

NASHVILLE SYMPHONY ASSOCIATION

FINANCIAL STATEMENTS

July 31, 2019 and 2018

NASHVILLE SYMPHONY ASSOCIATION
Nashville, Tennessee

FINANCIAL STATEMENTS
July 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nashville Symphony Association
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Nashville Symphony Association (a nonprofit organization), which comprise the statements of financial position as of July 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Symphony Association as of July 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization has adopted ASU 2016-14 - *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Franklin, Tennessee
November 15, 2019

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,771,849	\$ 7,458,671
Accounts receivable	577,961	800,995
Prepaid expenses and other assets	1,019,790	1,742,045
Contributions receivable, net	<u>1,640,700</u>	<u>1,360,420</u>
Total current assets	7,010,300	11,362,131
Noncurrent assets		
Contributions receivable, net	1,660,703	1,852,351
Investments	3,830,148	2,360,156
Beneficial interests in trust	9,903,015	10,241,921
Property and equipment, net	<u>74,788,601</u>	<u>75,553,346</u>
Total noncurrent assets	<u>90,182,467</u>	<u>90,007,774</u>
 Total assets	 <u>\$ 97,192,767</u>	 <u>\$101,369,905</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 985,483	\$ 914,989
Deferred revenues	<u>5,376,769</u>	<u>5,400,217</u>
Total current liabilities	6,362,252	6,315,206
Long-term liabilities		
Note payable	<u>20,000,000</u>	<u>20,000,000</u>
Total long-term liabilities	<u>20,000,000</u>	<u>20,000,000</u>
 Total liabilities	 26,362,252	 26,315,206
Net assets		
Without donor restrictions		
Undesignated	53,218,922	56,621,083
Board designated	10,940,453	10,241,921
With donor restrictions	<u>6,671,140</u>	<u>8,191,695</u>
Total net assets	<u>70,830,515</u>	<u>75,054,699</u>
 Total liabilities and net assets	 <u>\$ 97,192,767</u>	 <u>\$101,369,905</u>

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended July 31, 2019 (with comparative July 31, 2018 information)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Operating revenues				
Program revenues				
Ticket sales	\$ 10,271,817	\$ -	\$ 10,271,817	\$ 11,209,431
Orchestra fee engagements	482,206	-	482,206	417,108
Concert hall rental	732,025	-	732,025	589,416
Ancillary rental	64,050	-	64,050	90,050
Concessions and symphony store	1,046,237	-	1,046,237	1,114,304
Expense reimbursements	319,290	-	319,290	344,115
Interest and other income	2,331,609	-	2,331,609	2,255,273
Total program revenues	15,247,234	-	15,247,234	16,019,697
Community Foundation distribution	405,300	-	405,300	436,500
Total operating revenues	15,652,534	-	15,652,534	16,456,197
Operating expenses				
<i>Orchestra operating expenses</i>				
Operations and artistic administration	15,515,689	-	15,515,689	15,548,623
Education	505,841	-	505,841	435,828
Marketing	2,597,225	-	2,597,225	2,622,676
Administration and support	2,699,657	-	2,699,657	2,754,290
Fund-raising	1,493,018	-	1,493,018	1,430,415
In-kind expenses	374,198	-	374,198	377,525
Total orchestra operating expenses	23,185,628	-	23,185,628	23,169,357
<i>Symphony Center operating expenses</i>				
Concessions and symphony store	628,936	-	628,936	666,995
Management and building operations	3,126,529	-	3,126,529	1,377,827
Total Symphony Center operating expenses	3,755,465	-	3,755,465	2,044,822
Total operating expenses before depreciation	26,941,093	-	26,941,093	25,214,179
Deficit before support, investment income and depreciation	(11,288,559)	-	(11,288,559)	(8,757,982)
Support				
Contributions	6,535,350	813,320	7,348,670	6,179,539
Grants	249,700	203,200	452,900	277,130
Fund-raising events	1,077,163	-	1,077,163	863,298
In-kind contributions	374,198	-	374,198	377,525
Total support	8,236,411	1,016,520	9,252,931	7,697,492
Net assets released from restrictions	2,537,075	(2,537,075)	-	-
Deficit before investment income and depreciation	(515,073)	(1,520,555)	(2,035,628)	(1,060,490)
Investment income, net				
Net investment income	129,585	-	129,585	83,296
Net beneficial interests in trust income	301,030	-	301,030	711,734
Total investment expenses	(125,123)	-	(125,123)	(125,636)
Total investment income, net	305,492	-	305,492	669,394
Deficit before depreciation	(209,581)	(1,520,555)	(1,730,136)	(391,096)
Depreciation	(2,494,048)	-	(2,494,048)	(2,380,348)
Decrease in net assets	(2,703,629)	(1,520,555)	(4,224,184)	(2,771,444)
Net assets at beginning of year	66,863,004	8,191,695	75,054,699	77,826,143
Net assets at end of year	\$ 64,159,375	\$ 6,671,140	\$ 70,830,515	\$ 75,054,699

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended July 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2018 <u>Total</u>
Operating revenues			
Program revenues			
Ticket sales	\$ 11,209,431	\$ -	\$ 11,209,431
Orchestra fee engagements	417,108	-	417,108
Concert hall rental	589,416	-	589,416
Ancillary rental	90,050	-	90,050
Concessions and symphony store	1,114,304	-	1,114,304
Expense reimbursements	344,115	-	344,115
Interest and other income	<u>2,255,273</u>	<u>-</u>	<u>2,255,273</u>
Total program revenues	16,019,697	-	16,019,697
Community Foundation distribution	<u>436,500</u>	<u>-</u>	<u>436,500</u>
Total operating revenues	16,456,197	-	16,456,197
Operating expenses			
<i>Orchestra operating expenses</i>			
Operations and artistic administration	15,548,623	-	15,548,623
Education	435,828	-	435,828
Marketing	2,622,676	-	2,622,676
Administration and support	2,754,290	-	2,754,290
Fund-raising	1,430,415	-	1,430,415
In-kind expenses	<u>377,525</u>	<u>-</u>	<u>377,525</u>
Total orchestra operating expenses	23,169,357	-	23,169,357
<i>Symphony Center operating expenses</i>			
Concessions and symphony store	666,995	-	666,995
Management and building operations	<u>1,377,827</u>	<u>-</u>	<u>1,377,827</u>
Total Symphony Center operating expenses	<u>2,044,822</u>	<u>-</u>	<u>2,044,822</u>
Total operating expenses before depreciation	<u>25,214,179</u>	<u>-</u>	<u>25,214,179</u>
Deficit before support, investment income and depreciation	(8,757,982)	-	(8,757,982)
Support			
Contributions	5,279,134	900,405	6,179,539
Grants	262,130	15,000	277,130
Fund-raising events	862,494	804	863,298
In-kind contributions	<u>377,525</u>	<u>-</u>	<u>377,525</u>
Total support	6,781,283	916,209	7,697,492
Net assets released from restrictions	<u>1,850,190</u>	<u>(1,850,190)</u>	<u>-</u>
Deficit before investment income and depreciation	(126,509)	(933,981)	(1,060,490)
Investment income, net			
Net investment income	83,296	-	83,296
Net beneficial interests in trust income	711,734	-	711,734
Total investment expenses	<u>(125,636)</u>	<u>-</u>	<u>(125,636)</u>
Total investment income, net	<u>669,394</u>	<u>-</u>	<u>669,394</u>
Surplus (deficit) before depreciation	542,885	(933,981)	(391,096)
Depreciation	<u>(2,380,348)</u>	<u>-</u>	<u>(2,380,348)</u>
Decrease in net assets	(1,837,463)	(933,981)	(2,771,444)
Net assets at beginning of year	<u>68,700,467</u>	<u>9,125,676</u>	<u>77,826,143</u>
Net assets at end of year	<u>\$ 66,863,004</u>	<u>\$ 8,191,695</u>	<u>\$ 75,054,699</u>

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended July 31, 2019 (with comparative July 31, 2018 information)

	Program Expenses		Total Program Expenses	General and Administrative Expenses	Fund-raising Expenses	2019 Total	2018 Total
	Orchestra and Concert Operations	Schermerhorn Symphony Center					
Salaries and benefits	\$ 10,875,023	\$ 1,279,605	\$ 12,154,628	\$ 1,579,834	\$ 966,583	\$ 14,701,045	\$ 14,006,392
Accelerando	132,782	-	132,782	-	-	132,782	74,221
Advertising	720,958	-	720,958	-	-	720,958	730,794
Assisting artists' fees and guest conductor	4,733,933	-	4,733,933	-	-	4,733,933	4,999,122
Bad debt expense	-	-	-	-	50,565	50,565	46,587
Bank charges	-	-	-	319,636	-	319,636	319,569
Concert production	380,474	-	380,474	-	-	380,474	692,930
Cost of goods sold	-	206,764	206,764	-	-	206,764	211,050
Debt service	-	650,000	650,000	-	-	650,000	17,808
Dues and subscriptions	-	-	-	50,072	-	50,072	48,629
Ensemble	19,245	-	19,245	-	-	19,245	10,022
Gain on sale of property and equipment	-	(8,000)	(8,000)	-	-	(8,000)	(1,067,240)
General contracts	-	78,798	78,798	-	-	78,798	80,077
Hall rental	16,083	-	16,083	-	-	16,083	30,016
Housekeeping and janitorial	-	251,625	251,625	-	-	251,625	249,170
Information technology	-	-	-	280,360	-	280,360	261,899
Instrument rental and repair	434,086	-	434,086	-	-	434,086	456,433
Insurance	-	165,743	165,743	108,085	-	273,828	271,426
Meals and entertainment	-	221	221	40,412	-	40,633	23,602
Music purchase, rental, royalties and commissions	381,492	-	381,492	-	-	381,492	385,678
Office supplies and maintenance	-	8,788	8,788	51,167	-	59,955	67,246
Parking	-	-	-	3,449	-	3,449	133,624
Postage	84,577	-	84,577	-	19,222	103,799	105,454
Printing	104,296	-	104,296	-	46,039	150,335	138,856
Professional fees	-	-	-	138,532	247,324	385,856	403,935
Security	-	206,838	206,838	-	-	206,838	214,824
Symphony store	-	93,049	93,049	-	-	93,049	93,425
Taxes and licenses	-	8,455	8,455	-	-	8,455	8,038
Telemarketing	456,806	-	456,806	-	-	456,806	480,920
Telephone	-	-	-	15,757	-	15,757	16,879
Tools, equipment and maintenance	-	68,010	68,010	-	-	68,010	90,049
Travel	26,510	-	26,510	-	16,696	43,206	29,417
Truck rental	8,066	-	8,066	-	-	8,066	7,540
Utilities	-	688,279	688,279	-	-	688,279	665,060
Valet service	-	12,000	12,000	-	-	12,000	14,425
Miscellaneous	244,424	45,290	289,714	112,353	146,589	548,656	518,777
In-kind expenses	374,198	-	374,198	-	-	374,198	377,525
Total expenses	\$ 18,992,953	\$ 3,755,465	\$ 22,748,418	\$ 2,699,657	\$ 1,493,018	\$ 26,941,093	\$ 25,214,179

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
Year ended July 31, 2018

	Program Expenses		Total Program Expenses	General and Administrative Expenses	Fund-raising Expenses	2018 Total
	Orchestra and Concert Operations	Schermerhorn Symphony Center				
Salaries and benefits	\$ 10,286,125	\$ 1,254,623	\$ 11,540,748	\$ 1,521,370	\$ 944,274	\$ 14,006,392
Accelerando	74,221	-	74,221	-	-	74,221
Advertising	730,794	-	730,794	-	-	730,794
Assisting artists' fees and guest conductor	4,999,122	-	4,999,122	-	-	4,999,122
Bad debt expense	-	-	-	-	46,587	46,587
Bank charges	-	-	-	319,569	-	319,569
Concert production	692,930	-	692,930	-	-	692,930
Cost of goods sold	-	211,050	211,050	-	-	211,050
Debt service	-	17,808	17,808	-	-	17,808
Dues and subscriptions	-	-	-	48,629	-	48,629
Ensemble	10,022	-	10,022	-	-	10,022
Gain on sale of property and equipment	-	(1,067,240)	(1,067,240)	-	-	(1,067,240)
General contracts	-	80,077	80,077	-	-	80,077
Hall rental	30,016	-	30,016	-	-	30,016
Housekeeping and janitorial	-	249,170	249,170	-	-	249,170
Information technology	-	-	-	261,899	-	261,899
Instrument rental and repair	456,433	-	456,433	-	-	456,433
Insurance	-	157,046	157,046	114,380	-	271,426
Meals and entertainment	-	287	287	23,315	-	23,602
Music purchase, rental, royalties and commissions	385,678	-	385,678	-	-	385,678
Office supplies and maintenance	-	10,046	10,046	57,200	-	67,246
Parking	-	-	-	133,624	-	133,624
Postage	91,143	-	91,143	-	14,311	105,454
Printing	100,618	-	100,618	-	38,238	138,856
Professional fees	-	-	-	175,960	227,975	403,935
Security	-	214,824	214,824	-	-	214,824
Symphony store	-	93,425	93,425	-	-	93,425
Taxes and licenses	-	8,038	8,038	-	-	8,038
Telemarketing	480,920	-	480,920	-	-	480,920
Telephone	-	-	-	16,879	-	16,879
Tools, equipment and maintenance	-	90,049	90,049	-	-	90,049
Travel	17,656	-	17,656	-	11,761	29,417
Truck rental	7,540	-	7,540	-	-	7,540
Utilities	-	665,060	665,060	-	-	665,060
Valet service	-	14,425	14,425	-	-	14,425
Miscellaneous	243,909	46,134	290,043	81,465	147,269	518,777
In-kind expenses	377,525	-	377,525	-	-	377,525
Total expenses	\$ 18,984,652	\$ 2,044,822	\$ 21,029,474	\$ 2,754,290	\$ 1,430,415	\$ 25,214,179

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
STATEMENTS OF CASH FLOWS
Years ended July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Decrease in net assets	\$ (4,224,184)	\$ (2,771,444)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,494,048	2,380,348
Gain on sale of property and equipment	(8,000)	(1,067,240)
Gain on sale of investments and beneficial interests in trust	(17,934)	(260,640)
Unrealized gain on investments and beneficial interests in trust	(68,562)	(174,677)
Bad debt expense	50,565	46,587
Contributions with perpetual restrictions	(4,687)	(164,153)
Net change in assets and liabilities:		
Accounts and contributions receivable	83,837	1,316,453
Prepaid expenses and other current assets	722,255	(653,633)
Accounts payable and accrued liabilities	70,494	109,121
Deferred revenue	<u>(23,448)</u>	<u>(816,524)</u>
Net cash used in operating activities	(925,616)	(2,055,802)
 Cash flows from investing activities		
Purchases of property and equipment	(1,729,303)	(546,521)
Proceeds from sale of property and equipment	8,000	1,294,997
Proceeds of sale of certificates of deposit	-	2,400,000
Proceeds from sales of investments and beneficial interests in trust	3,407,127	3,736,725
Purchases of investments and beneficial interests in trust	<u>(4,451,717)</u>	<u>(4,980,865)</u>
Net cash provided by (used in) investing activities	(2,765,893)	1,904,336
 Cash flows from financing activities		
Payments on note payable	-	(632,192)
Proceeds from contributions with perpetual donor restrictions	<u>4,687</u>	<u>164,153</u>
Net cash provided by (used in) financing activities	<u>4,687</u>	<u>(468,039)</u>
 Net change in cash and cash equivalents	(3,686,822)	(619,505)
 Cash and cash equivalents at beginning of year	<u>7,458,671</u>	<u>8,078,176</u>
 Cash and cash equivalents at end of year	<u>\$ 3,771,849</u>	<u>\$ 7,458,671</u>
 Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 650,000</u>	<u>\$ 17,808</u>

See accompanying notes to financial statements.

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities: The Nashville Symphony Association (the “Association”) is dedicated to achieving the highest standard for excellence in musical performance and educational programs, while engaging the community, enriching audiences and shaping cultural life. Funding for operations comes primarily from ticket sales, concert and other sponsorships, grants, venue rental, concessions and contributions. Contributions are received from individuals, guilds, foundations, corporations and other donating bodies.

The Nashville Symphony Endowment Trust (“NSET”) is a separate entity that was formed for the purpose of supporting the Association. The NSET, structured as a Board-imposed irrevocable trust, was intended by the Association’s Board of Directors to support the general operation of the Association in perpetuity subject to the terms of the NSET and was funded with proceeds of various capital campaigns in 1989 and 1999. These NSET funds are included as part of the Beneficial Interests in Trust line in the accompanying Statements of Financial Position.

Due to the purpose for which the NSET was formed, the Association and the NSET are considered to be financially interrelated organizations. The Association has recognized its interest in the net assets of the NSET in its financial statements. NSET qualifies under Internal Revenue Service guidelines as a functionally integrated Type I supporting organization.

Basis of Presentation: The accompanying financial statements of the Association have been prepared on the accrual basis and include the assets, liabilities and financial activities of all program services of the Association. In accordance with U.S. generally accepted accounting principles, the financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions. Net assets are classified as without donor restriction or with donor restriction as described below:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. Net assets without donor restrictions include undesignated net assets and net assets that are Board designated for endowment or other purposes.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature while others are perpetual in nature. These restrictions may be purpose-restricted or time-restricted.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Operations: The nature of the Association’s operations involves support from donors and activities directly related to the production of concerts and fund-raising expenses. The Association’s investments and beneficial interests in trust and related activities, as well as activity related to the “A Time for Greatness” (ATFG) and “Sustaining Greatness” (SG) campaigns are not considered to be part of operations and are reported separately.

Contributions: Contributions received and unconditional promises to give are recognized when such gifts or promises are received. Contributions are recorded as net assets with or without restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions to support future symphony seasons received prior to year-end are recognized as income with donor restrictions. If a restriction has been met in the same year that it was imposed, then the revenues are reflected in net assets without donor restrictions.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction accomplished, net assets with donor restrictions are released from restrictions and reclassified to net assets without donor restrictions. During the years ended July 31, 2019 and 2018, the Association released net assets with donor restrictions to net assets without donor restrictions in the amounts of \$2,537,075 and \$1,850,190, after meeting stipulated time or purpose restrictions.

Contributions received in which donors have stipulated that the principal be maintained in perpetuity are also classified as net assets with donor restrictions. The earnings from these net assets are classified as with donor restrictions until appropriated for use in current operating expenses by the board, as these donations were silent to usage of earnings.

Cash and Cash Equivalents: The Association considers all highly liquid investments with an original maturity of three months or less when acquired to be cash equivalents for the Statement of Cash Flows.

Accounts Receivable: Accounts receivable primarily consists of balances owed for catering and venue rental for special events hosted at the Schermerhorn Symphony Center. Interest is not charged on past due accounts receivable.

Contributions Receivable: Contributions to be received within the next 12 months or with restrictions that have been met at year-end are classified as current assets. Contributions designated by the donor to be received more than 12 months after year-end are discounted and classified as noncurrent assets. The Association calculates the net present value of the contribution using the treasury rate and payment streams as of the date of the pledge made by the donor.

The Association does not require collateral or other security to support the receivables or accrue interest on any of its receivables. The allowance for uncollectible pledges is determined by management based on the historical collection of pledges, specific donor circumstances and general economic conditions. Periodically, management reviews contributions receivable and records an allowance for specific donors based on current circumstances. Receivables are charged off against the allowance when all attempts to collect the receivable have failed.

Investments and Beneficial Interests in Trust: The Association's investments and beneficial interests in trust are held at one financial institution, which manages the funds they hold within guidelines established by the Trust Advisory Board and implemented by the investment firm. The Association also has a separate Trustee who provides compliance and oversight to the investment firm. These NSET funds are reported in non-current assets as beneficial interests in trust and qualify as an board-designated endowment without donor restrictions. The Association receives regular distributions from NSET according to the terms of the trust documents and amendments.

Investments are valued at fair value as determined by the investment advisors, and are based on quoted prices in an active market. Unrealized gains and losses in fair value are recognized as changes in net assets in the period such gains and losses occur. Investments budgeted for use in operations during the next fiscal year are classified as current assets. At July 31, 2019 and 2018, there were no investments classified as current for this purpose.

Investment income is recorded on the accrual basis and considered without donor restrictions unless specifically restricted by the donor. Realized gains and losses on investment transactions are recorded as the difference between proceeds received and cost, net of any commissions or related management expenses.

Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investment securities and the sensitivity of certain fair value estimates to changes in valuation assumptions, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of long-term investments and net assets of the Association.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Property and equipment are stated at cost. Donated property is recorded at fair value. Depreciation is computed on a straight-line basis over the estimated useful lives of assets, ranging from three to fifty years. Certain assets such as land and some instruments and art are considered non-depreciable.

The Association owns a viola and cello, with a cost of \$1,975,000, that are used in performances on a permanent basis. The Association has the ability and intent to retain the instruments. The instruments are classified as assets with donor restrictions, recorded at cost and are not depreciated.

Impairment of Long-Lived Assets: On an ongoing basis, the Association reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amounts may be overstated. The Association recognizes impairment losses if the undiscounted cash flows expected to be generated by the asset are less than the carrying value of the related asset. The impairment loss adjusts the assets to fair value. As of July 31, 2019 and 2018, management believes that no impairment existed.

Advertising: At July 31, 2019 and 2018, prepaid expenses included \$462,502 and \$420,550 of capitalized direct response advertising costs. The costs are related to the annual season ticket drive, which incorporates brochure and telemarketing solicitation of potential season ticket holders. The capitalized direct response advertising costs are amortized over the following year's symphony season. Outside of the annual season ticket drive, all other advertising costs are expensed as incurred. Total promotional, marketing, telemarketing and advertising expense was \$2,597,225 and \$2,622,676 in 2019 and 2018, respectively.

Concentrations of Credit Risk: Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash on deposit, receivables, investments and beneficial interests in trust. The Association's cash deposits are primarily in financial institutions in Tennessee and may at times exceed federally insured amounts. Concentrations of credit risk with respect to receivables are limited to individuals, corporations, ticket subscribers, patrons and associations and are not collateralized. Investments and beneficial interests in trust consist primarily of publicly-traded securities and mutual funds in an open market. Management does not believe the Association has any significant credit risk related to its financial instruments.

Fair Value Measurements: Fair value is the price that would be received by the Association for an asset or paid by the Association to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the Association's principal or most advantageous market for the asset or liability. Fair value measurements are determined by maximizing the use of observable inputs and minimizing the use of unobservable inputs. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and gives the lowest priority to unobservable inputs (level 3 measurements). The three levels of inputs within the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Association has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Association's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: Concert sponsorships, contributions and grants are recognized as support upon receipt of the pledge from donor or grant approval for the donating entity. Season ticket sales and other support attributable to the current concert season are recorded as deferred revenue and recognized over the course of the season. Season ticket sales for the next concert season are recorded as deferred revenue in the current year.

Federal Income Taxes: The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements.

In accordance with applicable guidance, the Association will recognize a tax benefit only if it is more-likely-than-not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. As of July 31, 2019 and 2018, management is not aware of any uncertain tax positions. The Association does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Association did not recognize or accrue any interest or penalties related to uncertain tax positions as of July 31, 2019 and 2018, and for the years then ended.

Donated Services: Donated services from volunteers for fund-raising are not recorded in the accounts of the Association as a clear, measurable basis, for the monetary value of such services does not exist, and the Association does not exercise control over these activities.

In-Kind Contributions and Expenses: The Association receives donated services such as advertising, professional services and guest artist services that are recognized as in-kind contributions. The Association also incurs expenses related to the use of such services, which are reflected in operating expenses. In-kind contributions and expenses were \$374,198 and \$377,525 during the years ending July 31, 2019 and 2018, respectively.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Staff, committees, benefits and taxes expense line items are allocated based on time spent related to general and administrative and programmatic purposes. Consultants and vendors expenses are normally directly charged to the functional category to which they relate.

Recently Adopted Accounting Standards: On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. There is no effect on net assets and changes in net assets as a result of these reclassifications.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to July 31, 2019 to determine the need for any adjustments to and/or disclosures within the financial statements for the year ended July 31, 2019. Management has performed their analysis through November 15, 2019, the date the financial statements were issued.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,771,849	\$ 7,458,671
Accounts receivable	577,961	800,995
Contributions receivable, net	3,301,403	3,212,771
Investments	3,830,148	2,360,156
Beneficial interests in trust	<u>9,903,015</u>	<u>10,241,921</u>
Total financial assets	21,384,376	24,074,514
Less amounts unavailable for general expenditures within one year, due to:		
Board designations	(10,940,453)	(10,241,921)
Donor restrictions based upon purpose or time	<u>(4,696,140)</u>	<u>(6,216,695)</u>
Financial assets unavailable to be used within one year	<u>(14,599,155)</u>	<u>(16,458,616)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,747,783</u>	<u>\$ 7,615,898</u>

The majority of the Association's board designated endowment of \$10,940,453 is subject to an annual spending policy as discussed in detail in Note 10. The Association's management monitors cash daily, weekly, monthly and annually by forecasting the inflows and outflows of cash in order to satisfy the general operating expenditures of the Association. Additionally, the Board has adopted a strategy that focuses on growth of the investment portfolio with the goal of providing the maximum amount of funding to support the mission of the Association. This strategy includes a multifaceted investment allocation mix, which the overarching goal of maximizing earnings, and is not focused on maximizing liquidity. Accordingly, management believes that the financial assets available and listed above are sufficient to meet the general expenditures anticipated under the operating budget approved by the Board for next year's operations.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 3,500,000	\$ 3,500,000
Building	131,543,589	130,267,721
Musical instruments – depreciable	2,170,015	2,152,327
Musical instruments – non-depreciable	1,975,000	1,975,000
Furniture and equipment	6,126,278	5,690,531
Art, décor and sculptures – non-depreciable	1,194,855	1,194,855
Construction in process – parking structure	<u>1,096,411</u>	<u>1,096,411</u>
	147,606,148	145,876,845
Less accumulated depreciation	<u>(72,817,547)</u>	<u>(70,323,499)</u>
	<u>\$ 74,788,601</u>	<u>\$ 75,553,346</u>

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 3 - PROPERTY AND EQUIPMENT (Continued)

During 2018, the Association exchanged land of \$1,324,168 for cash of \$1,250,000 and an interest in a parking structure that is under construction totaling \$1,096,411, resulting in a gain on the transaction of \$1,022,243, which is included in management and building operations without donor restrictions on the Statements of Activities and Changes in Net Assets.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at July 31, 2019 and 2018 consist of promises to give based on commitments made by corporate and individual donors, including board members. Receivables without donor restrictions include donations to the general fund and to the annual campaign. Receivables with donor restrictions include contributions to fund specific programs that will occur in the future. Collection of contributions receivable is anticipated over the following maturity schedules:

Year Ending July 31,	“A Time for Greatness” and “Sustaining Greatness”		2019 Total	2018 Total
	Greatness”	Other		
2019	\$ -	\$ -	\$ -	\$ 1,442,652
2020	313,000	1,409,931	1,722,931	458,500
2021	121,000	490,500	611,500	415,134
2022	106,000	250,000	356,000	362,000
2023	105,000	100,000	205,000	241,000
2024	105,000	100,000	205,000	205,000
Thereafter	<u>1,005,000</u>	<u>-</u>	<u>1,005,000</u>	<u>1,005,000</u>
Total	1,755,000	2,350,431	4,105,431	4,129,286
Less discount	<u>(428,149)</u>	<u>(63,647)</u>	<u>(491,796)</u>	<u>(564,283)</u>
Net present value of receivables	1,326,851	2,286,784	3,613,635	3,565,003
Less allowance for doubtful accounts	<u>(275,000)</u>	<u>(37,232)</u>	<u>(312,232)</u>	<u>(352,232)</u>
Contributions receivable, net	1,051,851	2,249,552	3,301,403	3,212,771
Current maturities, net	<u>268,000</u>	<u>1,372,700</u>	<u>1,640,700</u>	<u>1,360,420</u>
Noncurrent maturities, net	<u>\$ 783,851</u>	<u>\$ 876,852</u>	<u>\$ 1,660,703</u>	<u>\$ 1,852,351</u>

The Association’s fund-raising campaign “A Time for Greatness” concluded in 2008. In 2010, the Association launched a new campaign, “Sustaining Greatness”, to raise funds to support operations. Contributions receivable from the “ATFG” and “SG” campaigns include \$879,851 and \$1,519,665, of assets with donor restrictions as of July 31, 2019 and 2018.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 5 – INVESTMENTS AND BENEFICIAL INTERESTS IN TRUST

Fair values of financial instruments are estimated using relevant market information and other assumptions. The Association's carrying amount for its cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and note payable approximate fair value.

The following are descriptions of the valuation methods and assumptions used by the Association to estimate the fair values of investments and beneficial interests in trust.

Mutual funds: The fair values of mutual fund investments and common stock-based exchange-traded funds (ETF) are determined by obtaining quoted prices from a nationally recognized exchange (level 1 inputs). Bond-related ETF's are valued at the closing price reported in the active market in which the ETF is traded (level 1 inputs)

Beneficial Interests in Trust: The fair values of the Association's investments in beneficial interests in trust have been determined based on the net asset values of the underlying investments as a practical expedient and have not been classified in a specific level within the fair value hierarchy.

Investments and beneficial interests in trust measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements Using:			<u>Total</u>
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>At July 31, 2019:</u>				
Investments:				
Mutual funds:				
Money market funds	\$ 71,942	\$ -	\$ -	\$ 71,942
Domestic equity funds	2,681,468	-	-	2,681,468
Fixed income bond funds	<u>1,076,738</u>	<u>-</u>	<u>-</u>	<u>1,076,738</u>
Total investments	3,830,148	-	-	3,830,148
Beneficial interests in trust	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,903,015</u>
Total investments and beneficial interests in trust at July 31, 2019	<u>\$ 3,830,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,733,163</u>
<u>At July 31, 2018:</u>				
Investments:				
Mutual funds:				
Money market funds	\$ 25,051	\$ -	\$ -	\$ 25,051
Domestic equity funds	1,619,939	-	-	1,619,939
Fixed income bond funds	<u>715,166</u>	<u>-</u>	<u>-</u>	<u>715,166</u>
Total investments	2,360,156	-	-	2,360,156
Beneficial interests in trust	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,241,921</u>
Total investments and beneficial interests in trust at July 31, 2018	<u>\$ 2,360,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,602,077</u>

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 5 – INVESTMENTS AND BENEFICIAL INTERESTS IN TRUST (Continued)

Investment income, net of related fees and expenses, consists of the following for the years ended July 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Dividends	\$ 344,119	\$ 359,640
Realized gains, net	17,934	260,640
Unrealized gains, net	68,562	174,677
Other	-	73
Trustee, management and professional fees	<u>(125,123)</u>	<u>(125,636)</u>
	<u>\$ 305,492</u>	<u>\$ 669,394</u>

NOTE 6 - NOTE PAYABLE

On June 21, 2013, the Association refinanced its debt and issued a twenty million dollars mortgage note payable. The note is due in July 2025 and bears interest at a fixed rate of 3.25%. In accordance with accounting for troubled debt restructurings, the twenty million dollars mortgage note payable was initially recorded at \$23,250,000, which included an estimate of all future cash payments on this note, including interest. The note payable is held by a private entity affiliated with a board member of the Association. The note is secured by the building. As of July 31, 2019, the total note payable of \$20,000,000 is classified as long-term and due July 2025.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Association is party to various legal proceedings incidental to its operations. In management's opinion, all such matters are covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, which would not have a significant effect on the financial position or results of operations of the Association if disposed of unfavorably.

The Association is subject to a collective bargaining agreement whereby certain requirements and restrictions are placed upon the Association in return for qualified union musicians. The agreement establishes various requirements including compensation, pension funding and other terms of employment, and places certain other restrictions upon the Association. The Association's current collective bargaining agreement is effective August 1, 2018 through July 31, 2022.

The Association has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, management believes any required reimbursements would not be material to the financial statements of the Association.

The Association has entered into a license agreement whereby the Association may use certain intellectual properties in conjunction with its performances. Under the agreement, the Association is obligated to pay annual minimum guarantee fees for each of the fiscal years ending July 31, 2018 through 2021. Future annual minimum guarantee fees remaining under the agreement are \$250,000 at July 31, 2019.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 8 - BENEFIT PLANS

The Association has a defined contribution pension plan, which covers all full-time non-orchestra employees of the Association with one year of credited service. This plan is designed to conform to Internal Revenue Code Section 403(b) and to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA). The Association's contributions to the plan are based upon a percentage of the participant's salary and are entirely discretionary. There were no contributions to the plan during the years ended July 31, 2019 and 2018.

The Association also has a voluntary tax-sheltered annuity plan, which covers all full-time employees of the Association. This plan is not subject to ERISA requirements as there is limited involvement by the Association. It is a contributory plan whereby contributions are made entirely by plan participants.

In addition, the Association participates in a multi-employer defined benefit plan administered by a national trust, known as the American Federation of Musicians and Employers' Pension Fund, which covers all union musician employees of the Association. This plan is also designed to conform to the requirements of ERISA. Contributions to the plan are based upon a percentage of the participant's salary, as determined by the terms of the Collective Bargaining Agreement between the Association and American Federation of Musicians Local 257. Participants do not contribute to the plan. The Association contributed \$514,525 and \$483,466 to the plan in 2019 and 2018.

The risks of participating in a multi-employer pension plan ("MEPP") differ from single-employer plans. The potential risks include, but are not limited to, the use of the Association's contributions to provide benefits to employees of other participating employers, the Association becoming obligated for other participating employers' unfunded obligations, and, upon the Association's withdrawal from a plan, the Association being required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The plan in which the Association participated in the years ended July 31, 2019 and 2018 is summarized in the table below. The zone status included in the table is based on information that the Association received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded.

<u>Pension Fund</u>	<u>EIN/ Pension Plan Number</u>	<u>PPA Zone Status</u> ⁽²⁾	<u>FIP/RP Status</u>	<u>2019</u>	<u>2018</u>	<u>Contributions Greater Than 5% of Total Plan Contributions</u> ⁽¹⁾	<u>Expiration Date of CBA</u>
American Federation of Musicians and Employers' Pension Plan	51-6120204	Red	Yes	\$ 514,525	\$ 483,466	No	July 2022

(1) This information was obtained from the respective plan's Form 5500 for the most current available and prior year filing. These dates may not correspond with the Association's calendar year contributions. The above noted percentage of total plan contributions column is based upon disclosures contained in the plan's Form 5500 filing ("Forms"). Those Forms, among other things, disclose the names of individual participating employers whose annual contributions account for more than 5% of the aggregate annual amount contributed by all participating employers for plan years 2019 and 2018.

(2) This zone status represents the most recent available information for the respective MEPP, which is for the plan year ended March 31, 2018.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 9 - NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods at July 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Annual campaign and fund-raising events	\$ 1,338,519	\$ 1,039,904
Debt service and building maintenance	663,316	2,182,110
Operating activities of the Association	<u>879,851</u>	<u>1,519,665</u>
	2,881,686	4,741,679
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	930,383	595,697
Subject to spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amounts of \$715,166), which, once appropriated, is expendable to support any activities of the Association	884,071	879,319
Not subject to appropriation or expenditures:		
Musical instruments required to be used by the Association	<u>1,975,000</u>	<u>1,975,000</u>
Total net assets with donor restrictions	<u>\$ 6,671,140</u>	<u>\$ 8,191,695</u>

Additionally, the Association's board has designated, from net assets without donor restrictions, the Association's beneficial interests in trust and a portion of the investments as a board designated quasi endowment. The board designated endowment totaled \$10,940,453 and \$10,241,921 at July 31, 2019 and 2018, respectively.

NOTE 10 – ENDOWMENT ASSETS

The Association's endowment assets consist of donor restricted funds required to be held in perpetuity and certain net assets without donor restrictions that have been designated for endowment by the Board of Directors. Endowment net asset composition by type of fund is as follows as of July 31, 2019 and 2018:

<u>2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment	\$ 10,940,453	\$ -	\$ 10,940,453
Donor restricted funds:			
Original donor restricted gift amounts required to be maintained in perpetuity by donors	-	715,166	715,166
Additional gift amounts required to be maintained until appropriated and expendable	<u>-</u>	<u>168,905</u>	<u>168,905</u>
	<u>\$ 10,940,453</u>	<u>\$ 884,071</u>	<u>\$ 11,824,524</u>

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 10 – ENDOWMENT ASSETS (Continued)

<u>2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment	\$ 10,241,921	\$ -	\$ 10,241,921
Donor restricted funds:			
Original donor restricted gift amounts required to be maintained in perpetuity by donor	-	715,166	715,166
Additional gift amounts required to be maintained until appropriated and expendable	<u>-</u>	<u>164,153</u>	<u>164,153</u>
	<u>\$ 10,241,921</u>	<u>\$ 879,319</u>	<u>\$ 11,121,240</u>

Changes in endowment net assets for years ended July 31, 2019 and 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2019</u>			
Beginning net assets	\$ 10,241,921	\$ 879,319	\$ 11,121,240
Investment return	192,128	-	192,128
Transfers, net	(531,034)	-	(531,034)
Contributions	<u>1,037,438</u>	<u>4,752</u>	<u>1,042,190</u>
Ending net assets	<u>\$ 10,940,453</u>	<u>\$ 884,071</u>	<u>\$ 11,824,524</u>
<u>2018</u>			
Beginning net assets	\$ 10,081,049	\$ 715,166	\$ 10,796,215
Investment return	608,780	-	608,780
Transfers, net	(447,908)	-	(447,908)
Contributions	<u>-</u>	<u>164,153</u>	<u>164,153</u>
Ending net assets	<u>\$ 10,241,921</u>	<u>\$ 879,319</u>	<u>\$ 11,121,240</u>

Interpretation of UPMIFA: The Board of Directors have interpreted the Tennessee Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of perpetually restricted gifts donated to the Association, (b) the original value of subsequently perpetually restricted gifts donated to the Association, and (c) accumulations to the Association made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Association's assets.

(Continued)

NASHVILLE SYMPHONY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2019 and 2018

NOTE 10 – ENDOWMENT ASSETS (Continued)

From time to time, the fair value of assets associated with individual donor restricted funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related amounts with temporary donor restrictions are reported as an offset to net assets without donor restrictions. There were no deficiencies in these funds as of July 31, 2019 and 2018.

Return Objectives and Risk Parameters: The Association's investment objectives are 1) to preserve principal assets, 2) to grow the real purchasing power of the assets above inflation, and 3) to control and mitigate the risks that act against the long-term growth of the assets, such as poor performance by investment managers and excessive fees. A key component in pursuit of these objectives is the adequate diversification of investment funds among and within asset classes. The Association's investments may from time to time be subject to constraints that will dictate changes in the asset mix, liquidity characteristics, and, potentially, time horizon.

Spending Policy: The Association's beneficial interests in trust are subject to various distribution restrictions based upon the terms of the Trust Agreement of the Nashville Symphony Association. The NSET shall make quarterly distributions to or for the benefit of the Association. The distributions shall be based upon the "rolling 3-year average" of the market value of the investments held in the NSET, being the sum of the market value of the Trust determined on and as of the last day of each of the immediately preceding 12 calendar quarters, divided by 12. For purposes of this, the "market value" of the Trust, to be determined on and as of the last day of each applicable quarter, shall consist of the market value of the principal of the trust estate (to include stocks, bonds and mutual funds and unrealized gains and losses thereon), cash and cash equivalents. The distributions shall be an amount equal to one and 25/100 percent (1.25%) per quarter of the "average market value" of the trust estate (to include both principal and income as of the applicable date) of the Trust.

The Trust Advisory Board may direct the Trustee to withhold some or all of any distribution, and may request distributions to be made less frequently than quarterly. The Trustee shall not make any distribution in the event the market value (as defined) has decreased in value for two successive quarters unless the Executive Committee of the Association and the Trust Advisory Board so directs the Trustee to make a distribution. In the event the market value declines for three successive quarters, the Trustee shall withhold all distributions until directed by the Trust Advisory Board and the Executive Committee of the Association, and the Executive Committee shall meet to review the distribution policy set forth herein prior to directing the Trustee to do so. Distributions may not exceed one and 25/100 percent (1.25%) of the "rolling 3-year average" in any calendar quarter. Distributions, at the request of the Trust Advisory Board, may be deferred until such time as is convenient with the financial needs of the Association.

The Trustee shall make all calculations necessary to determine the market valuations and amount of distributions. The decision of the Trustee shall be final. During the fiscal year 2019, the trustee calculated the trust distributions to the Association at \$526,898. Subsequent to July 31, 2019, there has been a 1.25% trust distribution to the Association in the amount of \$132,805.

Other than as allowed by the Trust Agreement, the Trustee may not encroach upon the principal of the Trust or any other funds contributed to this Trust pursuant to the provisions of or otherwise and to be administered hereunder except and only to the extent that the terms and conditions of such contributions specifically allow encroachment, which terms and conditions shall be communicated in writing to the Trustee by the Trust Advisory Board which shall also direct or authorize any encroachment in accordance with such terms and conditions.

The rights and obligations of the Association are described more fully in the Trust Agreement which also includes a "spendthrift" clause that is intended to restrain both voluntary and involuntary transfers of the Association's interest in the Trust to the fullest extent allowed by the laws of the State of Tennessee.