts payable and other accrued liabilities until the conditions have been substantially met or have been explicitly waived by the donor. At August 31, 2016, such amounts totaled \$4,500,000 (See Note 3).

Contributed services

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

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint activities

Costs of joint activities that are identifiable with a particular function are charged to that function and joint costs are allocated between development and the appropriate program or general and administrative function. Of the total joint costs incurred of \$3,057,487 for the year ended August 31, 2016, \$2,164,663 has been allocated to program; \$542,574 to development; and \$350,250 to general and administrative.

Fundraising expenses are reflected in the statement of activities as volunteer council and development expenses. For the year ended August 31, 2016, these expenses totaled \$7,419,400.

Functional expenses

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

Income tax status

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

The Symphony has evaluated its current tax positions on unrelated business income and has concluded that as of August 31, 2016, the Symphony does not have any significant uncertain tax positions for which a reserve would be necessary. For state tax purposes, the Symphony is generally no longer subject to tax examinations for years prior to 2012. For federal tax purposes, the Symphony is no longer subject to tax examinations for years prior to 2013.

Use of estimates

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

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations

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

As of August 31, 2016, approximately 73% of the Symphony's employees were covered by collective bargaining agreements. The collective bargaining agreement with the American Guild of Musical Artists covering San Francisco chorus members expires July 31, 2019. The Theatrical Employees Union, Local B-18, of the International Alliance of Theatrical Stage Employees, Moving Picture Machine Operators of the United States and Canada, covering ticket service employees and ushers, expires on May 31, 2019 and the collective bargaining agreement with the Local 6, American Federation of Musicians covering the musicians of the San Francisco Symphony expires on November 24, 2018. The collective bargaining agreement with the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States and Canada, Local 16, covering stage employees, and Local 784 covering wardrobe employees expires on October 31, 2017 and December 31, 2017, respectively.

Comparative totals

The financial statements include certain 2015 summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Symphony's financial statements as of and for the year ended August 31, 2015, from which the summarized information was derived.

3. PROMISES TO GIVE

Promises to give consist of the following:

Receivable in	
Less than one year	\$ 6,718,140
One to five years	4,991,578
More than five years	2,166,220
Discount	<u>(192,699)</u>
Total	13,683,239
Less allowance for uncollectible pledges	<u>(90,000)</u>
Total	\$ <u>13,593,239</u>

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

3. PROMISES TO GIVE (continued)

Included in promises to give as of August 31, 2016, is \$7,916,509 from two donors.

In March 2006, the Symphony received a conditional \$10,000,000 unrestricted challenge pledge that is held in a Board designated endowment fund. The Symphony received the payment of the pledge in full prior to August 31, 2015 and has recognized \$5,500,000 as of August 31, 2016, as revenue by obtaining qualifying matching pledges. The unearned portion of this conditional challenge pledge is included in accounts payable and other accrued liabilities as of August 31, 2016 totaling \$4,500,000 (see Note 2).

4. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Symphony's assets and liabilities at fair value as of August 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Money market	\$ 4,572,048	\$ -	\$ -	\$ 4,572,048
Fixed income	34,702,495	-	-	34,702,495
Domestic equity	102,534,083	-	-	102,534,083
International equity	55,643,630	30,110,559	-	85,754,189
Venture capital	-	-	11,776,282	11,776,282
Real estate	-	-	27,285,481	27,285,481
Hedge funds	-	-	17,622,384	17,622,384
Total investments	197,452,256	30,110,559	56,684,147	284,246,962
 Receivables under charitable remainder trust				
	-	-	2,477,553	2,477,553
Assets held in split interest agreement	5,447,157	-	-	5,447,157
 Liabilities to beneficiaries of split interest agreements	\$ 202,899,413	\$ 30,110,559	\$ 59,161,700	\$ 292,171,672
	\$ _____ -	\$ _____ -	\$ (3,338,591)	\$ (3,338,591)

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

San Francisco Symphony
 Notes to Financial Statements
 August 31, 2016

4. FAIR VALUE MEASUREMENTS (continued)

The following table lists investments at NAVS by investment strategy as of August 31, 2016:

Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
MFS International Growth LLC	\$ 17,371,268	1	N/A	\$ -	Monthly	Last business day preceding the 16th day of every month and the last business day of every month, with at least 10 business days prior written notice
Wellington Global Select Capital Appreciation	\$ 12,739,291	1	N/A	\$ -	Monthly	First business day of every month, with prior written notice by the 22nd calendar day of the month preceding the flow

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

4. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth a summary of changes in the fair value of Level 3 investments for the year ended August 31, 2016:

	<u>Venture Capital</u>	<u>Real Estate</u>	<u>Hedge Funds</u>	<u>Receivables Under Charitable Remainder Trusts</u>	<u>Liabilities to Beneficiaries of Split Interest Agreement</u>	<u>Total</u>
Balance, beginning of year	\$ 9,369,111	\$ 23,660,777	\$ 21,744,867	\$ 2,929,105	\$ (2,518,689)	\$ 55,185,171
Purchase, issuance and settlements, net	3,262,500	2,318,492	-	(1,172,540)	-	4,408,452
Sales proceeds	(1,428,917)	(1,499,696)	(3,373,571)	-	-	(6,302,184)
Transfers in (out) of Level 3	-	(95,172)	-	684,530	-	589,358
Realized and unrealized gains (losses), net	573,588	2,901,080	(748,912)	-	-	2,725,756
Change in value	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,458</u>	<u>(819,902)</u>	<u>(783,444)</u>
Balance, end of year	<u>\$ 11,776,282</u>	<u>\$ 27,285,481</u>	<u>\$ 17,622,384</u>	<u>\$ 2,477,553</u>	<u>\$ (3,338,591)</u>	<u>\$ 55,823,109</u>
Total gains for the period included in the change in unrestricted net assets attributable to the change in unrealized gains or losses for assets held at the end of the reporting period	<u>\$ 2,078,317</u>	<u>\$ 3,055,499</u>	<u>\$ 82,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,215,892</u>

5. IMPROVEMENTS, FURNITURE, AND EQUIPMENT

Improvements, furniture, and equipment consist of the following:

Davies Symphony Hall renovations	\$ 11,031,479
Furniture and equipment	2,813,878
Computer equipment and software	3,483,260
Leasehold improvements	8,246,249
Musical instruments and artwork	11,528,128
Work in progress	<u>389,869</u>
	<u>37,492,863</u>
Accumulated depreciation and amortization	<u>(18,788,393)</u>
	<u>\$ 18,704,470</u>

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

5. IMPROVEMENTS, FURNITURE, AND EQUIPMENT (continued)

Depreciation and amortization expense for the year ended August 31, 2016, was \$1,386,346.

6. LINE OF CREDIT

During 2016, the Symphony maintained a revolving secured line of credit in the amount of \$15,000,000. The line of credit is secured with a first priority security interest in specific board designated assets maintained in the Symphony's Securities Account with a financial institution. As of August 31, 2016, interest on the line was at one-quarter percent (0.25%) above the Daily One Month LIBOR rate in effect (0.77%). As of August 31, 2016, the Symphony's outstanding balance amounted to \$15,000,000. Interest expense incurred for the year ended August 31, 2016, was \$87,353.

Under the terms of the line of credit agreement, the Symphony is required to comply with a certain reporting covenant. At August 31, 2016, the Symphony is in compliance with that covenant.

7. ENDOWMENT

The Symphony's endowment consists of 112 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

7. ENDOWMENT (continued)

Interpretation of relevant law

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

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

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Symphony to retain as a fund of perpetual duration. There were no such deficiencies as of August 31, 2016.

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

7. ENDOWMENT (continued)

Return objectives and risk parameters

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

Strategies employed for achieving objectives

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

Relationship of spending policy to investment objectives

The Symphony's investment policy establishes the long-term objective of its endowment funds to return an annual inflation-adjusted return of 6% net of all investment and management fees, over the long-term. For the year ended August 31, 2016, the annual distribution based on the spending policy was calculated using a hybrid approach that includes 70% of the prior fiscal year's calculated draw, adjusted for the prior year's inflation rate plus 1.5%, with the remaining 30% based on the trailing 20-quarter average market value for the period ending February 28 prior to the start of each fiscal year, multiplied by 5.5%. Collars have been set at a minimum of 3.5% and a maximum of 6.5% of the February 28 ending market value. The inflation factor used in this formula will be based on the Core CPI Index for All Urban Consumers for the year ending February 28 preceding the draw formula.

San Francisco Symphony
 Notes to Financial Statements
 August 31, 2016

7. ENDOWMENT (continued)

Relationship of spending policy to investment objectives (continued)

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

Endowment net assets

Endowment net asset composition by type of fund as of August 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 82,990,193	\$ 146,893,232	\$ 229,883,425
Board designated endowment funds	70,901,688	-	-	70,901,688
Board designated reserve funds	<u>-</u>	<u>3,131,278</u>	<u>-</u>	<u>3,131,278</u>
	<u>\$ 70,901,688</u>	<u>\$ 3,131,278</u>	<u>\$ 82,990,193</u>	<u>\$ 146,893,232</u>
				<u>\$ 303,916,391</u>

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

7. ENDOWMENT (continued)

Endowment net assets (continued)

Changes in endowment net assets for the fiscal year ended August 31, 2016 are as follows:

	Unrestricted Unrestricted	Reserve	Temporarily Restricted	Permanently Restricted	Total
Balance, August 31, 2015	<u>\$ 70,384,215</u>	<u>\$ 4,442,304</u>	<u>\$ 78,857,327</u>	<u>\$ 143,731,160</u>	<u>\$ 297,415,006</u>
Investment return					
Investment income, net of fees	1,186,028	78,408	3,022,743	-	4,287,179
Net realized and unrealized appreciation	<u>4,076,509</u>	<u>5,338</u>	<u>10,759,707</u>	<u>674,808</u>	<u>15,516,362</u>
Total investment return	<u>5,262,537</u>	<u>83,746</u>	<u>13,782,450</u>	<u>674,808</u>	<u>19,803,541</u>
Contributions	576,104	1,076,064	116,912	2,536,818	4,305,898
Change in actuarial assumptions	-	-	(869,507)	-	(869,507)
Distribution of investment income	(6,361,215)	-	(7,176,206)	-	(13,537,421)
Release from restrictions	1,490,567	-	(1,490,567)	-	-
Appropriation of endowment assets for expenditure	(450,520)	-	(230,216)	(49,554)	(730,290)
Appropriation of board designated reserve	-	<u>(2,470,836)</u>	-	-	<u>(2,470,836)</u>
Balance, August 31, 2016	<u>\$ 70,901,688</u>	<u>\$ 3,131,278</u>	<u>\$ 82,990,193</u>	<u>\$ 146,893,232</u>	<u>\$ 303,916,391</u>

San Francisco Symphony
 Notes to Financial Statements
 August 31, 2016

8. RESTRICTED NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted and permanently restricted net assets as of August 31, 2016 are available for the following purposes or periods:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Orchestra and artist compensation	\$ 5,146,537	\$ 33,319,242
Youth orchestra and education	13,696,119	32,333,554
Production and general activities	17,846,183	76,542,933
Remainder trusts	1,945,022	-
Fine string instruments	91,451	-
Community engagement	956,301	3,900,001
Improvements, furniture and equipment	3,050,831	-
Endowment funds not appropriated for expenditure	43,553,477	-
For subsequent periods	<u>11,278,022</u>	<u>797,502</u>
	<u><u>\$ 97,563,943</u></u>	<u><u>\$ 146,893,232</u></u>

Net assets were released from restrictions for the year ended August 31, 2016 as follows:

Orchestra and artist compensation	\$ 1,130,933
Youth orchestra and education	2,645,970
Production and general activities	7,322,941
Time restrictions satisfied	2,900,093
Fund-raising events	3,484,817
Property, plant and equipment	995,547
Fine string instruments	922,719
Community engagement	287,845
Appropriation of endowment assets for expenditure	<u>49,554</u>
	<u><u>\$ 19,740,419</u></u>

9. CONTRIBUTED GOODS AND SERVICES

The Symphony recognizes contributed revenue and a related expense for certain contributed services at the fair value of those services. During the fiscal year ended August 31, 2016, contributed services recognized in the accompanying financial statements and included in contributed revenue was \$6,075 and consisted primarily of legal and consulting services, which are included in general and administrative activities. The Symphony receives many additional hours of donated services from volunteers in various capacities, which are not reflected in the accompanying financial statements, as the criteria for recognition are not met.

The Symphony also recognizes as revenue in-kind contributions of food, improvements, furniture and equipment and other goods at the estimated fair value at the date of donation. The estimated value of such contributions received and recognized in the statement of activities was \$831,489 for the year ended August 31, 2016.

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

10. DEFINED BENEFIT RETIREMENT PLANS

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

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

Administrative Plan - On March 31, 2010, the Administrative Defined Benefit Retirement Plan was frozen and the Symphony instituted a discretionary base contribution on behalf of the employees participating in the frozen plan in its defined contribution plan (Note11).

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

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

The funded status of the plans are as follows:

	<u>Administrative Orchestra Plan</u>	<u>Plan</u>
Plan assets at fair value	\$ 67,311,835	\$ 15,679,915
Accumulated benefits obligation	<u>(98,552,367)</u>	<u>(22,053,670)</u>
	<u><u>\$ (31,240,532)</u></u>	<u><u>\$ (6,373,755)</u></u>

Included in unrestricted net assets at August 31, 2016, are the following amounts that have not yet been recognized in net periodic benefit cost for the Orchestra Plan and the Administrative Plan: net actuarial loss of \$42,951,069 and \$8,327,972, respectively, and net prior service cost of \$7,435,160 and \$0, respectively. The prior service cost and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year ended August 31, 2017, are \$1,064,085 and \$2,968,645, respectively, for the Orchestra Plan, and \$0 and \$670,973, respectively, for the Administrative Plan.

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

10. DEFINED BENEFIT RETIREMENT PLANS (continued)

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

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Service cost	\$ 1,255,846	\$ 110,000
Interest cost	2,938,287	783,465
Expected return on plan assets	(4,576,865)	(1,095,383)
Prior service amortization	1,111,916	-
Recognized net actuarial loss	<u>1,863,827</u>	<u>365,889</u>
	<u><u>\$ 2,593,011</u></u>	<u><u>\$ 163,971</u></u>

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

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Discount rate - net periodic benefit cost	3.46 %	3.46 %
Expected long-term rate of return on plan assets	6.75 %	7.00 %
Rate of compensation increase	- %	- %
Discount rate - benefit obligation	3.46 %	3.46 %

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

San Francisco Symphony
 Notes to Financial Statements
 August 31, 2016

10. DEFINED BENEFIT RETIREMENT PLANS (continued)

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

	Policy Allocation Target	Allocation of Plan Assets
Orchestra Plan		
Equities	62.0 %	60.9 %
Absolute return	20.0 %	18.9 %
Fixed income	10.0 %	10.0 %
Real estate	8.0 %	8.6 %
Cash	0.0 %	1.6 %
Administrative Plan		
Equities	62.0 %	65.8 %
Absolute return	15.0 %	13.3 %
Fixed income	9.0 %	10.6 %
Real estate	10.0 %	9.0 %
Cash	4.0 %	1.3 %

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

Benefits paid

Benefits paid during the year were as follows:

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Benefits paid	<u>\$ 2,581,063</u>	<u>\$ 659,230</u>

Contributions - During the year ended August 31, 2016, the Symphony contributed \$3,305,000 and \$162,232 to the Orchestra Plan and the Administrative Plan, respectively.

Cash flows

Based on the Symphony's forecast at August 31, 2016, the Symphony expects to contribute \$3,440,000 and \$207,176 to the Orchestra Plan and the Administrative Plan, respectively, by August 31, 2017.

San Francisco Symphony
 Notes to Financial Statements
 August 31, 2016

10. DEFINED BENEFIT RETIREMENT PLANS (continued)

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

<u>Year ending August 31,</u>	Orchestra Plan Pension Benefits (in millions)	Administrative Plan Pension Benefits (in millions)
2017	\$ 3.5	\$ 0.7
2018	3.9	0.8
2019	4.4	0.8
2020	4.7	0.9
2021	4.9	1.0
Thereafter	<u>26.6</u>	<u>5.8</u>
	<u>\$ 48.0</u>	<u>\$ 10.0</u>

Retirement plans - multiemployer

The Symphony has contracted to make payments to multiemployer retirement plans for employees covered by various collective bargaining agreements. Contributions to such plans range from 7.7% to 10.9% of the employee's compensation and were \$734,123 for the year ended August 31, 2016.

The Symphony is a participating employer in various trustee-managed multiemployer defined benefit pension plans for employees who participate in collective bargaining agreements. The plans generally provide retirement benefits to employees based on years of service to participating employers. The multiemployer pension plans are each managed by a board of trustees. Contributions of \$734,123 in the year ending August 31, 2016, were charged to pension expense for ongoing participation in these plans.

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

San Francisco Symphony
 Notes to Financial Statements
 August 31, 2016

10. DEFINED BENEFIT RETIREMENT PLANS (continued)

The following schedule presents information about the Symphony's multiemployer pension plans at August 31, 2016:

Name of Pension Plan/Fund	EIN and Plan Number	Pension Protection Act Zone Status		Contributions for the Year Ended August 31		Expiration of Collective Bargaining Agreement
		Applicable Year	FIP/RP Status	2016	Surcharge Imposed	
American Federation of Musicians & Employers' Pension Fund	51-6120204001	Red 3/31/16	Implemented	\$ 389,875	Yes	11/24/2018
I.A.T.S.E. Local 16 Pension Plan	94-6296420001	Red 12/31/15	Implemented	\$ 334,920	Yes	10/31/2017

American Federation of Musicians & Employers' Pension Fund ("AFM Pension Fund") - The Symphony makes contributions to the AFM Pension Fund on behalf of employees who are members of American Federation of Musicians who meet certain conditions. The Fund was certified "red zone" status as of the most recent Fund reporting date. According to the most recently available Annual Funding Notice, as of April 1, 2016, the funded percentage was 81.6%; the Actuarial Value of Assets was \$2,066,699,976; and the Actuarial Value of Liabilities was \$2,531,797,223. The Symphony did not contribute more than 5% of total Fund contributions.

I.A.T.S.E. Local 16 Pension Plan - The Symphony makes contributions to the I.A.T.S.E. Local 16 Pension Plan on behalf of employees who are members of the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States and Canada, Local 16. The Fund was certified "red zone" status as of the most recent Fund reporting date. According to the most recently available Annual Funding Notice, as of January 1, 2015, the funded percentage was 80.4%; the Actuarial Value of Assets was \$181,405,962; and the Actuarial Value of Liabilities was \$225,652,170. The Symphony did not contribute more than 5% of total Fund contributions.

11. DEFINED CONTRIBUTION PLAN

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

The Symphony's matching contributions to participants' accounts begin after the participant has completed two years of service. The Symphony's matching contributions for the year ended August 31, 2016, were \$203,442.

San Francisco Symphony
Notes to Financial Statements
August 31, 2016

11. DEFINED CONTRIBUTION PLAN (continued)

The Symphony's base contributions to participants' accounts begin after the participant has completed one year of service. The Symphony's base contributions for the year ended August 31, 2016, were \$288,504. Participants are fully vested in the base contribution after five years.

12. COMMITMENTS AND CONTINGENCIES

The Symphony leases facilities and equipment under noncancelable operating leases, subject to various escalation clauses, expiring through the fiscal year ending August 31, 2021. In addition, the Symphony leases the Louise M. Davies Symphony Hall. Lease arrangements for the auditorium and office space in the hall are negotiated on a periodic basis. The Symphony retains in perpetuity the right to lease space in Davies Symphony Hall at terms to be determined as long as the Orchestra continues to perform in San Francisco.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending August 31,</u>	
2017	\$ 4,406,264
2018	4,435,607
2019	4,494,572
2020	1,584,650
2021	<u>1,403,525</u>
	<u>\$ 16,324,618</u>

Rent expense was \$1,816,353 for the year ended August 31, 2016.

The Symphony has commitments under partnership and limited liability company agreements to make future capital contributions of \$9,986,699.

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

13. SUBSEQUENT EVENTS

On December 9, 2016, the revolving secured line of credit (Note 6) was amended to increase the amount available by \$6,000,000 to \$21,000,000. As of January 24, 2017, the date these financial statements were available to be issued, the Symphony has drawn down \$2,650,000 of the additional amount available and the Symphony's outstanding balance amounted to \$17,650,000.

The Symphony has evaluated events through January 24, 2017, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

San Francisco Symphony
Schedule of Changes in Endowment Net Assets
For the Year Ended August 31, 2016

	<u>Net Assets August 31, 2015</u>	<u>Contributions and Change in Actuarial Assumptions</u>	<u>Investment Return</u>	<u>Appropriation of Endowment Assets for Expenditure</u>	<u>Distribution of Investment Income</u>	<u>Net Assets August 31, 2016</u>
Funds Held in Trust						
San Francisco Symphony Endowment Fund	\$ 65,738,395	\$ 172,569	\$ 4,119,796	\$ (350,994)	\$ (3,580,333)	\$ 66,099,433
The Edmund W. and Jeannik Mequet Littlefield Fund	21,595,753	-	1,334,690	-	(857,342)	22,073,101
Phyllis C. Wattis Endowment Fund	17,322,415	-	1,034,557	-	(736,565)	17,620,407
Louise M. Davies Guest Conductor Fund	17,123,321	50,000	1,063,238	-	(257,393)	17,979,166
Phyllis C. Wattis Fund for New Works of Music	16,777,807	-	1,002,325	-	(233,879)	17,546,253
Phyllis C. Wattis Fund for Guest Artists	14,561,233	-	871,661	-	(635,088)	14,797,806
Planned Giving - Permanent Fund	11,942,630	(781,605)	1,968,775	-	(1,518,058)	11,611,742
Adventures in Music Fund	11,776,343	800,000	765,792	(94,537)	(391,971)	12,855,627
Osgood Hooker Permanent Endowment Fund	7,356,053	-	454,628	-	(336,357)	7,474,324
Ford Foundation Fund	7,045,809	-	437,020	(39,948)	(563,980)	6,878,901
The Hewlett Foundation Fund for Education	6,276,588	-	388,657	-	(302,057)	6,363,188
William and Sakurako Fisher Fund for Adventures in Music	5,888,691	-	364,359	-	(200,658)	6,052,392
Jacqueline Hoefer Fund for Artistic Excellence	5,178,118	-	320,025	-	(223,895)	5,274,248
The Barbro and Bernard Osher Fund for Staged Productions	4,606,310	-	286,136	(185,233)	(256,767)	4,450,446
Naoum Blinder Concertmaster's Chair Fund	4,550,280	-	281,222	-	(208,778)	4,622,724
San Francisco Symphony Board Designated Reserve	4,486,406	1,076,064	83,785	(2,470,836)	-	3,175,419
The Richard and Rhoda Goldman Section String Fund	4,128,222	500,000	565,074	(23,470)	(331,341)	4,838,485
William Randolph Hearst Endowment	3,800,980	-	234,970	-	(167,068)	3,868,882
Phyllis C. Wattis Youth Symphony Fund	3,420,057	-	204,385	-	(74,825)	3,549,617
Jean and Bill Lane Chair Fund	3,169,131	-	195,863	-	(139,373)	3,225,621
The Ann L. and Charles B. Johnson Fund	2,994,190	-	185,051	-	(133,762)	3,045,479
Wallace Endowment Fund	2,263,549	-	140,196	-	(119,176)	2,284,569
San Francisco Symphony Education Fund	2,260,842	-	139,384	-	(112,219)	2,288,007
Penelope Clark Second Century Chair Fund	2,210,004	135,963	15,434	-	(15,434)	2,345,967
Helen and Charles Schwab Fund	2,180,480	-	135,244	(12,363)	(174,536)	2,128,825
San Francisco Symphony Youth Orchestra Fund	2,069,193	-	302,243	-	(33,913)	2,337,523

See accompanying independent auditor's report.

San Francisco Symphony
Schedule of Changes in Endowment Net Assets
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	<u>Net Assets August 31, 2015</u>	<u>Contributions and Change in Actuarial Assumptions</u>	<u>Investment Return</u>	<u>Appropriation of Endowment Assets for Expenditure</u>	<u>Distribution of Investment Income</u>	<u>Net Assets August 31, 2016</u>
Paul L. & Phyllis Wattis Endowment for the Youth Orchestra Conductor	1,972,004	-	122,112	-	(86,625)	2,007,491
James David Zellerbach Foundation	1,970,351	-	121,774	-	(90,042)	2,002,083
Paul L. & Phyllis Wattis Endowment for New Music	1,891,206	-	117,121	-	(88,202)	1,920,125
Robert L. Samter Principal Trombone Chair Fund	1,768,731	-	109,313	-	(81,085)	1,796,959
Agnes Albert Youth Music Education Fund	1,543,595	-	95,585	-	(33,920)	1,605,260
Marcia and John Goldman Timpani Chair Fund	1,533,864	-	95,139	(8,697)	(122,778)	1,497,528
Drs. Ben and Jess A. Shenson Young Artists Debut Fund	1,501,932	-	92,976	-	(41,092)	1,553,816
Wattis Special Performance Fund	1,498,634	-	92,621	-	(58,088)	1,533,167
Phyllis C. Wattis Fund for Wattis Room Maintenance	1,471,368	-	87,980	-	(15,996)	1,543,352
K Hart Smith Fund	1,455,358	-	90,129	-	(73,593)	1,471,894
The Paula and John Gambs Fund	1,394,145	-	86,163	-	(60,864)	1,419,444
The Harriet Heyman and Michael Moritz Endowed Fund	1,333,970	-	82,562	-	(51,701)	1,364,831
The Lyman and Carol Casey Endowed Fund	1,276,066	-	78,865	-	(57,392)	1,297,539
The Christine and Pierre Lamond Fund	1,273,906	-	78,732	-	(56,348)	1,296,290
Diane Miller AIM Fund	1,271,453	-	78,580	-	(58,316)	1,291,717
Nancy and Charles Geschke Fund	1,259,137	-	77,820	-	(56,804)	1,280,153
Hume Flute Chair Fund	1,237,197	-	76,463	-	(54,980)	1,258,680
Lawrence Metcalf Second Century Chair Fund	1,056,053	-	65,268	-	(17,472)	1,103,849
Nan Tucker McEvoy Instrument Training and Support Fund	1,042,537	-	64,538	-	(38,807)	1,068,268
Bernard and Barbro Osher Youth Orchestra Touring Fund	1,000,000	-	81,120	-	-	1,081,120
Carolyn H. Hume Youth Orchestra Touring Fund	1,000,000	-	65,352	-	-	1,065,352
Athena T. Blackburn Endowed Fund for Russian Music	995,926	3,398	21,846	-	(22,306)	998,864
Emanuel S. Heller Endowment	959,517	-	59,300	-	(43,465)	975,352
Mrs. Walter Haas Children's Concert Fund	921,934	-	57,073	-	(39,251)	939,756
The Leanne and George Roberts Endowment Fund for Community Programs	909,028	-	56,313	-	(51,557)	913,784
Gary and Kathleen Heidenreich Fund	799,716	-	49,603	(4,534)	(64,013)	780,772

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Michael Tilson Thomas First Performances Fund	758,907	-	46,903	-	(32,858)	772,952
Maurice and Stella Eliasar Fund	754,358	-	46,622	-	(33,882)	767,098
Ralph I. Dorfmann Commissioning Fund	647,387	-	40,011	-	(8,289)	679,109
William and Gretchen Kimball Education Fund	617,722	-	38,252	-	(30,283)	625,691
The Sandy and Paul Otellini Education Endowed Fund	596,250	-	36,929	-	(31,193)	601,986
Pauline C. Chickering Instrument Fund	576,702	-	35,770	(3,270)	(46,162)	563,040
John and Lisa Pritzker Fund for CFK	553,960	-	34,278	-	(19,050)	569,188
San Francisco Symphony Keyboard Music Fund	472,216	-	29,186	-	(21,333)	480,069
Katherine H. Johnson Fund	449,898	10,187	14,653	(1,203)	(16,985)	456,550
Hanrahan Violin Chair	411,099	-	25,406	-	(18,513)	417,992
Margaret Koshland Sloss Tribute Fund	386,638	-	23,981	(2,192)	(30,948)	377,479
J. Peter Cahill Guest Pianist Fund	324,245	-	20,087	-	(18,535)	325,797
Walter Edwin Dean II - Lenoir M. Dean Fund	313,573	-	19,449	(1,778)	(25,100)	306,144
Frannie & Mort Fleishhacker Endowed Touring Fund	296,376	-	18,344	-	(11,899)	302,821
Paul and Kathy Bissinger Endowed Fund	284,682	-	17,594	-	(13,057)	289,219
The Barbara and Richard Rosenberg Endowed Fund	280,652	-	17,345	-	(12,895)	285,102
The Hurlbut-Johnson Fund	264,940	-	16,402	-	(11,872)	269,470
James C. Hormel & Michael P. Nguyen Concert for Kids	260,322	-	16,122	-	(13,433)	263,011
Brayton Wilbur Jr. Endowed Fund for Touring	258,992	-	16,038	(165)	(12,296)	262,569
Shenson Foundation Flute Chair for Youth Orchestra	234,587	-	14,498	-	(12,102)	236,983
The Steinberg Family Education Endowed Fund	188,411	-	11,672	-	(10,250)	189,833
KPMG Fund for Community Engagement	143,847	-	8,890	-	(2,308)	150,429
Elizabeth Letts Janss Fund	143,409	-	8,895	(813)	(11,479)	140,012
Barbara Brookins Young Artists Fund	139,798	-	8,641	-	(2,066)	146,373
Ann and Jim Paras Endowed Fund	138,320	-	8,549	-	(6,098)	140,771
Agnes Albert Honorary Endowment Fund	134,676	-	8,322	-	(5,795)	137,203
Leonard Kingsley Endowed Fund	134,327	-	8,332	(762)	(10,752)	131,145
Nion McEvoy Family Fund	134,173	-	8,292	-	(6,140)	136,325
Terry Family Fund	133,340	-	8,241	-	(5,675)	135,906
John P. and Susan H. Carver Fund	127,462	-	7,878	-	(5,805)	129,535

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	<u>Net Assets August 31, 2015</u>	<u>Contributions and Change in Actuarial Assumptions</u>	<u>Investment Return</u>	<u>Appropriation of Endowment Assets for Expenditure</u>	<u>Distribution of Investment Income</u>	<u>Net Assets August 31, 2016</u>
The Jon and Linda Gruber Education Fund	120,151	-	7,442	-	(6,482)	121,111
Phyllis and Stuart Moldaw Fund for Instrument Training and Support	118,869	-	7,355	-	(4,235)	121,989
Halfmann-Yee Fund for Touring	117,937	-	7,296	-	(4,069)	121,164
Howard and Agnes Shapiro Fund for Music Education	117,937	-	7,296	-	(4,069)	121,164
Jerome and Thao Dodson Music Education Fund	117,884	-	7,294	-	(4,184)	120,994
Mrs. George John Otto Memorial Vocalist Fund	117,780	5,000	7,601	-	(5,166)	125,215
The Ricardo and Joan Madden Endowed Fund	114,852	-	7,098	-	(5,018)	116,932
Geeslin Family Fund for Community Engagement	114,417	-	7,085	-	(5,673)	115,829
James J. Parker Mostly Mozart Fund	110,835	-	6,850	-	(4,943)	112,742
Jack and Fran Rominger Endowment Fund	109,779	-	6,785	-	(5,586)	110,978
Fay and Ada Tom Family Fund	109,410	-	6,762	-	(5,706)	110,466
Emma and Frederick Goltz Education Fund	106,063	-	6,565	-	(4,005)	108,623
Margaret Liu Foundation - AIM	105,804	-	5,311	-	(3,873)	107,242
Joan L. Danforth Guest Artist Fund	103,595	-	6,415	-	(5,044)	104,966
Howard Skinner Fund	102,114	-	6,311	-	(1,468)	106,957
Athena T. Blackburn Fund for Adventures in Music	97,569	-	6,061	-	(1,465)	102,165
Lisa and Douglas Goldman Fund for Adventures in Music	97,314	-	6,014	-	(1,514)	101,814
Kenneth D. & Joanne Snow Music Education	96,731	1,127	1,209	-	-	99,067
Agnes Albert Display Case Endowment	61,777	-	3,817	-	-	65,594
Wornick Endowment Fund	58,315	-	3,617	(331)	(4,668)	56,933
Fannie M. Irwin Endowment	51,331	10,000	4,164	-	(2,427)	63,068
Brian P. McCune and Darlene Vian Fund for Vocal Performance	31,329	-	1,937	-	(778)	32,488
Louisa Jean De Bretteville Living Trust	11,516	-	712	-	(530)	11,698
Fay and Ada Tom Family Fund for Concerts for Kids	-	100,000	4,608	-	-	104,608
Fay and Ada Tom Family Fund for Guest Pianists	-	100,000	4,607	-	-	104,607
Fay and Ada Tom Family Fund for Touring	-	100,000	4,607	-	-	104,607
Gerald B. Rosenstein Fund	-	28,900	940	-	-	29,840

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Phyllis Blair Cello Chair Fund	-	24,788	2,460	-	-	27,248
Stan and Lenora Davis String Chair Endowment Fund	-	1,000,000	32,515	-	-	1,032,515
The Blair Fund	-	100,000	8,367	-	-	108,367
	<u>\$ 297,415,006</u>	<u>\$ 3,436,391</u>	<u>\$ 19,803,541</u>	<u>\$ (3,201,126)</u>	<u>\$ (13,537,421)</u>	<u>\$ 303,916,391</u>

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