

**MISSOURI SYMPHONY SOCIETY
COLUMBIA, MISSOURI
DECEMBER 31, 2017**



2501 W Ash St Ste. A, Columbia, MO 65203

Missouri Symphony Society
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August 30, 2018
INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Missouri Symphony Society
Columbia, Missouri

We have audited the accompanying financial statements of Missouri Symphony Society (a Missouri nonprofit corporation) (the "Organization") which comprise the statements of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 statements generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 in the first paragraph present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Missouri Symphony Society for the year ended December 31, 2016 were audited by another auditor whose report dated August 8, 2017 included an emphasis-of-matter paragraph that described the change in the entity's reporting of the JAMM Endowment fund as described in Note 4.

Correction of Error

As discussed in Note 7, the Organization has corrected the prior year amounts by excluding the intangible assets as an asset on the financial position. It is the Organization's policy to only include purchases in excess of \$15,000 as fixed assets.

Very Truly Yours,

A handwritten signature in black ink that reads "Rob Wasema". The signature is written in a cursive style with a long horizontal line extending to the right.

Missouri Symphony Society
Statement of Financial Position
December 31, 2017 and 2016

<u>ASSETS</u>		<u>2017</u>	<u>2016</u>
Current Assets:			
Cash and cash equivalents		\$ 307,043	\$ 372,902
Accounts receivable		9,262	19,914
Prepaid expense		15,687	11,705
Total Current Assets		331,992	404,521
Other Assets			
Facility use credit		52,362	105,689
Investments		890,728	651,638
Total Other Assets		943,090	757,327
TOTAL ASSETS		\$ 1,275,082	\$ 1,161,848
 <u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable		\$ 11,576	\$ 4,392
Accrued personnel costs		6,747	4,931
Entertainer tax payable		286	-
Deferred revenue		98,627	87,768
Total Current Liabilities		117,236	97,091
Total Liabilities		117,236	97,091
Net Assets:			
Unrestricted		\$ 279,073	\$ 338,937
Unrestricted, board designated		826,663	683,469
Temporarily restricted		22,110	(287)
Permanently restricted		30,000	42,638
Total Net Assets		1,157,846	1,064,757
TOTAL LIABILITIES AND NET ASSETS		\$ 1,275,082	\$ 1,161,848

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

Missouri Symphony Society
Statement of Activities
For the Year Ended December 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Support and Revenue					
Program Fees	\$ 180,270	\$ -	\$ -	\$ 180,270	\$ 191,338
Membership	56,442	-	-	56,442	65,804
Contributions	127,214	270,666	-	397,880	490,310
Grants	-	39,551	-	39,551	31,985
Sales	1,505	-	-	1,505	1,789
Rental Income	18,000	-	-	18,000	18,000
Other Revenue	341	-	-	341	311
Total Support and Revenue	<u>383,772</u>	<u>310,217</u>	<u>-</u>	<u>693,989</u>	<u>799,537</u>
Net assets released from restriction	<u>269,969</u>	<u>(257,331)</u>	<u>(12,638)</u>	<u>-</u>	<u>-</u>
Expenses					
Program services					
Music Productions	432,072	-	-	432,072	460,353
Music Education	147,962	-	-	147,962	178,875
Women's Symphony League	12,291	-	-	12,291	20,956
Total Program Services	<u>592,325</u>	<u>-</u>	<u>-</u>	<u>592,325</u>	<u>660,184</u>
Management and general	<u>102,926</u>	<u>-</u>	<u>-</u>	<u>102,926</u>	<u>109,459</u>
Total Expenses	<u>695,251</u>	<u>-</u>	<u>-</u>	<u>695,251</u>	<u>769,643</u>
Support and Revenues Over/(Under) Expenses	<u>(41,510)</u>	<u>52,886</u>	<u>(12,638)</u>	<u>(1,262)</u>	<u>29,894</u>
Other Income/(Expenses)					
Earnings/(loss) on investments	88,840	5,511	-	94,351	47,825
Total Other Income/(Expenses)	<u>88,840</u>	<u>5,511</u>	<u>-</u>	<u>94,351</u>	<u>47,825</u>
Increase/(Decrease) in Net Assets	47,330	58,397	(12,638)	93,089	77,719
Net Assets at Beginning of Year	<u>1,022,406</u>	<u>(287)</u>	<u>42,638</u>	<u>1,064,757</u>	<u>987,038</u>
Net Assets at End of Year	<u>\$ 1,069,736</u>	<u>\$ 58,110</u>	<u>\$ 30,000</u>	<u>\$ 1,157,846</u>	<u>\$ 1,064,757</u>

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

Missouri Symphony Society
Statement of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities	\$ 93,089	\$ 29,894
Support and revenues over/(under) expenses		
Adjustments to reconcile to net cash provided/(used) by operating activities		
Interest earned on cash and cash equivalents	674	19
Investment fees paid with investments funds	5,261	4,846
Gain/(loss) on sale of donated securities	-	(550)
(Increase)/decrease in accounts receivable	10,652	32,409
(Increase)/decrease in prepaid expenses	(3,982)	(5,118)
(Increase)/decrease in facility use credit	53,327	44,492
Increase/(decrease) in accounts payable	7,184	(136)
Increase/(decrease) in deferred revenue	10,859	(18,557)
Increase/(decrease) in accrued personnel costs	1,816	2,769
Increase/(decrease) in entertainer tax payable	286	(1,814)
Total Adjustments	<u>86,077</u>	<u>58,360</u>
Net Cash Provided/(Used) by Operating Activities	<u>179,166</u>	<u>88,254</u>
Cash Flows From Investing Activities		
(Gain)/loss on investments	(95,025)	-
Transfers to investments	<u>(150,000)</u>	<u>(12,050)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(245,025)</u>	<u>(12,050)</u>
Cash Flows From Financing Activities	<u>-</u>	<u>-</u>
Increase/(Decrease) in Cash and Cash Equivalents	(65,859)	76,204
Cash and Cash Equivalents, Beginning of Year	<u>372,902</u>	<u>296,698</u>
Cash and Cash Equivalents, End of Year	<u>\$ 307,043</u>	<u>\$ 372,902</u>

Supplimental Cash Flow Disclosures

Noncash Investing and Financing Transactions

Contributions of debt and equity securities	<u>\$ 11,378</u>	<u>\$ 11,206</u>
Net unrealized gain/(loss) on investments	<u>\$ 69,702</u>	<u>\$ 29,975</u>

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

Missouri Symphony Society

Notes to Financial Statements

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities

Missouri Symphony Society (the "Organization") is a not-for-profit corporation that was organized in December 1970. The Organization's primary purpose is to inspire and engage diverse audiences through exceptional performances of symphonic music and to educate and mentor young performers. The Organization operates on a calendar year ending December 31. The Organization's main sources of revenue are concert ticket sales, corporate and chair sponsorships, and conservatory tuitions.

Basis of Accounting

These financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when liabilities for goods and services are incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; and the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of support, revenues, expenses, and the other changes in net assets during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016 from which the summarized information was derived.

Economic Concentration

The Organization's activities are primarily conducted in Columbia, Missouri. Future activities could be affected by changes in the economic or other conditions in that geographical area.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets based upon the existence or absence of restrictions on use that are placed by donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**Basis of Presentation (Continued)**

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization: the environment in which it operates; the purposes specified in its corporate documents; its application for tax-exempt status; designations set forth by the Organization's board of trustees; and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, or are promised contributions that are not yet due. The unspent appreciation of the Organization's donor-restricted endowment funds is also reported as temporarily restricted net assets. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time. The expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Organization's donor-restricted endowment funds that are required to be maintained in perpetuity based on donor stipulations are classified as permanently restricted net assets.

Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all cash balances on deposit with financial institutions and highly liquid investments available for current use with an initial maturity of less than three months to be cash equivalents. Investment accounts may include cash equivalent funds held for the purpose of reinvestment, and these funds are not considered to be cash equivalents.

Concentration of Credit Risk

The Organization deposits its cash in two financial institutions. At times, the account balances may exceed the institution's federally insured limits. At December 31, 2017 and 2016, the Organization's cash exceeded federally insured limits by \$0 and \$5,176, respectively.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. As of December 31, 2017, and 2016, management determined, based on historical experience, that all amounts are fully collectible, and no allowance for doubtful accounts is necessary.

Investments

Investments in marketable securities with readily determinable fair values and all debt securities are reported at their fair values. Unrealized gains and losses are included in the statement of activities. Investments which have been donated to the Organization are recorded at estimated fair value at the date of the gift.

Deferred Revenue

Income from membership dues, grants, chair sponsorships, tour payments, and tuition fees is deferred and recognized over the periods to which the dues, grants, sponsorships, tours, and fees relate.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended December 31, 2017 and 2016, advertising costs were \$48,890 and \$50,769, respectively. The Organization also received \$67,010 and \$91,350 of in-kind advertising and marketing services during 2017 and 2016, respectively.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**Contributions (Continued)**

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows.

Donated Services

Donated services are recorded when there is an objective basis available to measure the value. The fair market value of marketing services and accommodations received for the Organization's programs, totaling \$102,324 and \$182,472, have been reflected in the financial statements as in-kind contributions and included in the total of contribution revenue and program expenses reported in the statement of activities during the years ended December 31, 2017 and 2016, respectively.

A number of volunteers contribute significant amounts of their time to the Organization. These donated services have not been recognized as revenue in the financial statements as they do not require specialized skills or create or enhance nonfinancial assets.

Income Tax Status

Missouri Symphony Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2014, 2015, 2016 and 2017 are subject to examination by the IRS, generally for 3 years after they were filed.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 2. INVESTMENTS:

Missouri Symphony Organization reports on investments in accordance with FASB Accounting Standards Codification 820-10, *Fair Value Measurements and Disclosures*, (ASC 820-10). ASC 820-10 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

ASC 820-10 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820-10 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). All of Missouri Symphony Organization's investments are stated at fair values based on quoted prices in active markets for identical assets, which is the Level 1 hierarchy.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 2. INVESTMENTS (Continued):

The fair value measurements and levels within the fair value hierarchy of those measurements for the investments reported at fair value on a recurring basis at December 31, are as follows:

	2017		Valuation Hierarchy Level
	Cost	Fair Value	
Operating Fund:			
Cash equivalents	\$ 100,473	\$ 100,473	1
Total Reserve Fund	\$ 100,473	\$ 100,473	
Reserve Fund:			
Cash equivalents	\$ 16,415	\$ 16,425	1
Equity investments	353,195	402,208	1
Fixed income investments	272,773	269,895	1
Total Reserve Fund	\$ 642,383	\$ 688,528	
JAMM Fund:			
Cash equivalents	\$ 2,336	\$ 2,336	1
Equity investments	26,941	28,869	1
Fixed income investments	15,019	16,656	1
Total JAMM Fund	\$ 44,296	\$ 47,861	
Symphony Musician's Appreciation Fund:			
Cash equivalents	\$ 2,630	\$ 2,630	1
Equity investments	31,119	32,491	1
Fixed income investments	17,775	18,745	1
Total SYMP Fund	\$ 51,524	\$ 53,866	
Total Investments	\$ 838,676	\$ 890,728	

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 2. INVESTMENTS (continued):

	2016		Valuation Hierarchy Level
	Cost	Fair Value	
Reserve Fund:			
Cash equivalents	\$ 26,817	\$ 26,817	1
Equity investments	354,032	344,193	1
Fixed income investments	244,405	238,277	1
Total Reserve Fund	\$ 625,254	\$ 609,287	
JAMM Fund:			
Cash equivalents	\$ 2,059	\$ 2,059	1
Equity investments	25,618	25,618	1
Fixed income investments	14,674	14,674	1
Total JAMM Fund	\$ 42,351	\$ 42,351	
Total Investments	\$ 667,605	\$ 651,638	

Investment income is composed of the following for the years ended December 31:

	2017				
	Operating	Reserve Fund	JAMM Fund	Musician's Fund	Total
Interest and dividends	\$ 674	\$ 15,298	\$ 966	\$ 842	\$ 17,780
Realized gains/(losses)	0	6,357	711	564	7,632
Unrealized gains/(losses)	0	61,827	4,286	2,826	68,939
Net investment gains/(losses)	\$ 674	\$ 83,482	\$ 5,963	\$ 4,232	\$ 94,351

	2016			
	Operating	Reserve Fund	JAMM Fund	Total
Interest and dividends	\$ 19	\$ 14,228	\$ 770	\$ 15,017
Realized gains/(losses)	(550)	3,086	297	2,833
Unrealized gains/(losses)	0	28,796	1,179	29,975
Net investment gains/(losses)	\$ (531)	\$ 46,110	\$ 2,246	\$ 47,825

Investment fees for the years ended December 31, 2017 and 2016, totaled \$4,599 and \$4,846, respectively, and are included in management and general expenses on the statements of activities.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 3. FACILITY USE CREDIT:

As part of the sale of the Missouri Theatre building to the University of Missouri in 2014, the Organization was granted \$185,000 in credits to be used toward the future lease of the theatre building as a performance venue.

During the years ended December 31, 2017 and 2016, the facility use credit was applied as follows:

Facility use credit balance January 1, 2016	\$ 150,181
Facility rent 2016	(44,492)
Facility use credit balance December 31, 2016	105,689
Facility rent 2017	(53,327)
Facility use credit balance December 31, 2017	<u>\$ 52,689</u>

NOTE 4. ENDOWMENT FUNDS:Board-Designated Endowment

As of December 31, 2016, the Board of Directors had designated \$50,000 of unrestricted net assets as a musician's appreciation endowment fund to provide additional funding for the Missouri Symphony Orchestra by increasing the number of musicians and/or increasing the rate of compensation of the musicians. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted, board-designated net assets.

The Organization has a spending policy of appropriating for distributions in September of each year all income and up to 50% of the unrealized/realized gain from the previous 12 months in the upcoming budget. The amount budgeted will be withdrawn from the fund investment in January of the budget year for which it is being included. In establishing this policy, the Organization considered the long-term expected investment return on its endowment and its objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. As of December 31, 2016, endowment assets were invested in a checking account; however, the Board voted to move these funds to an investment account in March 2017. Once moved to the investment account, endowment assets were invested in a well-diversified asset mix, including equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the fund. 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.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 4. ENDOWMENT FUNDS (Continued):**Board-Designated Endowment (Continued)**

Composition of and changes in board-designated endowment net assets for the year ended December 31, 2017, were as follows:

Beginning board-designated endowment net assets	\$	50,000
Amounts contributed		0
Investment income		1,406
Net appreciation		2,826
Amounts appropriated for expenditure		(366)
Ending board-designated endowment net assets	\$	53,866

Donor-Designated Endowment

The Organization's endowment consists of one individual donor-restricted fund that was established to support the development of young, talented musicians by allowing them to perform with some regularity under the direction of competent directors and instructors. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2016, absent explicit donor stipulations to the contrary, the Board of Directors of the Organization interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of the interpretation, the Organization classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation was added to the funds. The remaining portion of the donor-restricted endowment fund that was not classified in permanently restricted net assets was classified as temporarily restricted net assets until those amounts were appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. During 2017, the Organization received from the donor more explicit stipulations that permanently restricted the original donation, but all additional donations and accumulations were to be temporarily restricted until appropriated for expenditures consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Organization, and (7) the Organization's investment policies.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 4. ENDOWMENT FUNDS (Continued):

Donor-Designated Endowment (Continued)

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible. 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.

In prior years, at the specific request of the JAMM Board, the Organization distributed amounts in excess of the endowment earnings resulting in noncompliance with donor-imposed restrictions. The deficiency has been reported as unrestricted net assets in accordance with generally accepted accounting principles.

Activities attributable to donor-designated endowment funds were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Balance January 1, 2016 (as corrected)	\$ (2,186)	\$ 0	\$ 30,587
Contributions	0	0	12,050
Investment income	1,067	0	0
Net appreciation	1,179	0	0
Amounts appropriated for expenditure	(346)	0	0
Balance December 31, 2016	\$ (286)	0	42,637
Contributions	0	0	0
Investment income	0	1,676	0
Net appreciation	0	4,286	0
Amounts appropriated for expenditure	0	(452)	0
Transfer among restricted classes	286	12,351	(12,637)
Balance December 31, 2017	\$ 0	\$ 17,861	\$ 30,000

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 5. BOARD-DESIGNATED NET ASSETS:

The Board has designated a portion of net assets as follows at December 31:

	2017	2016
Missouri Symphony League	\$ 32,269	\$ 24,182
Reserve	688,528	609,287
Musician's Appreciation	53,866	50,000
Weaver Education	36,000	0
Conservatory Program	16,000	0
Total designated net assets	<u>\$ 826,663</u>	<u>\$ 683,469</u>

The Missouri Symphony League (the "MSL") is an auxiliary to the Organization that fosters, promotes and increases the public's knowledge and appreciation of classical music through educational activities. The MSL funds consist of a checking account held in a FDIC insured financial institution.

The Reserve Fund consists primarily of various debt and equity securities maintained in a managed investment account at Commerce Trust. The purpose of the Reserve Fund is to provide secure long-term funding for the mission of the Organization.

In 2016, the Organization was a beneficiary of the Lina Belle Berrier Estate and received a specific bequest of \$50,000. The Organization's Board of Directors voted to set aside the funds as a board-designated, musician's appreciation endowment fund. Additional information is provided in Note 4.

These designated net assets have no external restrictions on their use. The designations are at the discretion of the Organization's Board of Directors.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 6. LEASE AGREEMENT:

As part of the sale of the Missouri Theatre building to the University of Missouri (the "University") in 2014, the Organization is obligated under an operating lease that expires on August 31, 2023. Base rent under the agreement is \$1,500 per month and is subject to any fixed facility fees and labor charges for the facility use at applicable standard rates. The University provides the Organization with a \$1,500 monthly "base rent credit" in exchange for allowing the University use of the Organization's instruments and office equipment. Rent expense recorded by Missouri Symphony Organization was \$18,000 for the years ended December 31, 2017 and 2016.

Future minimum lease payments are as follows:

2018	\$	18,000
2019		18,000
2020		18,000
2021		18,000
2022		18,000
Thereafter		12,000
Total	\$	<u>102,000</u>

NOTE 7. CORRECTION OF AN ERROR:

In 2017 the Organization enacted a fixed asset policy that was to be in effect for the 2016 year. While the policy was not in writing in 2016, the intention of the board was to require fixed assets to be in excess of \$15,000. Correcting this error decreased intangible assets to \$0 and increased general expenses by \$6,666 on the 2016 year-end amounts. This correction represents an additional expense which reduced unrestricted net asset at December 31, 2016.

NOTE 8. CONSIDERATION OF SUBSEQUENT EVENTS:

The preparation of financial statements in conformity with generally accepted accounting principles requires a review of subsequent events to identify such events that may have a material impact on the accompanying financial statements. Subsequent events have been evaluated through August 30, 2018, the date the financial statements were available to be issued.