The Richmond Symphony
and
The Richmond Symphony Foundation

Consolidated Financial Statements

June 30, 2018 and 2017

Keiter
Your Opportunity Advisors

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THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

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Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors, The Richmond Symphony
Board of Trustees, The Richmond Symphony Foundation
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Richmond Symphony and The Richmond Symphony Foundation (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Richmond Symphony and The Richmond Symphony Foundation as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Keiter

October 18, 2018
Glen Allen, Virginia

THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

Consolidated Statements of Financial Position
June 30, 2018 and 2017

Assets	2018	2017
Cash and cash equivalents	$ 1,578,669	$ 1,584,776
Investments	14,123,747	12,660,928
Pledges receivable, net	3,003,388	2,882,945
Accounts receivable	68,657	20,961
Prepaid expenses and other assets	159,601	61,566
Property and equipment, net	424,481	440,508
Total assets	$ 19,358,543	$ 17,651,684
Liabilities and Net Assets		
Liabilities:		
Line of credit	$ 1,298,000	$ 845,000
Accounts payable	182,665	102,156
Accrued expenses	214,913	175,085
Capital lease obligation	19,672	8,283
Annuity obligation	66,011	73,386
Deferred revenue	503,368	479,730
Total liabilities	2,284,629	1,683,640
Net assets (deficit):		
Unrestricted	(3,008,736)	(3,323,486)
Temporarily restricted	1,966,850	2,254,165
Permanently restricted	18,115,800	17,037,365
Total net assets	17,073,914	15,968,044
Total liabilities and net assets	$ 19,358,543	$ 17,651,684

See accompanying notes to consolidated financial statements.

THE RICHMOND SYMPHONY
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Consolidated Statements of Activities
Year Ended June 30, 2018 with Comparative Totals for 2017

	2018				2017
	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Total	Comparative Total
Revenue:					
Performance revenue	$ 1,605,374	$ -	$ -	$ 1,605,374	$ 1,616,967
Grants and contributions:					
Annual fund contributions	1,598,663	82,197	-	1,680,860	2,242,361
Other contributions	-	222,788	1,078,435	1,301,223	2,427,026
Grants for service and underwriting	284,293	218,157	-	502,450	338,239
Symphony's Big Tent	293,295	485,000	-	778,295	531,805
Interest and dividend income	136,023	-	-	136,023	107,595
Net unrealized gain on investments	1,078,710	-	-	1,078,710	1,232,781
Change in value of annuity obligation	622	-	-	622	(7,013)
Other	638,160	-	-	638,160	533,641
Total revenue	5,635,140	1,008,142	1,078,435	7,721,717	9,023,402
Net assets released from restrictions	1,295,457	(1,295,457)	-	-	-
Expenses:					
Program:					
Artistic personnel	3,092,230	-	-	3,092,230	2,927,126
Other direct concert costs	2,547,262	-	-	2,547,262	2,188,017
Supporting:					
General and administrative	468,234	-	-	468,234	468,380
Fundraising	508,121	-	-	508,121	579,611
Total expenses	6,615,847	-	-	6,615,847	6,163,134
Change in net assets	314,750	(287,315)	1,078,435	1,105,870	2,860,268
Net assets (deficit), beginning of year	(3,323,486)	2,254,165	17,037,365	15,968,044	13,107,776
Net assets (deficit), end of year	$ (3,008,736)	$ 1,966,850	$ 18,115,800	$ 17,073,914	$ 15,968,044

See accompanying notes to consolidated financial statements.

THE RICHMOND SYMPHONY
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Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Performance revenue	$ 1,616,967	$ -	$ -	$ 1,616,967
Grants and contributions:				
Annual fund contributions	1,649,435	592,926	-	2,242,361
Other contributions	150,076	525,346	1,751,604	2,427,026
Grants for service and underwriting	42,157	296,082	-	338,239
Symphony's Big Tent	256,805	275,000	-	531,805
Interest and dividend income	107,595	-	-	107,595
Net unrealized gain on investments	1,232,781	-	-	1,232,781
Change in value of annuity obligation	(7,013)	-	-	(7,013)
Other	533,641	-	-	533,641
Total revenue	5,582,444	1,689,354	1,751,604	9,023,402
Net assets released from restrictions	843,092	(843,092)	-	-
Expenses:				
Program:				
Artistic personnel	2,927,126	-	-	2,927,126
Other direct concert costs	2,188,017	-	-	2,188,017
Supporting:				
General and administrative	468,380	-	-	468,380
Fundraising	579,611	-	-	579,611
Total expenses	6,163,134	-	-	6,163,134
Change in net assets	262,402	846,262	1,751,604	2,860,268
Net assets (deficit), beginning of year	(3,585,888)	1,407,903	15,285,761	13,107,776
Net assets (deficit), end of year	$ (3,323,486)	$ 2,254,165	$ 17,037,365	$ 15,968,044

See accompanying notes to consolidated financial statements.

THE RICHMOND SYMPHONY
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Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 1,105,870	$ 2,860,268
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	89,621	86,164
Net unrealized gain on investments	(1,078,710)	(1,232,781)
Dividends and interest reinvested	(134,109)	(107,392)
Change in value of annuity obligation	(622)	7,013
Contributions restricted for long-term investment	(1,078,435)	(1,751,604)
Change in operating assets and liabilities:		
Pledges receivable, net	(120,443)	(779,206)
Accounts receivable	(47,696)	(437)
Prepaid expenses and other assets	(98,035)	24,304
Accounts payable	80,509	(3,510)
Accrued expenses	39,828	(5,965)
Deferred revenue	23,638	(49,690)
Net cash used in operating activities	(1,218,584)	(952,836)
Cash flows from investing activities:		
Purchases of property and equipment	(55,533)	(37,588)
Purchase of investments	(250,000)	-
Net cash used in investing activities	(305,533)	(37,588)
Cash flows from financing activities:		
Net proceeds from (payments on) line of credit	453,000	(105,000)
Payments on capital lease obligation	(6,672)	(7,829)
Payments on annuity obligation, net	(6,753)	(2,923)
Contributions restricted for long-term investment	1,078,435	1,751,604
Net cash provided by financing activities	1,518,010	1,635,852
Net change in cash and cash equivalents	(6,107)	645,428
Cash and cash equivalents, beginning of year	1,584,776	939,348
Cash and cash equivalents, end of year	$ 1,578,669	$ 1,584,776
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 33,071	$ 18,513
Purchase of property and equipment through capital lease	$ 18,061	$ -

See accompanying notes to consolidated financial statements.

THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Description of Organization: The Richmond Symphony (the “Symphony”) was founded in 1957 and is a non-profit organization engaged principally in the production and promotion of musical performances, the organization and sponsorship of musical organizations, and the encouragement and development of the arts. The Symphony is governed by its own independent Board of Directors.

The Richmond Symphony Foundation (the “Foundation”) was incorporated as an independent not-for-profit, non-stock corporation in 1989 for the purpose of soliciting, receiving, and administering gifts, grants, and contributions for the benefit of the Symphony through the establishment and maintenance of an endowment fund. The articles and bylaws of the Foundation structurally preserve an “arms-length” relationship between the Foundation and the Symphony designed to ensure that the restricted funds of the endowment may be protected in perpetuity. The Board of Trustees of the Foundation consists of 15 members; 12 are directors elected by the Board of Trustees of the Foundation and no more than 3 are ex-officio representatives of the Symphony. By this arrangement, the Symphony is prevented from exercising either control or undue influence over decisions made by the Foundation Board. Donations are made by the Foundation to the Symphony each year at the discretion of the trustees of the Foundation.

Principles of Consolidation and Basis of Presentation: According to the articles of incorporation and by-laws of the Foundation, the Foundation’s purpose is to perform activities described above exclusively for the benefit of the Symphony. For financial reporting purposes, in accordance with Generally Accepted Accounting Principles (“GAAP”), the Foundation’s financial statements and the Symphony’s financial statements have been consolidated (collectively, the “Organization”). All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> **Unrestricted Net Assets - Undesignated:** Net assets including funds that are not subject to donor-imposed stipulations on the Organization as to their use or purpose.
>
> **Unrestricted Net Assets - Board Designated:** Net assets including funds that are not subject to donor-imposed stipulations on the Organization as to their use or purpose, but are designated by the Board of Directors to be used for a particular purpose. There were no board designated unrestricted net assets at June 30, 2018 and 2017.

1. Summary of Significant Accounting Policies, Continued:

Principles of Consolidation and Basis of Presentation, Continued:

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. See Note 6 for further information on the nature of temporarily restricted net assets as of June 30, 2018 and 2017.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be permanently maintained. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Substantially all of the Foundation's net assets are permanently restricted.

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

Cash and Cash Equivalents: The Organization considers all highly liquid securities that were purchased with original maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts: The Organization uses the reserve method of accounting for bad debts for financial reporting purposes. A reserve is not considered necessary at June 30, 2018 or 2017.

Investments: All investments are held by the Foundation, which invests in The Richmond Fund, LP (the "Fund") and marketable securities carried at fair value as determined by the investment managers. Unrealized gains and losses of marketable securities are included in the Consolidated Statements of Activities. Investments in the Fund are recorded based on the net asset value per share as a practical expedient of fair value as described in Note 3. The Foundation reports its proportionate share of realized and unrealized changes in the fair value of the Fund in the accompanying Consolidated Statements of Activities, net of allocated fund expenses of $143,796 in 2018 and $128,080 in 2017.

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment is stated on the basis of cost. Property and equipment received as a contribution is recorded at fair value at the date of the contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture, fixtures, and office equipment	3-7 years
Musical instruments	5-25 years
Leasehold improvements	5 years
Big Tent and related equipment	3-10 years
Musical collections	7 years
Vehicles	5 years

Long-Lived Assets: For contributions of long-lived assets (or contributions of cash or other assets restricted for acquisition of long-lived assets), unless donor or grantor restrictions specify how long-lived assets must be maintained, the donor's or grantor's restrictions are considered expired upon placing the assets in service for their intended use.

Split-Interest Agreements: The Foundation established a gift annuity plan whereby donors may contribute assets to the Foundation in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable donation for income tax purposes.

The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift. Classification as unrestricted, temporarily restricted, or permanently restricted is determined based on any donor-imposed restrictions. The liability on the Consolidated Statements of Financial Position entitled "annuity obligation" includes the present value of the life interest payable to the recipients.

The annuity liability is revalued annually based upon computed present values until the time of termination. Resulting gain or loss due to annual revaluing or termination is recorded as revenue or expense, respectively, and is classified based on any donor-imposed restriction on the original gift in the accompanying Consolidated Statements of Activities.

Contributions: Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any grantor or donor restrictions. Support that is restricted by the grantor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other grantor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

1. Summary of Significant Accounting Policies, Continued:

Contributions, Continued: When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Consolidated Statements of Activities as net assets released from restrictions.

Donated Services: The Symphony receives donated services from multiple companies and individuals. The Symphony received donated services of approximately $8,653 in 2018 and $3,650 in 2017, which have been recognized as revenue and expenses in the Consolidated Statements of Activities.

Deferred Revenue: Deferred revenue primarily consists of advance payments related to subscriptions and ticket sales attributable to the next performance season.

Income Taxes: The Internal Revenue Service (the "IRS") has determined that the Symphony and the Foundation are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "IRC" or "the Code"). Contributions to the Symphony and the Foundation are tax deductible as defined by Section 170 of the Code. In addition, the IRS has determined that neither the Symphony, nor the Foundation are "private foundations" within the meaning of Section 509(a) of the Code.

Income Tax Uncertainties: The Organization follows Financial Accounting Standards Board ("FASB") guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Collective Bargaining Agreement: Substantially all of the performing artists employed by the Symphony are members of the American Federation of Musicians. The current labor contract expired on August 23, 2018 and a new agreement is not yet in place. The Organization and the musicians have agreed that the rules of the expired contract remain in place until a new agreement is established. There have been no disruptions to program services in absence of a negotiated agreement.

1. Summary of Significant Accounting Policies, Continued:

Subsequent Events: Management has evaluated subsequent events through October 18, 2018, the date the consolidated financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying consolidated financial statements.

2. Pledges Receivable:

Anticipated collections of pledges receivable at June 30:

	2018	2017
Within one year	$ 1,722,128	$ 153,802
In one to five years	1,344,625	2,800,167
Gross pledges receivable	3,066,753	2,953,969
Less discount to present value, discount rate of 2.34% for 2018 and 1.18% for 2017	(63,365)	(71,024)
	$ 3,003,388	$ 2,882,945

The anticipated collections of pledges receivable within one year above include $167,500 in contributions that were for fiscal year 2018, including an unrestricted estate gift of $150,000. The outstanding amounts are expected to be received before the end of calendar year 2018.

3. Investments and Fair Value Measurements:

The Foundation's long-term investments are primarily held in The Richmond Fund, LP. The Richmond Fund, LP (the "Fund") is an investment limited partnership that provides a vehicle for 501(c) organizations to achieve investment returns that mirror those of the University of Richmond's endowment through a blended rate of return agreement. The Fund is a global macro hedge and currency asset fund that utilizes a broad spectrum of common and preferred stocks, worldwide futures contracts, and global currencies, and forward contracts on currencies, commodities, energy products, interest-rates, and stock indices for its investment portfolio. Profits and losses of the Fund are allocated to each partner's capital account according to their respective interests in the Fund. Spider Management Company, a wholly-owned subsidiary of the University of Richmond, manages the Fund.

3. Investments and Fair Value Measurements, Continued:

Based on the terms in the partnership agreement, for fair value measurement, the Foundation views its investment in the Fund as a single asset category. As a practical expedient, the Foundation has estimated the fair value of its investments in the Fund on the basis of the net asset value ("NAV") per share of the investment (or its equivalent) because a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the Foundation's fiscal year date. Investments valued using NAV per share as a practical expedient are excluded from the fair value hierarchy in accordance with FASB guidance. Investment transactions (purchases and sales) may occur daily. Redemptions from the Fund may occur on a quarterly basis with a 60 day notice period. There were no contributions or withdrawals during 2018 or 2017. There were no unfunded commitments as of June 30, 2018 and 2017.

During 2018, the Foundation also invested in marketable securities, including mutual funds, held by Vanguard. An initial contribution of $250,000 was made during 2018. There were no withdrawals during 2018. Mutual funds are actively traded and valued at the closing price as reported by the fund.

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The levels of the hierarchy are defined as follows:

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

Level 2 — Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets. The Foundation did not have any assets or liabilities valued using Level 2 inputs at June 30, 2018 and 2017.

Level 3 — Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement. The Foundation did not have any assets valued using Level 3 inputs at June 30, 2018 and 2017.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

3. Investments and Fair Value Measurements, Continued:

The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

	Investments at Fair Value June 30, 2018		Investments at Fair Value June 30, 2017	
	Level 1	Total	Level 1	Total
Investments:				
Money market fund	$ 173	$ 173	$ -	$ -
Mutual funds	251,229	251,229	-	-
Total assets in the fair value hierarchy	$ 251,402	251,402	$ -	-
Investments at net asset value		13,872,345		12,660,928
Total investments at fair value		$ 14,123,747		$ 12,660,928

4. Property and Equipment:

A summary of property and equipment and accumulated depreciation at June 30, 2018 and 2017 follows:

	2018		2017	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Furniture and fixtures	$ 46,690	$ 45,644	$ 46,690	$ 45,067
Musical instruments	260,835	215,121	265,650	212,731
Leasehold improvements	23,442	22,372	23,442	17,683
Office equipment	145,469	92,800	138,073	114,235
Big Tent and related equipment	328,821	97,396	305,038	60,336
Musical collections	27,606	24,942	27,606	20,999
Vehicles	135,766	45,873	188,042	82,982
	$ 968,629	$ 544,148	$ 994,541	$ 554,033

Depreciation expense amounted to $89,621 for 2018 and $86,164 for 2017.

5. Commitments and Concentrations of Credit Risk:

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable. The Organization maintains its cash and cash equivalents in several financial institutions located in Virginia. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, balances with FDIC-insured banks may exceed federally insured limits.

5. Commitments and Concentrations of Credit Risk, Continued:

Pledges receivable are from individuals, corporations, and foundations. The Organization believes its credit risk related to these receivables is limited due to the nature of its donors. As of June 30, 2018 and 2017, no donor accounted for 10% or greater of pledges receivable or grants and contribution revenue.

During 2018, the Symphony entered into a contract with the Menuhin Competition Trust (the "Trust") to host the Menuhin Competition in 2020 with a total contract price of Great British Pounds ("GBP") 240,000. Payments to the Trust will be in three annual installments of GBP 80,000 beginning in March 2018. The Symphony paid the first installment of GBP 80,000 and that amount is included in prepaid assets and other on the 2018 Consolidated Statement of Financial Position. The total estimated contract costs remaining totaled GBP 160,000 ($211,280 at June 30, 2018). The full contract price will be expensed in the year the competition takes place.

6. Temporarily Restricted Net Assets:

The Symphony owns a mobile outdoor performance space, named the "Symphony's Big Tent", which allows the Symphony to perform in parks and other public places with a particular emphasis on reaching new and diverse audiences. The concerts held using the Big Tent are usually free to attend, with a primary goal of making these concerts the centerpiece of a multi-day community festival from which neighborhood stakeholders will realize a lasting impact and commence a long term relationship with the Symphony.

The Foundation received two separate $250,000 multi-year pledges during 2017 and 2016. The pledges are being paid over four-year periods in approximately equal installments and the funds will be used for purposes determined by the donors. After the four year period, any unspent funds remaining will convert to endowment and be reclassified as permanently restricted. During 2018, gifts totaling $11,488 were received as additions to these future endowments.

Temporarily restricted net assets released from restriction by satisfying time or purpose restrictions are summarized as follows for the years ended June 30:

	2018	2017
Big Tent	$ 298,783	$ 163,690
Subsequent year performances or operations	996,674	679,402
	$ 1,295,457	$ 843,092

6. Temporarily Restricted Net Assets, Continued:

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
The Symphony:		
Big Tent	$ 524,464	$ 338,247
Subsequent year performances or operations	943,501	1,428,521
The Foundation:		
Future endowment	498,885	487,397
	$ 1,966,850	$ 2,254,165

7. Permanently Restricted Net Assets:

Permanently restricted net assets held by the Foundation are restricted to ensure the existence of the Symphony and totaled $18,115,800 at June 30, 2018 and $17,037,365 at June 30, 2017. The principal is required to be invested in perpetuity and the investment income is expendable to fund the operating and administrative costs of the Organization.

8. Line of Credit:

The Symphony has a line of credit with SunTrust Bank that provides for short-term borrowings of up to $1,500,000 that is guaranteed by the Foundation. The current line extension expires on March 1, 2019. The line is secured by a general assignment of the Symphony's assets, including accounts receivable, property, and equipment. The Symphony and Foundation signed an agreement whereby the Foundation agreed to guarantee the Symphony's obligations and become a co-borrower with the Symphony under this credit line. Borrowings under this line extension are due on demand and bear interest at the 30-day LIBOR rate plus 1.5% (3.48% at June 30, 2018). The outstanding balance on the line was $1,298,000 at June 30, 2018 and $845,000 at June 30, 2017.

9. Leases:

The Symphony entered a lease agreement for its administrative office space and additional storage space through August 31, 2020.

9. Leases, Continued:

Future minimum lease payments under non-cancelable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2018 are as follows:

Year	Amount
2019	$ 84,084
2020	86,014
2021	14,394
	$ 184,492

Total rent expense amounted to $82,912 in 2018 and $81,288 in 2017.

The Organization leases certain equipment under agreements classified as capital leases that expire at various times through 2023. The equipment and related liabilities under capital leases were recorded at their lower of the present value of minimum lease payments or the fair value of the equipment. The equipment is depreciated over the lower of their lease terms or their estimated useful lives and is included in depreciation expense in the accompanying consolidated financial statements.

Depreciation of equipment under capital leases charged to expense totaled $6,701 for 2018 and $7,446 for 2017.

Monthly payments ranged from $677 to $977 in 2018 and totaled $677 in 2017 with interest rates ranging from 2.15% - 3.53%. These leases are secured by equipment.

A summary of property held under capital leases included in Property and Equipment is as follows:

	2018	2017
Equipment	$ 36,517	$ 38,047
Less: accumulated depreciation	17,776	30,664
	$ 18,741	$ 7,383

9. Leases, Continued:

Future minimum lease payments under capital leases are as follows as of June 30:

Year	Amount
2019	$ 7,509
2020	3,937
2021	3,612
2022	3,612
2023	2,126
Total minimum payment	20,796
Less: amount representing interest	(1,124)
Present value of minimum lease payments	$ 19,672

10. Defined Contribution Plan:

The Symphony participates in a defined contribution pension plan as part of its collective bargaining agreement with the Richmond Musician's Association, Local 123 American Federation of Musicians. The Symphony will contribute a percentage of base salary or straight time hourly wage for qualified musicians on active payroll on the last day of the plan year. The percentage contribution is determined in the collective bargaining agreement.

The Symphony has established a Matching Tax Deferred Annuity Plan, 403(b), for its office employees. Employees can defer a portion of their compensation subject to the maximum allowed by the IRC. The Symphony matching contributions are discretionary up to 50% of the employee deferral to a maximum of 6% of the employee's compensation.

Contributions by the Symphony to these plans totaled $132,070 in 2018 and $125,224 in 2017.

11. Endowment Funds:

There are several endowment funds within the Foundation. These endowment funds are donor-restricted and were established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

11. Endowment Funds, Continued:

Interpretation of Relevant Law: The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the 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 is added to the fund. The remaining portion of the donor restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts appropriate for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Trustees:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Funds with Deficits: From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the UPMIFA requires the Foundation to retain as a fund of perpetual duration. These deficiencies result from a decrease in the market value of the Foundation's investments. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and totaled $1,268,975 at June 30, 2018 and $1,634,565 at June 30, 2017.

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for some donor-restricted endowment funds that attempt to provide a predictable stream of funding to the organizations endowed by donor-restricted funds as well as programs supported by the endowment funds of the Foundation at the direction of the Board of Trustees. In addition to providing a predictable stream of funding the adopted investment and spending policies also seek to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s).

11. Endowment Funds, Continued:

Return Objectives and Risk Parameters, Continued: Under this policy, as approved by the Board of Trustees, the portfolio is to attain a favorable absolute and relative rate of return consistent with a conservative, balanced portfolio management approach.

This return should be sufficient to cover the spending policy obligations over a 3-5 year period consistent with the risk parameters in the policy.

Some donor-restricted endowment funds restrict annual distributions to net income. The Foundation uses the same investment policies and intends to produce the same investment results as mentioned above for these donor-restricted endowment funds.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year of up to 5 percent of the endowment funds' average fair value, depending on annual budgetary goals. In establishing this policy, the Foundation considered the long-term expected return on the endowments. Accordingly, over the long term the Foundation expects the current spending policy to allow the endowments to continue to grow annually. This is consistent with objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return restrictions.

11. Endowment Funds, Continued:

The Foundation's endowment net asset composition by type of fund was as follows at June 30:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds:				
Named endowment funds	$ -	$ -	$ 11,592,772	$ 11,592,772
General endowment	-	-	6,523,028	6,523,028
General unrestricted	(1,268,975)	-	-	(1,268,975)
Total	$ (1,268,975)	$ -	$ 18,115,800	$ 16,846,825

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds:				
Named endowment funds	$ -	$ -	$ 10,663,199	$ 10,663,199
General endowment	-	-	6,374,166	6,374,166
General unrestricted	(1,634,565)	-	-	(1,634,565)
Total	$ (1,634,565)	$ -	$ 17,037,365	$ 15,402,800

11. Endowment Funds, Continued:

Changes in the Foundation's endowment net assets were as follows for the years ended June 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets (deficit), July 1, 2016	$ (1,992,580)	$ -	$ 15,285,761	$ 13,293,181
Investment return:				
Interest and dividend income	107,595	-	-	107,595
Unrealized gain on investments, net	1,232,781	-	-	1,232,781
Change in value of annuity obligation	(7,013)	-	-	(7,013)
Total investment return	1,333,363	-	-	1,333,363
New gifts	-	-	1,751,604	1,751,604
Expenses	(975,348)	-	-	(975,348)
Net assets (deficit), June 30, 2017	(1,634,565)	-	17,037,365	15,402,800
Investment return:				
Interest and dividend income	136,023	-	-	136,023
Unrealized gain on investments, net	1,078,710	-	-	1,078,710
Change in value of annuity obligation	622	-	-	622
Total investment return	1,215,355	-	-	1,215,355
New gifts	-	-	1,078,435	1,078,435
Expenses	(849,765)	-	-	(849,765)
Net assets (deficit), June 30, 2018	$ (1,268,975)	$ -	$ 18,115,800	$ 16,846,825

12. Functional Expenses:

Expenses incurred for the Organization were as follows:

	Year Ended June 30, 2018			
	Total	Program	General and Administrative	Fundraising
Salaries, wages, and benefits	$ 4,483,852	$ 3,931,139	$ 262,482	$ 290,231
Services and professional fees	1,514,748	1,159,153	149,981	205,614
Office and occupancy	285,212	251,702	29,419	4,091
Supplies and travel	241,631	225,582	7,864	8,185
Depreciation	89,621	71,287	18,334	-
Other	783	629	154	-
Total expenses	$ 6,615,847	$ 5,639,492	$ 468,234	$ 508,121

	Year Ended June 30, 2017			
	Total	Program	General and Administrative	Fundraising
Salaries, wages, and benefits	$ 4,276,991	$ 3,735,586	$ 257,325	$ 284,080
Services and professional fees	1,395,330	965,963	145,649	283,718
Office and occupancy	223,135	190,972	28,152	4,011
Supplies and travel	157,724	141,699	8,223	7,802
Depreciation	86,164	57,251	28,913	-
Other	23,790	23,672	118	-
Total expenses	$ 6,163,134	$ 5,115,143	$ 468,380	$ 579,611

13. Litigation:

During 2018, the Symphony entered into an agreement with another organization (the "Defendant") to provide a joint musical performance promoted by the Defendant. The Defendant agreed to pay the Symphony a total of $23,631 for the services provided. Since completion of the services, the Defendant made one payment of $2,000 and has failed to make any additional payments to the Symphony for the provided services. On May 24, 2018, the Symphony submitted a writ of summons to the Defendant demanding payment of $21,631 plus interest at a rate of 6%. The Symphony has determined this does not meet the criteria for recognition of a gain contingency as of June 30, 2018, and as a result no receivable or revenue is recorded in the accompanying consolidated financial statements.

14. New Accounting Guidance:

Changes to Financial Statements: In August 2016, FASB issued Accounting Standards Update ("ASU") No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which both simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to the various stakeholders, including management, directors, lenders, and donors. Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two new classes of net assets—net assets with donor restrictions and net assets without donor restrictions

- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of *net assets with donor restrictions* and requires additional disclosures for underwater endowment funds

- Requires all not-for-profits to provide expenses by nature and function

- Requires expansive disclosures (both quantitative and qualitative) of information about liquidity and availability of resources

The amendments in this ASU are effective for fiscal years beginning after December 15, 2017 with early adoption permitted. The Organization is evaluating the impact on its financial statements and intends to adopt the standard as of the required transition date.

Leases: In early 2016, the FASB issued ASU 2016-02 intended to improve financial reporting about leasing transactions. All leases with terms more than 12 months are required to be recognized on the balance sheet of the lessee by recording a right of use asset with a corresponding obligation to pay rent liability which will be calculated based on the net present value of rental payments. In addition, required disclosures will include qualitative and quantitative information.

The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The Organization is evaluating the impact on its financial statements and intends to adopt the standard as of the required transition date.

SUPPLEMENTAL INFORMATION

THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

Consolidating Schedule – Statement of Financial Position
June 30, 2018

Assets	The Richmond Symphony	The Richmond Symphony Foundation	Eliminations	Consolidated
Cash and cash equivalents	$ 31,286	$ 1,547,383	$ -	$ 1,578,669
Investments	-	14,123,747	-	14,123,747
Pledges receivable, net	1,460,314	1,543,074	-	3,003,388
Accounts receivable	68,657	-	-	68,657
Due from related party	-	198,526	(198,526)	-
Prepaid expenses and other assets	159,601	-	-	159,601
Property and equipment, net	424,481	-	-	424,481
Total assets	$ 2,144,339	$ 17,412,730	$ (198,526)	$ 19,358,543
Liabilities and Net Assets				
Liabilities:				
Line of credit	$ 1,298,000	$ -	$ -	$ 1,298,000
Accounts payable	181,656	1,009	-	182,665
Accrued expenses	214,913	-	-	214,913
Due to related party	198,526	-	(198,526)	-
Capital lease obligation	19,672	-	-	19,672
Annuity obligation	-	66,011	-	66,011
Deferred revenue	503,368	-	-	503,368
Total liabilities	2,416,135	67,020	(198,526)	2,284,629
Net assets (deficit):				
Unrestricted	(1,739,761)	(1,268,975)	-	(3,008,736)
Temporarily restricted	1,467,965	498,885	-	1,966,850
Permanently restricted	-	18,115,800	-	18,115,800
Total net assets (deficit)	(271,796)	17,345,710	-	17,073,914
Total liabilities and net assets	$ 2,144,339	$ 17,412,730	$ (198,526)	$ 19,358,543

See Report of Independent Accountants.

THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

Consolidating Schedule – Statement of Activities
Year Ended June 30, 2018

	The Richmond Symphony			The Richmond Symphony Foundation				Eliminations	Consolidated			
	Unrestricted Operating	Temporarily Restricted	Total	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Total	Total	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Total
Revenue:												
Performance revenue	$ 1,605,374	$ -	$ 1,605,374	$ -	$ -	$ -	$ -	$ -	$ 1,605,374	$ -	$ -	$ 1,605,374
Grants and contributions:												
Annual fund contributions	1,598,663	82,197	1,680,860	-	-	-	-	-	1,598,663	82,197	-	1,680,860
Other contributions	609,797	211,300	821,097	-	11,488	1,078,435	1,089,923	(609,797)	-	222,788	1,078,435	1,301,223
Grants for service and underwriting	284,293	218,157	502,450	-	-	-	-	-	284,293	218,157	-	502,450
Symphony's Big Tent	293,295	485,000	778,295	-	-	-	-	-	293,295	485,000	-	778,295
Interest and dividend income	-	-	-	136,023	-	-	136,023	-	136,023	-	-	136,023
Net unrealized gain on investments	-	-	-	1,078,710	-	-	1,078,710	-	1,078,710	-	-	1,078,710
Change in value of annuity obligation	-	-	-	622	-	-	622	-	622	-	-	622
Other	638,160	-	638,160	-	-	-	-	-	638,160	-	-	638,160
Total revenue	5,029,582	996,654	6,026,236	1,215,355	11,488	1,078,435	2,305,278	(609,797)	5,635,140	1,008,142	1,078,435	7,721,717
Net assets released from restrictions	1,295,457	(1,295,457)	-	-	-	-	-	-	1,295,457	(1,295,457)	-	-
Expenses:												
Payout to Richmond Symphony	-	-	-	609,797	-	-	609,797	(609,797)	-	-	-	-
Program:												
Artistic personnel	3,092,230	-	3,092,230	-	-	-	-	-	3,092,230	-	-	3,092,230
Other direct concert costs	2,547,262	-	2,547,262	-	-	-	-	-	2,547,262	-	-	2,547,262
Supporting:												
General and administrative	377,700	-	377,700	90,534	-	-	90,534	-	468,234	-	-	468,234
Fundraising	358,687	-	358,687	149,434	-	-	149,434	-	508,121	-	-	508,121
Total expenses	6,375,879	-	6,375,879	849,765	-	-	849,765	(609,797)	6,615,847	-	-	6,615,847
Change in net assets	(50,840)	(298,803)	(349,643)	365,590	11,488	1,078,435	1,455,513	-	314,750	(287,315)	1,078,435	1,105,870
Net assets (deficit), beginning of year	(1,688,921)	1,766,768	77,847	(1,634,565)	487,397	17,037,365	15,890,197	-	(3,323,486)	2,254,165	17,037,365	15,968,044
Net assets (deficit), end of year	$ (1,739,761)	$ 1,467,965	$ (271,796)	$ (1,268,975)	$ 498,885	$ 18,115,800	$ 17,345,710	$ -	$ (3,008,736)	$ 1,966,850	$ 18,115,800	$ 17,073,914

See Report of Independent Accountants.

THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

Consolidating Schedule – Statement of Financial Position
June 30, 2017

Assets	The Richmond Symphony	The Richmond Symphony Foundation	Eliminations	Consolidated
Cash and cash equivalents	$ 141,283	$ 1,443,493	$ -	$ 1,584,776
Investments	-	12,660,928	-	12,660,928
Pledges receivable	1,055,364	1,827,581	-	2,882,945
Accounts receivable	20,961	-	-	20,961
Due from related party	-	30,734	(30,734)	-
Prepaid expenses and other assets	60,695	871	-	61,566
Property and equipment, net	440,508	-	-	440,508
Total assets	$ 1,718,811	$ 15,963,607	$ (30,734)	$ 17,651,684
Liabilities and Net Assets				
Liabilities:				
Line of credit	$ 845,000	$ -	$ -	$ 845,000
Accounts payable	102,132	24	-	102,156
Accrued expenses	175,085	-	-	175,085
Due to related party	30,734	-	(30,734)	-
Capital lease obligation	8,283	-	-	8,283
Annuity obligation	-	73,386	-	73,386
Deferred revenue	479,730	-	-	479,730
Total liabilities	1,640,964	73,410	(30,734)	1,683,640
Net assets (deficit):				
Unrestricted	(1,688,921)	(1,634,565)	-	(3,323,486)
Temporarily restricted	1,766,768	487,397	-	2,254,165
Permanently restricted	-	17,037,365	-	17,037,365
Total net assets	77,847	15,890,197	-	15,968,044
Total liabilities and net assets	$ 1,718,811	$ 15,963,607	$ (30,734)	$ 17,651,684

See Report of Independent Accountants.

THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

Consolidating Schedule – Statement of Activities
Year Ended June 30, 2017

	The Richmond Symphony			The Richmond Symphony Foundation				Eliminations	Consolidated			
	Unrestricted Operating	Temporarily Restricted	Total	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Total	Total	Unrestricted Operating	Temporarily Restricted	Permanently Restricted	Total
Revenue:												
Performance revenue	$ 1,616,967	$ -	$ 1,616,967	$ -	$ -	$ -	$ -	$ -	$ 1,616,967	$ -	$ -	$ 1,616,967
Grants and contributions:												
Annual fund contributions	1,649,435	592,926	2,242,361	-	-	-	-	-	1,649,435	592,926	-	2,242,361
Other contributions	739,549	284,000	1,023,549	-	241,346	1,751,604	1,992,950	(589,473)	150,076	525,346	1,751,604	2,427,026
Grants for service and underwriting	42,157	296,082	338,239	-	-	-	-	-	42,157	296,082	-	338,239
Symphony's Big Tent	256,805	275,000	531,805	-	-	-	-	-	256,805	275,000	-	531,805
Interest and dividend income	-	-	-	107,595	-	-	107,595	-	107,595	-	-	107,595
Net realized and unrealized gain on investments	-	-	-	1,232,781	-	-	1,232,781	-	1,232,781	-	-	1,232,781
Change in value of annuity obligation	-	-	-	(7,013)	-	-	(7,013)	-	(7,013)	-	-	(7,013)
Other	533,641	-	533,641	-	-	-	-	-	533,641	-	-	533,641
Total revenue	4,838,554	1,448,008	6,286,562	1,333,363	241,346	1,751,604	3,326,313	(589,473)	5,582,444	1,689,354	1,751,604	9,023,402
Net assets released from restrictions	843,092	(843,092)	-	-	-	-	-	-	843,092	(843,092)	-	-
Expenses:												
Payout to Richmond Symphony	-	-	-	589,473	-	-	589,473	(589,473)	-	-	-	-
Program:												
Artistic personnel	2,927,126	-	2,927,126	-	-	-	-	-	2,927,126	-	-	2,927,126
Other direct concert costs	2,188,017	-	2,188,017	-	-	-	-	-	2,188,017	-	-	2,188,017
Supporting:												
General and administrative	357,049	-	357,049	111,331	-	-	111,331	-	468,380	-	-	468,380
Fundraising	305,067	-	305,067	274,544	-	-	274,544	-	579,611	-	-	579,611
Total expenses	5,777,259	-	5,777,259	975,348	-	-	975,348	(589,473)	6,163,134	-	-	6,163,134
Change in net assets	(95,613)	604,916	509,303	358,015	241,346	1,751,604	2,350,965	-	262,402	846,262	1,751,604	2,860,268
Net assets (deficit), beginning of year	(1,593,308)	1,161,852	(431,456)	(1,992,580)	246,051	15,285,761	13,539,232	-	(3,585,888)	1,407,903	15,285,761	13,107,776
Net assets (deficit), end of year	$ (1,688,921)	$ 1,766,768	$ 77,847	$ (1,634,565)	$ 487,397	$ 17,037,365	$ 15,890,197	$ -	$ (3,323,486)	$ 2,254,165	$ 17,037,365	$ 15,968,044

See Report of Independent Accountants.