

MISSOURI SYMPHONY SOCIETY
COLUMBIA, MISSOURI
DECEMBER 31, 2019 AND 2018



Wassman
CPA Services LLC

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Missouri Symphony Society
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February 18, 2021
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, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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.

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Missouri Symphony Society
Statement of Financial Position
December 31, 2019 and 2018

<u>ASSETS</u>		2019	2018
Current Assets:			
Cash and cash equivalents		\$ 95,353	\$ 205,303
Accounts receivable		7,266	15,062
Prepaid expense		4,680	3,832
Total Current Assets		107,299	224,197
Other Assets			
Facility use credit		-	1,060
Investments		1,582,208	1,280,913
Total Other Assets		1,582,208	1,281,973
TOTAL ASSETS		\$ 1,689,507	\$ 1,506,170
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable		\$ 6,883	\$ 3,462
Accrued personnel costs		10,655	4,916
Entertainer tax payable		-	-
Deferred revenue		70,726	56,627
Total Current Liabilities		88,264	65,005
Total Liabilities		88,264	65,005
Net Assets:			
Net assets without donor restrictions		\$ 927,521	\$ 959,820
Net assets with donor restrictions		673,722	481,345
Total Net Assets		1,601,243	1,441,165
TOTAL LIABILITIES AND NET ASSETS		\$ 1,689,507	\$ 1,506,170

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

Missouri Symphony Society
Statement of Activities
For the Year Ended December 31, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and Revenue				
Program fees	\$ 327,349	\$ -	\$ 327,349	\$ 375,574
Membership	41,281	-	41,281	49,413
Contributions	98,446	100,249	198,695	536,391
Grants	-	27,997	27,997	28,721
Sales	702	-	702	3,641
Rental income	18,000	-	18,000	18,000
Other revenue	306	-	306	476
Total Support and Revenue	<u>486,084</u>	<u>128,246</u>	<u>614,330</u>	<u>1,012,216</u>
Net assets released from restriction	<u>27,997</u>	<u>(27,997)</u>	<u>-</u>	<u>-</u>
Expenses				
Program services				
Music productions	362,249	-	362,249	374,764
Music education	68,279	-	68,279	131,849
Missouri symphony league	16,131	-	16,131	22,015
Total Program Services	<u>446,659</u>	<u>-</u>	<u>446,659</u>	<u>528,628</u>
Management and general	233,258	-	233,258	159,512
Total Expenses	<u>679,917</u>	<u>-</u>	<u>679,917</u>	<u>688,140</u>
Support and Revenues Over/(Under) Expenses	<u>(165,836)</u>	<u>100,249</u>	<u>(65,587)</u>	<u>324,076</u>
Other Income/(Expenses)				
Earnings/(loss) on investments	133,537	92,128	225,665	(40,757)
Total Other Income/(Expenses)	<u>133,537</u>	<u>92,128</u>	<u>225,665</u>	<u>(40,757)</u>
Increase/(Decrease) in Net Assets	(32,299)	192,377	160,078	283,319
Net Assets at Beginning of Year	<u>959,820</u>	<u>481,345</u>	<u>1,441,165</u>	<u>1,157,846</u>
Net Assets at End of Year	<u>\$ 927,521</u>	<u>\$ 673,722</u>	<u>\$ 1,601,243</u>	<u>\$ 1,441,165</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, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities	\$ 160,078	\$ 283,319
Support and revenues over/(under) expenses		
Adjustments to reconcile to net cash provided/(used) by operating activities		
Interest earned on cash and cash equivalents	(4,051)	(1,268)
Investment fees paid with investments funds	9,614	5,566
(Increase)/decrease in Accounts receivable	7,796	(5,800)
(Increase)/decrease in Prepaid expenses	(848)	11,855
(Increase)/decrease in Facility use credit	1,060	51,302
Increase/(decrease) in Accounts payable	3,421	(8,114)
Increase/(decrease) in Deferred revenue	14,099	(42,000)
Increase/(decrease) in Accrued personnel costs	5,739	(1,831)
Increase/(decrease) in Entertainer tax payable	-	(286)
Total Adjustments	<u>36,830</u>	<u>9,424</u>
Net Cash Provided/(Used) by Operating Activities	<u>196,908</u>	<u>292,743</u>
Cash Flows From Investing Activities		
(Gain)/loss on investments	(197,143)	41,545
Transfers to investments	<u>(109,715)</u>	<u>(436,028)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(306,858)</u>	<u>(394,483)</u>
Cash Flows From Financing Activities	<u>-</u>	<u>-</u>
Increase/(Decrease) in Cash and Cash Equivalents	(109,950)	(101,740)
Cash and Cash Equivalents, Beginning of Year	<u>205,303</u>	<u>307,043</u>
Cash and Cash Equivalents, End of Year	<u>\$ 95,353</u>	<u>\$ 205,303</u>

Supplemental Cash Flow Disclosures

Noncash Investing and Financing Transactions

Contributions of debt and equity securities	<u>\$ 109,715</u>	<u>\$ -</u>
Net unrealized gain/(loss) on investments	<u>\$ 173,714</u>	<u>\$ (98,197)</u>

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

Missouri Symphony Society
Statement of Functional Expenses
For the Year Ended December 31, 2019

Expenses	Music Productions	Music Education	Missouri Symphony League	Management and General	Total
Bank fees	\$ 2,045	\$ -	\$ -	\$ 8,092	\$ 10,137
Contract labor	124,775	11,623	-	8,027	144,425
Employee benefits	14	487	-	15,732	16,233
Event	73,230	11,124	2,709	-	87,063
In-kind	84,153	1,800	5,398	-	91,351
Instructors	-	5,295	-	-	5,295
Insurance	-	-	-	8,440	8,440
Marketing	25,000	4,538	3,673	-	33,211
Music	10,580	836	-	-	11,416
Office	-	-	-	13,827	13,827
Payroll taxes	95	2,618	-	9,203	11,916
Professional development	-	-	-	2,667	2,667
Professional fees	-	-	-	9,765	9,765
Program specific	1,770	1,832	4,351	-	7,953
Rent	-	-	-	18,000	18,000
Salaries	40,587	28,126	-	139,505	208,218
Total Expenses	\$ 362,249	\$ 68,279	\$ 16,131	\$ 233,258	\$ 679,917

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, 2018 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 two classes of net assets based upon the existence or absence of restrictions on use that are placed by donors: Net assets without donor restrictions and Net assets with donor restrictions.

Missouri Symphony Society

Notes to Financial Statements (Continued)

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

Net assets without donor restrictions are resources available to support operations. The only limits on the use of Net assets without donor restrictions 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.

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a future period. These may or may not have restrictions that expire. The Organization's unspent promised contributions are reported in this class if the donor limited their use, or they are not yet due. The unspent appreciation of the Organization's donor-restricted endowment funds is also reported as Net assets with donor restrictions. 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 Net assets with donor restrictions to Net assets without donor restrictions.

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 cash in two financial institutions. At times, the account balances may exceed the institution's federally insured limits. At December 31, 2019 and 2018, the Organization's cash exceeded federally insured limits by \$0 and \$271,620.46, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from the outstanding balance. As of December 31, 2019, and 2018, management determined, based on historical experience, that all amounts are fully collectible, and no allowance for doubtful accounts is necessary.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**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 are 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, 2019 and 2018, advertising costs were \$33,211 and \$51,756, respectively. The Organization also received \$68,375 during 2019 for in-kind advertising and marketing services and \$74,080 during 2018.

Contributions

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

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 the expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Missouri Symphony Society

Notes to Financial Statements (Continued)

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

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 \$91,351 and \$75,988, 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 functional expenses during the years ended December 31, 2019 and 2018, 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 Society is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2. INVESTMENTS:

Missouri Symphony Society 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 Society'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:

	2019		
	Cost	Fair Value	Valuation Hierarchy Level
Operating Fund:			
Cash equivalents	\$ 85,183	\$ 85,183	1
Total Operating Fund	\$ 85,183	\$ 85,183	
Reserve Fund:			
Cash equivalents	\$ 29,769	\$ 29,769	1
Equity investments	396,756	447,262	1
Fixed income investments	249,343	257,084	1
Alternatives	27,360	29,056	
Total Reserve Fund	\$ 703,228	\$ 763,171	
JAMM Fund:			
Cash equivalents	\$ 2,580	\$ 2,580	1
Equity investments	27,877	32,473	1
Fixed income investments	16,618	18,375	1
Total JAMM Fund	\$ 47,075	\$ 53,428	
Symphony Musician's Appreciation Fund:			
Cash equivalents	\$ 2,903	\$ 2,903	1
Equity investments	31,376	36,547	1
Fixed income investments	18,703	20,681	1
Total SYMP Fund	\$ 52,982	\$ 60,131	
Hagemann Conservatory Fund:			
Cash equivalents	\$ 12,358	\$ 12,358	1
Equity investments	555,624	607,937	1
Total Hagemann Fund	\$ 567,982	\$ 620,295	
Total Investments	\$1,456,450	\$1,582,208	

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 2. INVESTMENTS (continued):

	2018		Valuation Hierarchy Level
	Cost	Fair Value	
Operating Fund:			
Cash equivalents	\$ 101,726	\$ 101,726	1
Total Operating Fund	\$ 101,726	\$ 101,726	
Reserve Fund:			
Cash equivalents	\$ 41,477	\$ 41,477	1
Equity investments	344,292	312,004	1
Fixed income investments	280,525	271,242	1
Alternatives	24,265	22,085	
Total Reserve Fund	\$ 690,559	\$ 646,808	
JAMM Fund:			
Cash equivalents	\$ 2,341	\$ 2,341	1
Equity investments	27,636	26,184	1
Fixed income investments	16,323	16,820	1
Total JAMM Fund	\$ 46,300	\$ 45,345	
Symphony Musician's Appreciation Fund:			
Cash equivalents	\$ 2,634	\$ 2,634	1
Equity investments	31,901	29,470	1
Fixed income investments	19,242	18,930	1
Total SYMP Fund	\$ 53,777	\$ 51,034	
Hagemann Conservatory Fund:			
Cash equivalents	\$ 436,000	\$ 436,000	1
Total Hagemann Fund	\$ 436,000	\$ 436,000	
Total Investments	\$1,328,362	\$1,280,913	

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

	2019					Total
	Operating	Reserve Fund	JAMM Fund	Musician's Fund	Hagemann Fund	
Interest and dividends	\$ 2,680	\$ 17,066	\$ 1,260	\$ 1,417	\$ 13,036	\$ 35,459
Realized gains/(losses)	-	210	971	1,092	18,697	20,970
Unrealized gains or (losses)	118	103,803	6,352	7,149	56,292	173,714
Net investment gains/(losses)	\$ 2,798	\$121,079	\$ 8,583	\$ 9,658	\$88,025	\$230,143

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 2. INVESTMENTS (continued):

	2018				Total
	Operating	Reserve Fund	JAMM Fund	Musician's Fund	
Interest and dividends	\$ 1,253	\$ 15,848	\$ 1,159	\$ 1,304	\$ 19,564
Realized gains/(losses)	-	36,820	869	978	38,667
Unrealized gains/(losses)	-	(89,772)	(4,064)	(4,573)	(98,409)
Net investment gains/(losses)	\$ 1,253	\$(37,104)	\$ (2,036)	\$ (2,291)	\$(40,178)

Investment fees for the years ended December 31, 2019 and 2018, totaled \$9,614 and \$5,566, respectively. Funds without donor restriction are included in Management and general expenses on the Statements of Activities. Investment income for donor restricted funds is offset by \$4,478 and \$579, respectively for investment fees incurred during years ending December 31, 2019 and 2018.

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 building as a performance venue.

During the years ended December 31, 2019 and 2018, the facility use credit was applied as follows:

Facility use credit balance January 1, 2018	\$ 52,362
Facility rent 2018	(51,302)
Facility use credit balance December 31, 2018	1,060
Facility rent 2019	(1,060)
Facility use credit balance December 31, 2019	\$ -0-

NOTE 4. ENDOWMENT FUNDS:

Board-Designated Endowment

As of December 31, 2016, the Board of Directors had designated \$50,000 of Net assets without donor restrictions 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 for the musicians. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as Net assets without donor restrictions.

Missouri Symphony Society

Notes to Financial Statements (Continued)

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

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.

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

	2019	2018
Beginning board-designated endowment net assets	\$ 51,034	\$ 53,866
Investment income	2,510	2,283
Net appreciation	7,149	(4,574)
Amounts appropriated for expenditure	(562)	(541)
Ending board-designated endowment net assets	<u>\$ 60,131</u>	<u>\$ 51,034</u>

Donor-Designated Endowment

The Organization's endowments consist 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; and one individual donor-restricted fund established to support the conservatory. 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.

Missouri Symphony Society

Notes to Financial Statements (Continued)

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

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 Net assets with donor restrictions (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 was classified in Net assets with donor restrictions 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 restricted the original donation, but all additional donations and accumulations were to be held as Net assets with donor restrictions 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.

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 Net assets without donor restrictions in accordance with generally accepted accounting principles.

Missouri Symphony Society

Notes to Financial Statements (Continued)

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

In November of 2018, the Organization received a restricted donation of \$436,000 to be used for the Missouri Symphony Conservatory Program. This donation was transferred to a Merrill Lynch investment account at the end of December. Due to the timing of the donation and the investment, there were no earnings on this donation during 2018. Earnings and appreciation are reported in the Hagemann Conservatory Funds presented in Note 2.

NOTE 5. BOARD-DESIGNATED NET ASSETS:

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

	2019	2018
Missouri Symphony League	\$ 21,314	\$ 23,104
Reserve	762,719	646,807
Musician's Appreciation	60,131	51,034
Weaver Education	11,569	30,964
Total designated net assets	<u>\$ 855,733</u>	<u>\$ 751,909</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 Weaver Education fund was created in 2017 and consists of funds the board has set aside to use for educational outreach. The money is kept in a checking account that is FDIC insured.

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 Society was \$18,000 for the years ended December 31, 2019 and 2018.

Future minimum lease payments are as follows:

2020	\$	18,000
2021		18,000
2022		18,000
2023		12,000
Total	\$	<u>66,000</u>

NOTE 7. 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 February 18, 2021; the date the financial statements were available to be issued was March 20, 2021.

Included in these considerations were the effects of COVID-19, a global pandemic that affected markets and operations of many businesses and organizations. The Organization was no exception. With the city closing businesses for periods of time and limiting social events of more than 10 people, this changed how the Organization operated in 2020. Their events were canceled for the year. To cover the costs to keep staff and bills paid, they applied for the Paycheck Protection Program funds (PPP). The Organization received \$38,200 in 2020 and qualified for the second round of PPP and received \$39,400 in 2021. The first PPP funding of \$38,200 was forgiven in full on January 19, 2021. The Organization plans to apply and receive forgiveness for the second round as well. In addition to this, the Organization has cashed in some investments totaling \$25,000 and implemented a new budget during July of 2020 to reduce expenses. Currently, the Organization plans to hold their Summer Festival and other events during 2021 with limited occupancy to try to grow revenues.

Missouri Symphony Society

Notes to Financial Statements (Continued)

NOTE 8. FUNCTIONAL EXPENSES:

The Organization reports functional expenses based on funds directly related to or time of staff related to programs and operations.

NOTE 9. LIQUIDITY:

The statement of financial position lists assets in sequencing order of nearness of conversion to cash and liabilities according to the nearness of their maturity.