Financial Reports

PHOENIX SYMPHONY ASSOCIATION AND AFFILIATE

Phoenix, Arizona

CONSOLIDATED FINANCIAL STATEMENTS
Year Ended June 30, 2018

PHOENIX SYMPHONY ASSOCIATION AND AFFILIATE
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Phoenix Symphony Association and Affiliate
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of Phoenix Symphony Association and Affiliate (Arizona nonprofit corporations), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 combined 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 auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Phoenix Symphony Association and Affiliate as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 14 to the consolidated financial statements, the June 30, 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Henry + Horne, LLP

Tempe, Arizona
May 10, 2019

PHOENIX SYMPHONY ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 83,259
Promises to give, current portion	976,993
Other receivables	54,887
Prepaid expenses and other current assets	202,827
TOTAL CURRENT ASSETS	1,317,966
CASH RESTRICTED AS COLLATERAL	1,311,738
PROMISES TO GIVE, net of current portion, discount and allowance of $17,906 and $13,460, respectively	298,094
INVESTMENTS	
Endowment fund	264,971
Deferred compensation investments	102,312
	367,283
PROPERTY AND EQUIPMENT, net	312,339
OTHER ASSETS	18,653
TOTAL ASSETS	$ 3,626,073

See accompanying notes.

PHOENIX SYMPHONY ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
June 30, 2018

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 879,663
Deferred ticket revenue	1,670,549
Due to related parties	425,000
Deferred rent	111,915
Line of credit	500,000
Current portion of capital lease obligation	6,984
TOTAL CURRENT LIABILITIES	3,594,111
CAPITAL LEASE OBLIGATION, less current portion	6,780
DEFERRED COMPENSATION LIABILITY	102,312
TOTAL LIABILITIES	3,703,203
NET ASSETS	
Unrestricted deficit	(1,321,404)
Temporarily restricted	1,009,317
Permanently restricted	234,957
TOTAL NET ASSETS	(77,130)
TOTAL LIABILITIES AND NET ASSETS	$ 3,626,073

See accompanying notes.

PHOENIX SYMPHONY ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EARNED AND OTHER REVENUES				
Ticket sales	$ 5,558,404	$ -	$ -	$ 5,558,404
Fee engagements	529,112	-	-	529,112
Investment income	5,346	14,975	-	20,321
Miscellaneous revenue	449,577	-	-	449,577
TOTAL EARNED AND OTHER REVENUES	6,542,439	14,975	-	6,557,414
SUPPORT				
Contributions	5,356,983	640,083	-	5,997,066
Government and private grants	175,466	-	-	175,466
Volunteer organizations	93,448	-	-	93,448
In-kind contributions	466,826	-	-	466,826
Net assets released from restrictions	1,236,837	(1,236,837)	-	-
	7,329,560	(596,754)	-	6,732,806
Special Events				
Special events revenue	454,012	-	-	454,012
Direct benefit to donors	(169,979)	-	-	(169,979)
	284,033	-	-	284,033
TOTAL SUPPORT	7,613,593	(596,754)	-	7,016,839
TOTAL SUPPORT, EARNED AND OTHER REVENUES	14,156,032	(581,779)	-	13,574,253
EXPENSES				
Program services	9,417,453	-	-	9,417,453
Supporting services				-
Management and general	2,520,334	-	-	2,520,334
Fundraising	1,449,375	-	-	1,449,375
TOTAL EXPENSES	13,387,162	-	-	13,387,162
CHANGE IN NET ASSETS	768,870	(581,779)	-	187,091
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	(2,090,274)	1,591,096	234,957	(264,221)
NET ASSETS (DEFICIT), END OF YEAR	$ (1,321,404)	$ 1,009,317	$ 234,957	$ (77,130)

PHOENIX SYMPHONY ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

		Supporting Services			
	Program Services	Management and General	Fundraising	Direct Donor Benefit	Total
Personnel costs					
Salaries and wages	$ 4,828,716	$ 857,651	$ 584,929	$ -	$ 6,271,296
Employee benefits and payroll taxes	1,441,891	238,748	139,683	-	1,820,322
Total personnel costs	6,270,607	1,096,399	724,612	-	8,091,618
Advertising and promotion	-	861,339	3,985	-	865,324
Bad debt expense	-	-	66,590	-	66,590
Bank and investment fees	139,991	10,704	20,315	-	171,010
Depreciation expense	30,522	49,799	-	-	80,321
Education expenses	65,227	-	-	-	65,227
Equipment rental	236,183	-	-	-	236,183
Friends of the Symphony expenses	-	-	77,327	-	77,327
Guest artists and conductors fees	1,023,058	-	-	-	1,023,058
Hall rentals	575,587	-	-	-	575,587
Information technology	-	7,841	-	-	7,841
Insurance	7,017	55,626	-	-	62,643
Interest	-	70,739	-	-	70,739
Miscellaneous expenses	62,090	121,283	50,154	-	233,527
Occupancy	80,490	79,475	37,371	-	197,336
Office expenses	22,956	59,598	7,109	-	89,663
Planned giving- direct mail and postage	-	-	107,121	-	107,121
Production costs	516,279	-	-	-	516,279
Professional fees	284,167	70,684	128,321	-	483,172
Recruitment expenses	5,362	18,470	54,047	-	77,879
Donor relations events expenses	-	-	170,364	-	170,364
Special events- food and venue	-	-	-	169,979	169,979
Travel and meals	97,917	18,377	2,059	-	118,353
	9,417,453	2,520,334	1,449,375	169,979	13,557,141
Amounts reported in total support and other revenue on the statement of activities:					
Direct benefit to donors	-	-	-	(169,979)	(169,979)
TOTAL EXPENSES	$ 9,417,453	$ 2,520,334	$ 1,449,375	$ -	$ 13,387,162

See accompanying notes.

PHOENIX SYMPHONY ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	187,091
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		80,321
Loss on disposal of equipment		8,750
Deferred rent		89,749
Realized and unrealized gains on investments		(12,402)
Bad debt expense		66,590
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Promises to give		99,485
Other receivables		16,064
Prepaid expenses and other current assets		50,171
Deferred compensation investments		(18,231)
Increase (decrease) in:		
Accounts payable and accrued expenses		(319,040)
Deferred ticket revenue		(203,143)
Deferred compensation liability		18,231
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		63,636
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(40,462)
Purchases of investments		(2,573)
Proceeds from sales and maturities of investments		48,400
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		5,365
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans from related parties		425,000
Payments on line of credit		(685,204)
Payments on capital lease		(6,577)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(266,781)
NET CHANGE IN CASH		(197,780)
CASH, BEGINNING OF YEAR		1,592,777
CASH, END OF YEAR	$	1,394,997
CASH RECONCILIATION TO STATEMENT OF CONSOLIDATED FINANCIAL POSITION:		
Cash and cash equivalents	$	83,259
Cash restricted as collateral		1,311,738
	$	1,394,997
NON-CASH TRANSACTIONS:		
Earnings on deferred compensation investment	$	18,231

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Phoenix Symphony Association's (the "Association") vision is to be the arts leader in the revitalization of a thriving Arizona. The Association's mission is to provide the joy of music as a catalyst in helping Arizona to become the best place in America to work and live. The Association accomplishes this by creating high quality musical experiences: to feed the souls of Arizona residents, to bolster the cultural economy, and to educate and strengthen the next generation resulting in a creative workforce.

Since its founding in 1947, the Association has grown to become Arizona's largest performing arts nonprofit organization and its only full-time, professional orchestra. The Association serves over 300,000 people annually in metropolitan Phoenix and Central Arizona with a full 38-week concert season of Classics, Pops and Chamber Concerts, as well as special community presentations.

Annually, through Education and Community Outreach programs, the Association serves over 120,000 people reflective of Arizona's ethnic and economic diversity. With a standing point of Symphony Hall field trip and stand-alone school day concerts, the Association also offers a music residency with the Salt River-Maricopa Indian Community, and Mind Over Music, in which teachers and musicians collaborate to create lessons utilizing music as a means teach STEM. The Association's B-Sharp Music Wellness, a W.O.N.D.E.R. Project, provides interactive performances presented by Symphony musicians in partnerships with hospitals, healthcare organizations and community shelters across the valley to provide interactive concerts to those seeking respite from the streets. The Association's B-Sharp Music Wellness also included an Alzheimer research initiative which evaluates the impact of live music on Alzheimer's patients and caregivers stress levels.

The Association's artistic goal is to perform live symphonic music of excellence, beauty and vitality at a consistently high level. The Association achieves this goal through season planning exercises, designing concert programming that is distinctive, representative of the cultural richness and diversity of Arizona and the Southwest, and capable of engaging increasing number of Phoenix residents and visitors. The planning process has been marked by an especially high degree of collaboration and cooperation among board, staff, and musicians.

The Virginia G. Piper Music Director, Tito Munoz, inspires musicians to the highest level of their creative abilities, continues a commitment to educate the next generation of a creative work force in Arizona and to explore the evolution of the 21st Century orchestra, as the Association seeks to define what is called Symphony 2.0.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Phoenix Symphony Support Foundation – Phoenix Symphony Support Foundation ("the Foundation") was incorporated in 2007 as an Arizona nonprofit corporation. The Foundation, in its capacity as a support foundation to the Association, is charged with administering an endowment for the benefit of the Association. The Foundation is organized to be the recipient of substantially all donations made for the long-term benefits of the Association and to ensure that such donations are reserved for the long-term viability and growth of the Association, in accordance with the Foundation's bylaws.

Principles of Consolidation

The Association has an economic interest in and control over the Foundation. Accordingly, the consolidated financial statements include both the accounts of the Association and the Foundation (collectively referred to as the "Symphony"). All significant inter-organization transactions and accounts have been eliminated in the consolidation.

Basis of Presentation

The consolidated financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Symphony reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Symphony considers all highly liquid investments with maturities of ninety days or less at date of acquisition to be cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is made and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts are computed using risk-free interest rates as determined by management applicable to the years in which the promises to give are received. Amortization of the discounts is reflected in contributions. An allowance for uncollectible promises to give has been established by management using a specific identification method and an additional allowance based on historical collections. Promises to give are charged off against the allowance when they are deemed to be uncollectible.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

A framework for measuring fair value has been established by Accounting Standards and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Symphony's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments with readily determinable fair values are recorded at fair value as determined by quoted market prices in active markets. The value of investments held with the Arizona Community Foundation (ACF) are determined based on its investment percentage in the ACF investment pool and the underlying value of the assets in that pool. ACF implements an investment strategy for these pooled funds that includes equity, fixed income, hedge funds and private equity investments. Deferred compensation investments are measured at net asset value and are invested in a retirement fund held by an investment company and includes assets from various stock and bond funds.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change in net assets in the accompanying statement of activities, unless the income or loss is restricted by donor or law.

Property and Equipment

Acquisitions of property and equipment in excess of $500 are capitalized, with the exception of musical scores, which may fall below this $500 threshold, but are a part of the overall library asset. Property and equipment is stated at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over their estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

The Symphony reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds

The Symphony's endowments consist of several donor restricted funds which are established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Symphony follows Arizona's Management of Charitable Funds Act ("MCFA") and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Symphony to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the funds continue in perpetuity.

The Symphony classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Symphony in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Symphony considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Symphony's other resources, and (7) the Symphony's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Symphony has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in ACF's long term investment pool which has an objective to grow capital long term through a highly-diversified portfolio designed to reduce public market volatility through diversification and enhance returns through private market investments. The ACF long term investment pool includes equity, fixed income, hedge funds and private equity investments. ACF places the pooled funds with various investment managers to implement the strategy and credits a proportionate share of the investment income and gains or losses to the Symphony's funds on a monthly basis.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (Continued)

Spending policy. The Symphony has allowed for appropriating for distributions each year not to exceed 5% of its endowment fund's trailing twelve quarter average of the total value of the funds held at ACF. In establishing this policy, the Symphony considered the long-term expected return on its endowment. The current spending policy is at the discretion of the Symphony's Board of Directors. However, historically, the spending policy has mirrored the allowable annuals draws for the ACF endowment funds. This is consistent with the Symphony's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Revenue Recognition and Deferred Revenue

Earned revenue includes revenue from ticket sales and fee engagements. Revenue from ticket sales and engagement fees are recognized in the period that the related performance takes place. Any amounts from ticket sales received in advance of the period of the performance are recorded as deferred ticket revenue.

Contributions and Grants

Contributions and grants are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restrictions are accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions and grants, where restrictions are met in the same period in which the contribution is received are shown as additions to unrestricted support.

Contributions of non-monetary assets (in-kind contributions) are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donated services, are recorded at their fair market values in the period received. The Symphony utilizes and depends on the services of volunteers to perform a variety of tasks that assist the Symphony with specific programs, campaign solicitations and various committee assignments. The value of this contributed time is not reflected in the financial statements since the services did not require specialized skills and it was not susceptible to objective measurement. The Symphony also utilizes and depends on the services of volunteers who perform a variety of tasks that assist in carrying out many programs. The value of this contributed volunteer time is not reflected in the accompanying consolidated financial statements as the services did not meet the criteria to record.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bequests

Bequests are recognized as contribution revenue in the period the Symphony receives notification the court has found the will of the donor's estate to be valid and all conditions have been substantially met.

Deferred Rent

The Symphony records rent expense on a straight-line basis from the inception of the lease. Any difference between the calculated expense and the amounts actually paid are included in the deferred rent liability in the accompanying statement of financial position. Deferred rent relates to a rent holiday at the beginning of the lease term.

Advertising

The Symphony uses advertising primarily to promote its performances to the audience it serves. Advertising and promotional costs are expensed as incurred. Advertising and promotional expense was approximately $865,000 for the year ended June 30, 2018.

Functional Allocation of Expenses

The cost of providing program and other activities has been summarized on a functional basis in the accompanying statement of functional expenses. Direct identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services based on an analysis of personnel activity and other appropriate allocation methods.

Income Tax Status

Both the Association and the Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, therefore, there is no provision for income taxes. In addition, both organizations qualify for the charitable contribution deduction under Section 170 of the code and have been classified as organizations that are not private foundations under Section 509(a)(2). Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Symphony recognizes uncertain tax positions in the financial statements when it is more-likely-than-not the positions will not be sustained upon examination by the tax authorities. At June 30, 2018, the Symphony had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

The Symphony recognizes interest and penalties associated with income taxes in operating expenses. During the year ended June 30, 2018, the Symphony did not have any income tax related interest and penalty expense.

Management's 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

In preparing these financial statements, the Symphony has evaluated events and transactions for potential recognition or disclosure through, May 10, 2019 the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Symphony to significant concentration of credit risk consist principally of cash and promises to give. The Symphony maintains its cash in bank accounts, which at times may exceed federally insured limits. The Symphony has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

The Symphony had a concentration in promises to give for an amount due from one donor whose outstanding balance represented approximately 12% of total net promises to give as of June 30, 2018. Credit risks related to this concentration is limited due to the Symphony's relationship with the donor.

NOTE 3 PROMISES TO GIVE

Promises to give consist of the following as of June 30, 2018:

Promises to give due in less than one year	$ 990,453
Promises to give due in two to five years	316,000
Total promises to give	1,306,453
Discount to present value	(17,906)
Allowance for uncollectible promises to give	(13,460)
Net promises to give	1,275,087
Current portion	(976,993)
Long term portion	$ 298,094

The estimated future cash flows for promises to give are discounted over the collection period using a discount rate of 2.24%. Promises to give includes approximately $384,000 at June 30, 2018 from members of the Board of Directors.

NOTE 4 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

At June 30, 2018, the Symphony had $264,971 of endowment investments held by the Arizona Community Foundation, Inc. in an investment pool (level 3) and deferred compensation investments in pooled separate accounts totaling $102,312, which are measured at net asset value. The ACF investments had a balance of $298,396 as of June 30, 2017. During the year ended June 30, 2018, investment return for these investments totaled $14,975, and there was an appropriation from the fund in the amount of $48,400, resulting in the balance of $264,971 at June 30, 2018.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018:

Computer equipment and software	$ 508,737
Musical instruments	399,707
Musical scores	314,794
Furniture, fixtures and equipment	145,017
Leasehold improvements	5,836
Sets and staging	34,563
	1,408,654
Accumulated depreciation and amortization	(1,096,315)
	$ 312,339

Depreciation expense was $80,321 for the year ended June 30, 2018.

NOTE 6 LINE OF CREDIT

The Symphony has a revolving line of credit with a financial institution which allows for maximum borrowings up to $1,000,000, matures on September 27, 2019 and had a balance of $500,000 on June 30, 2018. The Symphony had an additional revolving line of credit with the same financial institution which allowed for maximum borrowings up to $450,000 and matured on December 31, 2018. The lines of credit bear interest at the lender’s prime rate plus .25%. Outstanding borrowings on both lines are collateralized by all assets of the Symphony and $1,311,738 held in a separate cash account on deposit at the bank. Borrowings are limited to balances held on deposit with the bank plus 75% of the promises to give balance. The Symphony is also required to comply with certain non-financial covenants.

NOTE 7 DUE TO RELATED PARTIES

During the year ended June 30, 2018, the Symphony entered into loan agreements with two board members. The total balance due on these loans as of June 30, 2018 was $425,000. The loans are unsecured, noninterest bearing and were paid in full subsequent to June 30, 2018.

NOTE 8 ENDOWMENT FUNDS

Endowment funds include only donor restricted endowments as of June 30, 2018. Endowment net asset composition by type as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowments	$ -	$ 30,014	$ 234,957	$ 264,971

Changes in endowment funds for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2017 (Restated)	$ -	$ 63,439	$ 234,957	$ 298,396
Interest and dividend income	-	5,393	-	5,393
Realized gains	-	17,499	-	17,499
Unrealized loss	-	(5,097)	-	(5,097)
Investment fees	-	(2,820)	-	(2,820)
Amounts appropriated for expenditure	-	(48,400)	-	(48,400)
Balance at June 30, 2018	$ -	$ 30,014	$ 234,957	$ 264,971

At June 30, 2018, all endowment assets are held with ACF.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018, consist of the following:

Purpose Restricted:	
Education program	$ 130,000
Other	7,733
Time Restricted:	
Portion of perpetual endowment funds subject to a restriction under MCFA	30,014
Promises to give	676,570
For fiscal year '18/'19	55,000
Sponsorships	110,000
Total temporarily restricted net assets	$ 1,009,317

Net assets released from donor restrictions were as follows for the year ended June 30, 2018:

Appropriations from endowments	$ 48,400
Expiration of time restrictions	1,188,437
Total releases of temporarily restricted net assets	$ 1,236,837

NOTE 10 CONTRIBUTIONS

Total contributions for the year ended June 30, 2018 include the following sources:

	Unrestricted	Temporarily Restricted	Total
Individuals	$ 2,288,021	$ 490,083	$ 2,778,104
Bequests	465,537	-	465,537
Corporations	273,840	150,000	423,840
Foundations	2,329,585	-	2,329,585
	$ 5,356,983	$ 640,083	$ 5,997,066

Contributions from board members (included in individuals above) totaled $577,880 during the year ended June 30, 2018.

NOTE 10 CONTRIBUTIONS (Continued)

In-kind contributions consist of the following for the year ended June 30, 2018:

	Program	Management and General	Fundraising	Total
Hall rentals	$ 218,774	$ -	$ -	$ 218,774
Donor events- food, beverages and other	-	-	108,610	108,610
Advertising and printing	-	86,400	-	86,400
Travel	29,500	-	-	29,500
Professional services	-	7,784	-	7,784
Other	15,758	-	-	15,758
Total in-kind contributions	$ 264,032	$ 94,184	$ 108,610	$ 466,826

NOTE 11 OPERATING LEASE COMMITMENTS

The Symphony leases its administrative offices under a non-cancelable operating agreement which expires in June 2023. Approximate minimum future rental payments under the non-cancelable operating lease are as follows at June 30, 2018:

Years Ending June 30,	
2019	$ 70,000
2020	160,000
2021	205,000
2022	210,000
2023	214,000
	$ 859,000

Total rent expense was approximately $58,000 for the year ended June 30, 2018.

NOTE 12 RETIREMENT PLANS

The Symphony sponsors a 401(k) plan for administrative staff who meet specified eligibility requirements. The Symphony's contributions are based on a fixed percentage of the employee's pay. Contributions for the administrative staff are determined by the Symphony's Board of Directors. The contribution percentages for the year ended June 30, 2018 were 4.36% for musicians and 3% for administrative staff. For the year ended June 30, 2018 total contributions for the musicians and administrative staff totaled $126,026 and $56,468, respectively.

The Symphony has a deferred compensation plan for the benefit of certain eligible employees, which qualifies under Section 457(b) of the Internal Revenue Code. Benefits are payable upon termination of employment or age 70.5. No amounts were withheld from the employees' compensation for the deferred compensation for the year ended June 30, 2018. The Symphony can contribute to the plan for the eligible employees each year which vest immediately. Employer contributions for the year ended June 30, 2018 totaled $18,231. Additionally, during the year ended June 30, 2018, there were no distributions paid to the participants. The Symphony holds investments for the deferred compensation which equal the associated liability.

NOTE 13 COMMITMENTS

The Symphony has entered into a five-year services agreement which expires in August 2023. The remaining commitment on the agreement as of June 30, 2018 is approximately $1,390,000 over the five-year period.

The musicians employed by the Symphony are covered by a collective bargaining agreement which is set to expire in October 2019.

NOTE 14 RESTATEMENT

During the year ended June 30, 2018, management determined that the amount of $1,469,915 had previously been incorrectly classified as permanently restricted endowment net assets as of June 30, 2017. As a result, permanently restricted net assets as of June 30, 2017 had been overstated by this amount. Accordingly, management has restated the beginning net asset balances as of December 31, 2017 by increasing unrestricted net assets and decreasing permanently restricted net assets in the amount of $1,469,915.

In addition, during the year ended June 30, 2018, management determined that the amount of $89,870 had previously been incorrectly included in promises to give as of June 30, 2017. As a result, promises to give and unrestricted net assets balances were overstated as of June 30, 2017 by this amount. Accordingly, management has restated these balances as of June 30, 2017 by decreasing promises to give and unrestricted net assets.

NOTE 15 MANAGEMENT'S PLANS

As of June 30, 2018, total net assets was a deficit in the amount of ($77,130). In addition, the cash balance of approximately $83,000 was insufficient to cover the deferred ticket revenue received for the next season, and the line of credit will be due in September of 2019.

Subsequent to June 30, 2018, the Symphony received three significant unrestricted donations totaling $3.5 million. This increased the cash balance significantly and the Symphony also paid off the related party notes. The Symphony's statement of activities for the year ended June 30, 2018 shows a positive change in net assets in the amount of $187,091 and the Symphony has a fiscal plan to continue to generate cash sufficient to fund operations by maintaining a balanced budget. The net asset deficit was reduced by approximately $97,000 from the year ended June 30, 2017 to the year ended June 30, 2018. The Symphony also fully expects to extend the line of credit agreement in September 2019 based on its history with the bank in annual extensions and the improved financial performance of the organization. Management has a reasonable expectation that these plans will ensure adequate resources for the Symphony to continue in operational existence for the foreseeable future.

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2016-14, Not-For-Profit Entities: Presentation of Financial Statements of Not-For-Profit Entities. This Standard is effective for years beginning after December 15, 2017. The Standard requires several changes to how not-for-profit entities report certain financial statement information including net asset classification, cash flows, underwater endowment funds, investment expenses, and other areas. In addition, the new guidance requires disclosures on the entity's liquidity policy and quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the Statement of Financial Position date. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers. For nonpublic companies, this standard must be adopted for annual reporting periods beginning after December 15, 2018. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Symphony expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2016-02, Leases. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2019. The standard's core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2018-08, Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2019. The standard's core principle is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This ASU should assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.