

San Francisco Symphony

Financial Statements
and Supplemental Schedule

For the Year Ended
August 31, 2013



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 27
Supplementary Information	
Schedule of Changes in Endowment Net Assets	28 - 29



INDEPENDENT AUDITOR'S REPORT

Audit Committee of Board of Governors
San Francisco Symphony
San Francisco, California

We have audited the accompanying financial statements of the San Francisco Symphony (the "Symphony") which comprise the statement of financial position as of August 31, 2013, and the related statements of activities and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Symphony as of August 31, 2013, 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.

Report on Summarized Comparative Information

We have previously audited San Francisco Symphony's 2012 financial statements, and our report dated January 22, 2013, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2012, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional supplementary information on pages 28 and 29 is presented for the purpose of additional analysis and is not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Armanino LLP
Armanino^{LLP}
San Ramon, California

January 29, 2014

SAN FRANCISCO SYMPHONY
Statement of Financial Position
August 31, 2013
(With Summarized Financial Information as of August 31, 2012)

ASSETS

	<u>2013</u>	<u>2012</u>
Cash	\$ 4,738,210	\$ 716,066
Marketable securities	144,826	88,213
Receivables		
Promises to give, net	17,109,825	21,213,894
Receivables under charitable remainder trusts	2,562,131	3,997,283
Prepaid expenses and other	8,167,390	11,393,960
Investments	258,306,803	239,259,437
Assets held in split interest agreements	5,666,901	5,587,622
Improvements, furniture, and equipment, net	<u>18,465,591</u>	<u>18,064,226</u>
 Total assets	 <u>\$ 315,161,677</u>	 <u>\$ 300,320,701</u>

LIABILITIES AND NET ASSETS

Accounts payable and other accrued liabilities	\$ 12,012,495	\$ 10,581,062
Advance ticket sales	12,814,824	12,259,056
Liabilities to beneficiaries of split interest agreements	2,607,771	2,670,735
Pension benefit liabilities	<u>16,333,068</u>	<u>30,879,781</u>
Total liabilities	<u>43,768,158</u>	<u>56,390,634</u>
 Net assets		
Unrestricted		
Accumulated operating deficit	(12,172,691)	(7,028,851)
Accumulated pension liability	(33,992,232)	(47,543,433)
Board designated endowment and other	<u>98,672,101</u>	<u>97,785,706</u>
Total unrestricted	52,507,178	43,213,422
Temporarily restricted	80,996,645	65,507,368
Permanently restricted	<u>137,889,696</u>	<u>135,209,277</u>
Total net assets	<u>271,393,519</u>	<u>243,930,067</u>
 Total liabilities and net assets	 <u>\$ 315,161,677</u>	 <u>\$ 300,320,701</u>

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

SAN FRANCISCO SYMPHONY
Statement of Activities
For the Year Ended August 31, 2013
(With Summarized Financial Information for the Year Ended August 31, 2012)

	2013						2012
	Unrestricted		Temporarily Restricted	Permanently Restricted	Total		
	Operating	Other					
Revenues							
Concert and related revenues	\$ 27,027,360	\$ -	\$ 27,027,360	\$ -	\$ -	\$ 27,027,360	\$ 26,627,137
SFS Media	220,461	-	220,461	-	-	220,461	549,164
Retail	1,208,068	-	1,208,068	-	-	1,208,068	1,309,238
Gifts, grants and bequests	13,817,005	1,947,962	15,764,967	16,019,195	1,955,382	33,739,544	28,826,747
Volunteer Council	969,846	-	969,846	-	-	969,846	2,310,271
Investment income and net gains	9,662,628	642,005	10,304,633	15,925,506	725,037	26,955,176	19,758,289
Net assets released from restrictions	13,024,057	3,431,367	16,455,424	(16,455,424)	-	-	-
Other	302,812	-	302,812	-	-	302,812	432,248
Total revenues	<u>66,232,237</u>	<u>6,021,334</u>	<u>72,253,571</u>	<u>15,489,277</u>	<u>2,680,419</u>	<u>90,423,267</u>	<u>79,813,094</u>
Expenses							
Concert production	55,594,911	1,128,948	56,723,859	-	-	56,723,859	59,630,056
SFS Media	659,970	1,870,859	2,530,829	-	-	2,530,829	4,628,553
Retail	1,109,683	13,626	1,123,309	-	-	1,123,309	1,144,159
Education/youth projects	1,304,004	16,012	1,320,016	-	-	1,320,016	2,120,941
Volunteer Council	2,580,493	31,687	2,612,180	-	-	2,612,180	6,913,068
General and administrative	5,999,199	952,909	6,952,108	-	-	6,952,108	6,946,202
Development	4,127,817	1,120,898	5,248,715	-	-	5,248,715	4,754,672
Total expenses	<u>71,376,077</u>	<u>5,134,939</u>	<u>76,511,016</u>	<u>-</u>	<u>-</u>	<u>76,511,016</u>	<u>86,137,651</u>
Change in net assets before pension costs	<u>(5,143,840)</u>	<u>886,395</u>	<u>(4,257,445)</u>	<u>15,489,277</u>	<u>2,680,419</u>	<u>13,912,251</u>	<u>(6,324,557)</u>
Change in pension benefit liabilities	<u>13,551,201</u>	<u>-</u>	<u>13,551,201</u>	<u>-</u>	<u>-</u>	<u>13,551,201</u>	<u>(12,429,890)</u>
Change in net assets	8,407,361	886,395	9,293,756	15,489,277	2,680,419	27,463,452	(18,754,447)
Net assets - beginning of year	<u>(54,572,284)</u>	<u>97,785,706</u>	<u>43,213,422</u>	<u>65,507,368</u>	<u>135,209,277</u>	<u>243,930,067</u>	<u>262,684,514</u>
Net assets - end of year	<u>\$ (46,164,923)</u>	<u>\$ 98,672,101</u>	<u>\$ 52,507,178</u>	<u>\$ 80,996,645</u>	<u>\$ 137,889,696</u>	<u>\$ 271,393,519</u>	<u>\$ 243,930,067</u>

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

SAN FRANCISCO SYMPHONY
Statement of Cash Flows
For the Year Ended August 31, 2013
(With Summarized Financial Information for the Year Ended August 31, 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 27,463,452	\$ (18,754,447)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	3,089,647	4,594,507
Net unrealized and realized gains on investments	(19,945,329)	(15,781,013)
Gain on disposal of improvements, furniture and equipment	-	(4,827)
Contributions restricted for long-term purposes	(6,148,517)	(4,559,555)
Change in pension benefit liabilities	(13,551,201)	12,706,052
Change in operating assets and liabilities		
Receivables, net	5,539,221	5,796,849
Prepaid expenses and other	1,938,559	612,934
Accounts payable and other accrued liabilities	(123,567)	(196,156)
Advance ticket sales	555,768	(899,918)
Assets held in and liability to beneficiaries of split interest agreements	(142,243)	183,652
Net cash used in operating activities	(1,324,210)	(16,301,922)
Cash flows from investing activities		
Proceeds from sale of investments	75,269,031	39,315,827
Purchases of investments	(74,371,068)	(28,553,726)
(Purchases) proceeds (of) from marketable securities, net	(56,613)	1,196,764
Acquisitions of improvements, furniture and equipment	(1,626,511)	(1,200,500)
Proceeds from sale of improvements, furniture and equipment	-	8,962
Payments to fund pension plan in excess of minimum requirement	(995,512)	-
Disbursements for loans to employees	(879,870)	(2,206,993)
Collection of payments on loans to employees	303,380	1,912,098
Net cash provided by (used in) investing activities	(2,357,163)	10,472,432
Cash flows from financing activities		
Receipt of contributions to permanently restricted net assets	6,148,517	4,559,555
Borrowing on line of credit	2,300,000	2,450,000
Paydown on line of credit	(745,000)	(1,705,000)
Net cash provided by financing activities	7,703,517	5,304,555
Net change in cash	4,022,144	(524,935)
Cash, beginning of year	716,066	1,241,001
Cash, end of year	\$ 4,738,210	\$ 716,066
<u>Supplemental disclosures of cash flow information</u>		
Non-cash investing and financing activities		
Donated improvements, furniture and equipment	\$ 27,500	\$ 242,000

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

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

1. Organization and Summary of Significant Accounting Policies

Organization

Founded in 1911, the San Francisco Symphony (the "Symphony") presents more than 220 concerts and presentations annually for an audience of nearly 600,000 in its home of Davies Symphony Hall, in other Bay Area venues, and through an active national and international touring program. In addition, the Symphony provides extensive music education programs that benefit students in San Francisco and throughout the Bay Area. The Symphony has its own recording label, SFS Media, and has produced an extensive body of acclaimed audio and video recordings which are distributed around the world. Its national multimedia project, *Keeping Score*, encompasses a public television and radio series, educational music websites, documentary and live performance DVDs, and an education program for K-12 schools to further teaching through the arts by integrating classical music into core subjects.

The year ended August 31, 2012 represented the San Francisco Symphony's Centennial Season. This Centennial Season required expanded levels of Symphony programming supported by increased non-recurring marketing and administrative expenditures. In order to fund the Centennial Season expenditures, the Symphony commenced specific fundraising by taking an additional endowment draw deferred from prior years and expanded its events.

The San Francisco Symphony sets the highest possible standard for excellence in musical performance at home and around the world; enriches, serves, and shapes cultural life throughout the spectrum of Bay Area communities; maintains financial stability, and gains public recognition as a means of ensuring its ability to fulfill its mission.

Basis of presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets, in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

- Board designated endowment net assets - Board designated endowment net assets represent unrestricted resources available to support the Symphony's operations that the Board has designated to be held in the Symphony's endowment.
- Unrestricted net assets - Unrestricted net assets represent unrestricted resources available to support the Symphony's operations and temporarily restricted resources which become available for use by the Symphony in accordance with the intentions of donors.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

- Temporarily restricted net assets - Temporarily restricted net assets represent contributions that are limited in use by the Symphony in accordance with donor imposed stipulations. These restrictions may expire with time or may be satisfied by the actions of the Symphony according to the terms of the donor stipulation. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and reported as unrestricted net assets. In accordance with the California Uniform Prudent Management of Institutional Funds Act of 2008 ("UPMIFA"), temporarily restricted net assets also include donor-restricted endowment funds that are not classified as permanently restricted net assets and that have not been appropriated for expenditure by the Board of Governors (the "Board").
- Permanently restricted net assets - Permanently restricted net assets represent contributions to be held in perpetuity as directed by the donor. The income from these contributions is available to support activities of the Symphony as directed by the donors. The realized and unrealized gains on certain permanently restricted contributions are required to be reinvested, as directed by the donors.

Cash

Cash consists of demand deposits.

Marketable securities

Marketable securities, which are stated at fair value, represent the Symphony's operating balances and consist of investments in money market funds and stock gifts received but not liquidated as of August 31, 2013.

Promises to give

Promises to give are recorded when deemed unconditional. 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 discounts on those amounts are computed using the risk-free rates adjusted for potential credit risk applicable in the years in which those promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as revenue until the conditions are substantially met. The Symphony continually monitors donor's credit worthiness and recognizes allowances for estimated bad debts on donor accounts that are no longer estimated to be collectible.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Receivables under charitable remainder trusts

Assets contributed by donors under charitable remainder trust agreements and controlled by third parties are recognized at the present value of the estimated future distributions to be received by the Symphony over the term of the agreement.

Prepaid expenses and other

Prepaid expenses consist primarily of prepaid marketing expenses. Such amounts are deferred and amortized as expenses in the period benefited.

Other assets include loans to employees and master recordings used to produce CD's and DVD's. The master recordings are amortized over the estimated life of the recorded performance.

Investments

Investments represent a diversified portfolio of public and private equity and fixed income securities, limited partnerships and limited liability corporations, carried at estimated fair value. Equity and fixed income securities' fair values have been determined by closing market prices on national exchanges. Securities in limited partnerships and limited liability corporations, which are not listed on a national exchange, are valued at estimated fair value based upon various inputs as determined by the managing partner/member. Dividend and interest income are accrued when earned.

The limited partnerships represent alternative investments which include nonmarketable and restricted investment securities whose values have been estimated by the managing partner of the partnership in the absence of readily ascertainable market values. Generally, the managing partners may use one or more of the following inputs to estimate fair value of non-marketable or restricted investment securities: 1) original transaction price; 2) recent transactions in the same or similar securities; 3) pending third-party transactions in the security or comparable securities; 4) subsequent sale or investment transactions in the same securities; 5) recapitalizations or other capital structure transactions of the issuer of the securities; 6) subsequent offerings of the same security in the equity markets; and 7) changes in the financial condition of the issuer of the security. These inputs may also be adjusted to reflect illiquidity or non-transferability, as estimated by the managing partner. Because of the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

The limited liability corporations, consisting of alternative investments in real estate, are carried at estimated fair value as determined by the managing members of the corporations. The managing members generally estimate fair value using one or more of the following methodologies: 1) forecasts of future net cash flows discounted at prevailing market rates; 2) prevailing market capitalization rates or earnings multiples; 3) recent sales of comparable investments; 4) independent third party appraisals; and 5) sales negotiations and bona fide purchase offers received from independent third parties. Because of the inherent uncertainties of the real estate valuation, the value reflected in the financial statements may differ significantly from the value that would be determined by negotiations between parties in sales transactions, resulting in differences that could be material.

Investment income is reported net of custodial and investment advisory fees of \$259,253 for the year ended August 31, 2013.

Estimated fair value of financial instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Symphony determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Symphony has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The types of instruments which would generally be included in this category include limited partnerships and limited liability corporations, receivables under charitable remainder trusts and liabilities to beneficiaries of split interest agreements.

Unobservable inputs reflect the Symphony's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Symphony's own data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. The Symphony's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Assets held in split interest agreements

Included in assets held in split interest agreements are charitable remainder trusts, pooled income funds and gift annuities controlled by the Symphony. Assets held in split interest agreements are recognized at fair value when irrevocable trusts naming the Symphony as irrevocable remainderman are executed with a corresponding liability to beneficiaries of split interest agreements. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. The Symphony has determined such liability using investment returns consistent with the composition of investment portfolios, single or joint life expectancies from certain mortality tables for the year ended August 31, 2013 and a discount rate of 4.75%. Upon initial recognition of the agreements, contributed income (the difference between assets held in split interest agreements and liabilities to beneficiaries of split interest agreements) is recognized as temporarily restricted net assets. In subsequent periods, income from changes in value of the split interest agreements is recognized as temporarily restricted contributed income in the statement of activities.

Improvements, furniture, and equipment

Improvements, furniture, and equipment of at least \$1,500 and all computers are capitalized and stated at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets which range from three to thirty years. Musical instruments and artwork are not depreciated as their estimated useful lives are extraordinarily long. Contributed equipment is recorded at fair value at the date of donation. The Symphony does not imply time restrictions on the use of contributed long-lived assets received without explicit donor stipulations concerning how long the contributed assets must be used.

The carrying amount of all long-lived assets is evaluated periodically to determine if reductions to the carrying amount or adjustments to the useful lives of the undepreciated balances are warranted.

Advance ticket sales

Advance ticket sales consist of concert revenues received in advance of the period the related concerts are performed. Such amounts are deferred and recognized as revenue in the period the performance takes place.

Revenue recognition

Contributions are recognized as revenue when they are received or unconditionally promised. The Symphony reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

Transfers of assets with a conditional promise to contribute are accounted for as a refundable advance and are included in accounts payable and other accrued liabilities until the conditions have been substantially met or have been explicitly waived by the donor. At August 31, 2013 such amounts totaled \$5,500,000.

Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is recorded are reported as temporarily restricted contributions and net assets released from restrictions in that period.

Contributed services

The Symphony recognizes contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would need to be purchased if not donated.

Joint activities

Costs of joint activities that are identifiable with a particular function are charged to that function and joint costs are allocated between development and the appropriate program or general and administrative function. Of the total joint costs incurred of \$2,705,354 for the year ended August 31, 2013, \$1,919,814 has been allocated to program; \$475,172 to development; and \$310,368 to general and administrative.

Fundraising expenses are reflected in the statement of activities as volunteer council and development expenses. For the year ended August 31, 2013 these expenses totaled \$7,860,895.

Income taxes

The Symphony has received rulings from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and from the State of California Franchise Tax Board granting exemption from income taxation.

The Symphony has evaluated its current tax positions on unrelated business income and has concluded that as of August 31, 2013, the Symphony does not have any significant uncertain tax positions for which a reserve would be necessary. For state tax purposes, the Symphony is generally no longer subject to tax examinations for years prior to 2009. For federal tax purposes, the Symphony is no longer subject to tax examinations for years prior to 2010.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Functional expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs applicable to more than one program or activity, such as depreciation and amortization, have been allocated among the program and supporting services. The allocation is based on management's judgment using the individual program expenses in relation to overall expenses.

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. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

Financial instruments which potentially subject the Symphony to credit risk consist primarily of cash, marketable securities, investments and promises to give. The Symphony maintains cash, marketable securities and investments with various major financial institutions. At times, such amounts might exceed Federal Deposit Insurance Corporation limits. The Symphony manages credit risk by establishing minimum credit standards for financial institutions and limiting the amount of credit exposure with any one institution. The Symphony's investments have been placed with major counterparties. The Symphony closely monitors these investments and has not experienced any credit losses.

As of August 31, 2013, approximately 72% of the Symphony's employees were covered by collective bargaining agreements. The collective bargaining agreement with the American Guild of Musical Artists covering San Francisco chorus members expires July 31, 2016. The Theatrical Employees Union, Local B-18, of the International Alliance of Theatrical Stage Employees, Moving Picture Machine Operators of the United States and Canada, covering ticket service employees and ushers, expires on May 31, 2016 and the collective bargaining agreement with the American Federation of Musicians covering the musicians of the San Francisco Symphony expires on January 31, 2015. The collective bargaining agreement with the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States and Canada, Local 16, covering stage employees, and Local 784 covering wardrobe employees expires on October 31, 2017 and December 31, 2017, respectively.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

1. Organization and Summary of Significant Accounting Policies (continued)

Subsequent events

The Symphony has evaluated events through January 29, 2014, the date the financial statements were available to be issued.

Comparative totals

The financial statements include certain 2012 summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Symphony's financial statements as of and for the year ended August 31, 2012, from which the summarized information was derived.

2. Promises to Give

Promises to give at August 31, 2013 are as follows:

Receivable in:	
Less than one year	\$ 7,713,160
One to five years	8,334,110
More than five years	1,416,740
Discount	<u>(264,185)</u>
Total	17,199,825
Less allowance for uncollectible pledges	<u>(90,000)</u>
Total	<u>\$17,109,825</u>

Included in promises to give as of August 31, 2013 is \$2,999,999 from one donor and \$5,500,000 from five donors.

In March 2006, the Symphony received a conditional \$10,000,000 unrestricted challenge pledge that is held in a Board designated endowment fund. The Symphony received the payment of the pledge in full prior to August 31, 2013 and has recognized \$4,500,000 as of August 31, 2013 as revenue by obtaining qualifying matching pledges. The unearned portion of this conditional challenge pledge is included in accounts payable and other accrued liabilities as of August 31, 2013 (see Note 1).

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

3. Fair Value Measurements

Financial assets and liabilities at August 31, 2013 are classified by levels within the fair value hierarchy as follows:

<u>Item</u>	Level 1: Quoted Prices in Active Markets For Identical <u>Assets</u>	Level 2: Significant Other Observable <u>Inputs</u>	Level 3: Significant Unobservable <u>Inputs</u>	<u>Total at August 31, 2013</u>
Cash and cash equivalents	\$ 2,401,328	\$ -	\$ -	\$ 2,401,328
Fixed income	47,384,984	-	-	47,384,984
Domestic equity	102,087,203	-	-	102,087,203
International equity	45,379,368	-	-	45,379,368
Venture capital	-	-	8,121,541	8,121,541
Real estate	-	-	16,185,322	16,185,322
Hedge funds	-	-	36,747,057	36,747,057
Receivables under charitable remainder trusts	-	-	2,562,131	2,562,131
Assets held in split interest agreements	<u>5,666,901</u>	<u>-</u>	<u>-</u>	<u>5,666,901</u>
Total	<u>\$202,919,784</u>	<u>\$ -</u>	<u>\$63,616,051</u>	<u>\$266,535,835</u>
Liabilities to beneficiaries of split interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,607,771)</u>	<u>\$ (2,607,771)</u>

Changes in the fair value of the Symphony's Level 3 assets and liabilities for the year ended August 31, 2013:

	<u>Venture Capital</u>	<u>Real Estate</u>	<u>Hedge Funds</u>	<u>Receivables Under Charitable Remainder Trusts</u>	<u>Liabilities to Beneficiaries of Split Interest Agreements</u>	<u>Total</u>
Balance, September 1, 2012	\$4,195,147	\$13,421,840	\$ 34,871,441	\$ 3,997,283	\$(2,670,735)	\$ 53,814,976
Purchase, issuances and settlements, net	3,425,000	4,140,424	245,171	(1,548,797)	-	6,261,798
Sales and proceeds	(841,670)	(3,313,350)	(1,429,300)	-	-	(5,584,320)
Realized and unrealized gains (losses), net	1,343,065	1,936,408	3,059,744	-	-	6,339,217
Change in value	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,645</u>	<u>62,964</u>	<u>176,609</u>
Balance at August 31, 2013	<u>\$ 8,121,542</u>	<u>\$16,185,322</u>	<u>\$ 36,747,056</u>	<u>\$ 2,562,131</u>	<u>\$(2,607,771)</u>	<u>\$ 61,008,280</u>

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

3. Fair Value Measurements (continued)

Net realized and unrealized gains (losses) are included in investment income and net gains (losses) on the Statement of Activities.

4. Improvements, Furniture, and Equipment

Improvements, furniture, and equipment at August 31, 2013 are comprised of the following:

Davies Symphony Hall renovations	\$11,031,479
Furniture and equipment	2,523,385
Computer equipment and software	5,735,652
Leasehold improvements	4,799,321
Musical instruments and artwork	10,397,311
Work in progress	<u>1,387,013</u>
Total	35,874,161
Accumulated depreciation and amortization	<u>(17,408,570)</u>
Improvements, furniture, and equipment - net	<u>\$18,465,591</u>

Depreciation expense for the year ended August 31, 2013 was \$1,225,146.

5. Line of Credit

The Symphony maintains a revolving secured line of credit in the amount of \$7,000,000. The line of credit is secured with a first priority security interest in specific board designated assets maintained in the Symphony's Securities Account with a financial institution. As of August 31, 2013, interest on the line was at one-half percent (0.50%) above the Daily One Month LIBOR rate in effect, rounded upwards to one-eighth of a percent (0.75%). As of August 31, 2013, the Symphony's outstanding balance amounted to \$2,300,000 and is included in accrued liabilities on the statement of financial position. Interest expense incurred for the year ended August 31, 2013 was \$23,094.

Under the terms of the line of credit agreement, the Symphony is required to comply with certain covenants. At August 31, 2013, the Symphony has met all of these covenants.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

6. Endowment

The Symphony's endowment consists of 103 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment consists of the following components: (a) permanently restricted investments, which represent the historic dollar value of the contributions restricted by donors for permanent investment, (b) earnings on permanently restricted investments that may be permanently restricted, temporarily restricted by donors for specific purposes, or have not yet been appropriated for expenditure by the Board, (c) temporarily restricted investments whose earnings have been restricted by donors for specific purposes or have not yet been appropriated for expenditure by the Board, and (d) unrestricted endowment investments, which represent funds directed for investment in the endowment by the Board and investment losses on donor-restricted investments in excess of the amount required to be maintained by the donors.

Interpretation of relevant law

The Board of Governors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, 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. The remaining portion of the donor-restricted endowment fund 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 UPMIFA. In accordance with UPMIFA, 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 fund
- (2) The purposes of the Symphony and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Symphony
- (7) The investment policies of the Symphony

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

6. Endowment (continued)

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Symphony to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$112,837 as of August 31, 2013. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions.

Return objectives and risk parameters

The Symphony has adopted investment and spending policies for endowment assets that attempt to preserve and enhance the inflation-adjusted value of the corpus in perpetuity and to limit the volatility of the distributions from the Endowment to provide a relatively stable annual draw to support the Symphony's operating needs. These financial objectives are intended to balance the needs of current and future beneficiaries of the Symphony's Endowment. It is recognized that the desire to maintain and grow the corpus and produce a stable distribution stream involves tradeoffs that must be balanced in setting the investment objectives and the spending policies. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Investment decisions about an individual asset or class of assets will not be made in isolation, but in the context of the entire portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the fund and the institution. The Symphony expects its endowment funds to return an average annual inflation adjusted real return of 6% annually, net of all investment management fees, over the long-term. Actual returns in any given year may vary from this amount.

Strategies employed for achieving investment objectives

To achieve its long-term rate of return objectives, the Board has adopted the total return approach to managing the endowment. The investments will be diversified both by asset class and within asset class and shall include public equity funds, fixed income funds and alternative investment funds. The public equity and alternative investment funds together should normally represent 80% of the endowment's market value and fixed income funds should normally represent 20% of the endowment's market value. The Board may, at its discretion, change the allocations of the funds in order to achieve its long-term objectives.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

6. Endowment (continued)

Relationship of spending policy to investment objectives

The Symphony's investment policy establishes the long-term objective of its endowment funds to return an annual return of 6% annually, net of all investment management fees, over the long-term. For the year ended August 31, 2013, the annual distribution based on the spending policy was calculated using a hybrid approach that includes 70% of the prior fiscal year's calculated draw, adjusted for the prior year's inflation rate plus 1.5%, with the remaining 30% based on the trailing 16-quarter average market value for the period ending February 28 prior to the start of each fiscal year, multiplied by 5.5%. Collars have been set at a minimum of 3.5% and a maximum of 6.5% of the February 28 ending market value. There is a transition period where the 12-quarter trailing market value will be increased to a 20-quarter trailing market value over a three-year period using 12 quarters for the year ended August 31, 2012, 16 quarters for the year ended August 31, 2013 and 20 quarters the following year and for all future years. The inflation factor used in this formula will be based on the Core CPI Index for All Urban Consumers for the year ending February 28 preceding the draw formula.

The Board has adopted a policy to preserve the historical dollar value of permanently restricted gifts. After maintaining this value, the Board interprets the law as allowing it to use any of the investment returns as is prudent considering the Symphony's long and short term needs, expected total return on its investments, price level trends, general economic conditions and the donors' restrictions.

Endowment net assets

Endowment net asset composition by type of fund as of August 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (112,837)	\$68,037,760	\$137,889,696	\$205,814,619
Board-designated endowment funds	<u>77,550,184</u>	<u>-</u>	<u>-</u>	<u>77,550,184</u>
Total endowment funds	<u>\$77,437,347</u>	<u>\$68,037,760</u>	<u>\$137,889,696</u>	<u>\$283,364,803</u>

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

6. Endowment (continued)

Endowment net assets (continued)

Changes in endowment net assets for the year ended August 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$76,974,093	\$55,856,680	\$135,209,277	\$268,040,050
Investment return				
Investment income, net of fees	2,977,744	4,017,932	-	6,995,676
Net appreciation (realized and unrealized)	<u>7,312,719</u>	<u>11,907,573</u>	<u>725,037</u>	<u>19,945,329</u>
Total investment return	10,290,463	15,925,505	725,037	26,941,005
Contributions	1,920,463	122,763	1,955,382	3,998,608
Distribution of investment income	(9,648,457)	(3,281,381)	-	(12,929,838)
Appropriation of endowment assets for expenditure	<u>(2,099,215)</u>	<u>(585,807)</u>	<u>-</u>	<u>(2,685,022)</u>
Endowment net assets, end of year	<u>\$77,437,347</u>	<u>\$68,037,760</u>	<u>\$137,889,696</u>	<u>\$283,364,803</u>

7. Restricted Net Assets and Net Assets Released from Restrictions

Temporarily restricted and permanently restricted net assets as of August 31, 2013 are available for the following purposes or periods:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Orchestra and artist compensation	\$ 4,115,397	\$ 30,316,365
Youth orchestra and education	10,328,696	29,674,462
Production and general activities	11,248,445	73,855,512
Remainder trusts	1,685,173	-
Community engagement	1,030,949	3,900,000
Improvements, furniture and equipment	3,628,402	-
Endowment funds not appropriated for expenditure	36,250,699	-
For subsequent periods	<u>12,708,884</u>	<u>143,357</u>
Total	<u>\$80,996,645</u>	<u>\$137,889,696</u>

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

7. Restricted Net Assets and Net Assets Released from Restrictions (continued)

Included in temporarily restricted net assets are \$31,787,061 of purpose and time restricted endowment gifts.

Net assets were released from restrictions for the year ended August 31, 2013 as follows:

Orchestra and artist compensation	\$ 1,078,523
Youth orchestra and education	5,053,855
Production costs and general activities	6,340,613
Time restrictions satisfied	1,405,503
Fund-raising events	614,102
Property, plant and equipment	1,209,077
Community engagement	<u>753,751</u>
Total	<u>\$16,455,424</u>

8. Contributed Goods and Services

The Symphony recognizes contributed revenue and a related expense for certain contributed services at the fair value of those services. During the fiscal year ended August 31, 2013 contributed services recognized in the accompanying financial statements and included in contributed revenue was \$702,796 and consisted primarily of legal and consulting services, which are included in general and administrative activities. The Symphony receives many additional hours of donated services from volunteers in various capacities, which are not reflected in the accompanying financial statements, as the criteria for recognition are not met.

The Symphony also recognizes as revenue in-kind contributions of food, equipment and other goods at the estimated fair value at the date of donation. The estimated value of such contributions received and recognized in the statement of activities was \$499,080 for the year ended August 31, 2013.

9. Related Party Transactions

During the year ended August 31, 2013, the Symphony invested \$1,900,000 in a venture capital limited partnership which invests in a fund that a Board member is a General Partner. The Symphony's future capital commitments related to this partnership as of August 31, 2013 was \$600,000.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

10. Defined Benefit Retirement Plans

Some Symphony employees are covered by noncontributory defined benefit retirement plans.

Orchestra Plan - Orchestra members are covered following the completion of at least 23 weeks or one-half season. The plan provides an annual pension at age 62 equal to \$2,467 per year of service, and is subject to a maximum pension of \$74,000 per year at retirement. Actuarially reduced pensions are available upon early retirement at age 55 or later. Benefits vest after the completion of five years of service. Subject to certain conditions, the plan provides supplemental spousal and disability benefits.

Administrative Plan - On March 31, 2010, the Administrative Defined Benefit Retirement Plan was frozen and the Symphony instituted a discretionary base contribution on behalf of the employees participating in the frozen plan in its defined contribution plan (Note 11).

Prior to that date, substantially all administrative employees who worked 1,000 or more hours per year and had one or more years of service were included in this plan. For covered participants prior to March 31, 2010, the plan provides an annual pension at age 65 equal to 1.5% of the employee's highest 60-month average salary per year of service. Actuarially reduced pensions are available upon early retirement at age 55 or later. Benefits vest after the completion of five years of service. Subject to certain conditions, the plan provides supplemental spousal benefits.

The Symphony uses an August 31 measurement date for all of its defined benefit pension plan obligations.

The following sets forth the funded status of the plans as of August 31, 2013:

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Plan assets at fair value	\$ 53,966,036	\$13,450,859
Projected benefit obligation	<u>(67,634,414)</u>	<u>(16,115,549)</u>
Funded status recognized in the statement of financial position	<u>\$(13,668,378)</u>	<u>\$(2,664,690)</u>

Included in unrestricted net assets at August 31, 2013, are the following amounts that have not yet been recognized in net periodic benefit cost for the Orchestra Plan and the Administrative Plan: net actuarial loss of \$24,169,572 and \$3,834,015, respectively, and net prior service cost of \$5,988,645 and \$0, respectively. The prior service cost and actuarial losses included in unrestricted net assets and expected to be recognized in net periodic pension cost during the fiscal year ended August 31, 2014 are \$835,516 and \$1,721,568, respectively, for the Orchestra Plan, and \$0 and \$393,330, respectively, for the Administrative Plan.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

10. Defined Benefit Retirement Plans (continued)

The following table for the year ended August 31, 2013 provides components of the net periodic pension benefit cost for the plans:

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Service cost	\$1,457,974	\$ 55,000
Interest cost	2,848,514	693,264
Expected return on plan assets	(3,373,303)	(795,419)
Prior service amortization	908,876	-
Recognized net actuarial loss	<u>2,158,137</u>	<u>601,303</u>
Total net periodic benefit cost	<u>\$4,000,198</u>	<u>\$554,148</u>

Assumptions - Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost for the year ended August 31, 2013 were as follows:

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Discount rate - net periodic benefit cost	4.00%	4.00%
Expected long-term return on plan assets	7.00%	7.00%
Rate of compensation increase	-	-
Discount rate - benefit obligation	4.75%	4.75%

The overall expected long-term rate of return on plan assets is determined by the plans' historical long-term investment performance, current asset allocation and estimate of future long-term return rates.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

10. Defined Benefit Retirement Plans (continued)

Plan assets - Weighted-average asset allocation of the Symphony's pension plans at August 31, 2013 was as follows:

	<u>Policy Allocation Target</u>	<u>Allocation of Plan Assets At August 31, 2013</u>
Orchestra Plan		
Asset classes		
Equities	41.0%	43.6%
Absolute return	20.0%	20.3%
Fixed income	31.0%	28.9%
Real estate	8.0%	-
Cash	-	7.2%
Administrative Plan		
Asset classes		
Equities	60.0%	63.0%
Absolute return	15.0%	14.8%
Fixed income	15.0%	13.6%
Real estate	10.0%	-
Cash	-	8.6%

The San Francisco Symphony's Statements of Investment Policy, Objective, and Procedure for the Orchestra Plan and Administrative Plan, respectively, outline the governance structure for decision-making, set investment objectives and restrictions, and establish criteria for selecting and evaluating investment managers. The Retirement Board, consisting of Board members and musicians, and the Investment Committee, consisting of members of the Board, both supported by independent consultants, are responsible for monitoring compliance with the investment policies noted above.

Benefits paid

The following benefits were paid during the year ended August 31, 2013:

	<u>Orchestra Plan</u>	<u>Administrative Plan</u>
Benefits paid	\$2,263,857	\$380,752

Cash flows

Contributions - During the year ended August 31, 2013, the Symphony contributed \$4,899,061 and \$650,797 to the Orchestra Plan and the Administrative Plan, respectively.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

10. Defined Benefit Retirement Plans (continued)

Cash flows (continued)

Based on the Symphony's forecast at August 31, 2013, the Symphony expects to contribute \$4,032,000 and \$744,000 to the Orchestra Plan and the Administrative Plan, respectively, by August 31, 2014.

Estimated Future Benefit Payments - The Symphony anticipates future benefit payments, which reflect future service, to be paid from the pension plans as follows:

<u>Fiscal Years Ending</u>	<u>Orchestra Plan Pension Benefits (in millions)</u>	<u>Administrative Plan Pension Benefits (in millions)</u>
2014	\$ 2.8	\$0.6
2015	\$ 3.0	\$0.6
2016	\$ 3.1	\$0.7
2017	\$ 3.4	\$0.8
2018	\$ 3.6	\$0.8
2019-2023	\$22.0	\$5.1

Retirement Plans - Multiemployer

The Symphony has contracted to make payments to multiemployer retirement plans for employees covered by various collective bargaining agreements. Contributions to such plans range from 7.7% to 10.9% of the employee's compensation and were \$451,529 for the year ended August 31, 2013.

The Symphony is a participating employer in various trustee-managed multiemployer defined benefit pension plans for employees who participate in collective bargaining agreements. The plans generally provide retirement benefits to employees based on years of service to participating employers. The multiemployer pension plans are each managed by a board of trustees. The Symphony is represented on the Board of Trustees of one multiemployer defined benefit pension plan. Contributions of \$451,529 in the year ending August 31, 2013 and \$493,437 in the year ending August 31, 2012 were charged to pension expense for ongoing participation in these plans.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

10. Defined Benefit Retirement Plans (continued)

Retirement Plans - Multiemployer (continued)

The risks of participating in these multiemployer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if the Symphony chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to the plan. In connection with ongoing renegotiation of collective bargaining agreements, the Symphony may discuss and negotiate for the complete or partial withdrawal from one or more multiemployer pension plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Symphony's consolidated change in net assets in the period of the withdrawal. The Symphony has no plans to withdraw from its multiemployer pension plans at this time.

The following schedule presents information about the Symphony's multiemployer pension plans as of August 31, 2013, and the years ended August 31, 2013 and 2012:

Name of Pension Plan/Fund	EIN and Plan Number	Pension Protection Act Zone Status		FIP/RP Status	Contributions for the Year Ended August 31		Surcharge Imposed	Expiration of Collective Bargaining Agreement
		Applicable Year	Applicable Year		2013	2012		
American Federation of Musicians & Employers' Pension Fund	51-6120204 001	Red 3/31/13	Red 3/31/12	Imple- mented	\$326,758	\$344,247	Yes	1/31/2015
I.A.T.S.E. Local 16 Pension Plan	94-6296420 001	Red 12/31/12	Red 12/31/11	Imple- mented	\$121,129	\$137,111	Yes	10/31/2017

American Federation of Musicians & Employers' Pension Fund ("AFM Pension Fund") - The Symphony makes contributions to the AFM Pension Fund on behalf of employees who are members of American Federation of Musicians who meet certain conditions. The Fund was certified "red zone" status as of the most recent Fund reporting date. According to the most recently available Annual Funding Notice, as of April 1, 2012, the funded percentage was 88.50%; the Actuarial Value of Assets was \$ 2,051,603,284; and the Actuarial Value of Liabilities was \$2,318,649,701. The Symphony did not contribute more than 5% of total Fund contributions.

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

10. Defined Benefit Retirement Plans (continued)

Retirement Plans - Multiemployer (continued)

I.A.T.S.E. Local 16 Pension Plan - The Symphony makes contributions to the I.A.T.S.E. Local 16 Pension Plan on behalf of employees who are members of the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States and Canada, Local 16. The Fund was certified "red zone" status as of the most recent Fund reporting date. According to the most recently available Annual Funding Notice, as of January 1, 2012, the funded percentage was 78.4%; the Actuarial Value of Assets was \$ 163,013,678; and the Actuarial Value of Liabilities was \$207,962,851. The Symphony did not contribute more than 5% of total Fund contributions.

11. Defined Contribution Plan

The Symphony participates in a defined contribution plan (the "Plan") covering substantially all Symphony employees. The Plan provides for discretionary contributions to be made by both orchestra and administrative participants. The Plan also provides for discretionary contributions to be made by the Symphony on behalf of administrative participants. Participants are fully vested upon entering the Plan.

The Symphony's matching contributions to participants' accounts begin after the participant has completed two years of service. The Symphony's matching contributions for the year ended August 31, 2013 were \$213,645.

The Symphony's base contributions to participants' accounts begin after the participant has completed one year of service. The Symphony's base contributions for the year ended August 31, 2013 were \$307,185. Participants are fully vested in the base contribution after five years.

12. Commitments and Contingencies

The Symphony leases facilities and equipment under noncancelable operating leases, subject to various escalation clauses, expiring through the fiscal year ending August 31, 2019. In addition, the Symphony leases the Louise M. Davies Symphony Hall. Lease arrangements for the auditorium and office space in the hall are negotiated on a periodic basis. The Symphony retains in perpetuity the right to lease space in Davies Symphony Hall at terms to be determined as long as the Orchestra continues to perform in San Francisco. Minimum future rental payments on leases and other operating contracts for the next five years as of August 31, 2013 are as follows:

SAN FRANCISCO SYMPHONY
Notes to Financial Statements
August 31, 2013

12. Commitments and Contingencies (continued)

<u>Years Ending August 31,</u>	
2014	\$ 4,165,570
2015	4,027,541
2016	4,011,002
2017	3,768,226
2018 and thereafter	<u>1,206,629</u>
Total	<u>\$17,178,968</u>

Rent expense was \$1,589,199 for the year ended August 31, 2013.

As of August 31, 2013, the Symphony had unused line of credit of approximately \$4,700,000.

The Symphony has commitments under partnership and limited liability corporation agreements to make future capital contributions of \$10,650,285.

Occasionally, the Symphony is involved in legal actions arising from normal business activities. Management, upon advice of legal counsel handling such actions, believes that the ultimate resolution of any such actions will not have a material adverse effect on the Symphony's financial position or its changes in net assets.

SUPPLEMENTARY INFORMATION

SAN FRANCISCO SYMPHONY
Schedule of Changes in Endowment Net Assets
For the Year Ended August 31, 2013

Funds Held in Trust	Net Assets September 1, 2012	Contributions and Bequests	Gains (Losses) and Investment Income-Net of Fees	Expenses and Allocated Transfers	Distribution of Investment Income	Net Assets August 31, 2013
San Francisco Symphony Endowment Fund	\$ 66,709,545	\$ 1,272,163	\$ 7,806,122	\$ (562,840)	\$ (7,578,262)	\$ 67,646,728
The Edmund W. and Jeannik Mequet Littlefield Fund	18,495,028	101,338	1,457,161	(27,176)	(23,007)	20,003,344
Phyllis C. Wattis Endowment Fund	14,517,481	80,225	1,661,289	(41,819)	(23,143)	16,194,033
Louise M. Davies Guest Conductor Fund	15,286,499	-	961,359	-	(274,970)	15,972,888
Phyllis C. Wattis Fund for New Works of Music	13,755,811	80,225	1,612,842	-	(334,902)	15,113,976
Phyllis C. Wattis Fund for Guest Artists	12,784,250	80,225	1,569,252	-	(572,409)	13,861,318
San Francisco Symphony Planned Giving Fund	10,744,746	(47,914)	-	-	-	10,696,832
Adventures in Music Fund	8,241,232	1,000,000	794,273	-	(335,132)	9,700,373
Ford Foundation Fund	7,349,999	-	1,036,518	(73,081)	(992,780)	7,320,656
Osgood Hooker Permanent Endowment Fund	6,498,008	-	522,850	(46,268)	(11,138)	6,963,452
The Hewlett Foundation Fund for Education	5,691,414	-	584,844	-	(281,215)	5,995,043
William and Sakurako Fisher Fund for Adventures in Music	5,308,574	-	420,415	-	(134,252)	5,594,737
The Barbro and Bernard Osher Fund for Staged Productions	4,795,164	-	554,564	(147,619)	(243,445)	4,958,664
Jacqueline Hoefler Fund for Artistic Excellence	4,358,795	-	445,688	(28,796)	(6,159)	4,769,528
San Francisco Symphony Heritage Fund	5,418,900	809,330	32,477	(1,493,982)	-	4,766,725
Naoum Blinder Concertmaster's Chair Fund	4,035,048	-	315,484	(26,046)	(7,023)	4,317,463
William Randolph Hearst Endowment	3,257,681	-	320,756	(17,204)	(27,532)	3,533,701
The Richard and Rhoda Goldman Section String Fund	2,974,257	-	894,820	(33,715)	(458,014)	3,377,348
Phyllis C. Wattis Youth Symphony Fund	2,752,451	-	349,397	-	(44,126)	3,057,722
Jean and Bill Lane Chair Fund	2,717,770	-	246,892	(8,406)	(4,784)	2,951,472
The Ann L. and Charles B. Johnson Fund	2,567,322	-	246,937	(24,524)	(4,022)	2,785,713
San Francisco Symphony Education Fund	2,194,170	(4,773)	155,154	-	(103,015)	2,241,536
Wallace Endowment Fund	2,061,683	-	225,062	-	(116,886)	2,169,859
Helen and Charles Schwab Fund	1,881,997	-	238,961	(18,482)	(26,617)	2,075,859
Paul L. & Phyllis Wattis Endowment for the Youth Orchestra Conductor	1,953,323	-	117,530	-	(94,249)	1,976,604
Paul L. & Phyllis Wattis Endowment for New Music	1,891,206	-	127,265	-	(108,374)	1,910,097
James David Zellerbach Foundation	1,739,368	-	140,635	(12,584)	(2,974)	1,864,445
Robert L. Samter Principal Trombone Chair Fund	1,566,958	-	123,397	(10,373)	(2,717)	1,677,265
Marcia and John Goldman Timpani Chair Fund	1,755,637	7,826	143,143	(16,614)	(225,700)	1,664,292
Agnes Albert Youth Music Education Fund	1,491,043	-	104,461	-	(62,315)	1,533,189
San Francisco Symphony Youth Orchestra Fund	730,341	1,044	763,467	(3,936)	(6,284)	1,484,632
K. Hart Smith Fund	1,337,266	9	133,960	-	(69,337)	1,401,898
Drs. Ben and Jess A. Shenson Young Artists Debut Fund	1,333,237	-	145,955	-	(78,139)	1,401,053
Penelope Clark Second Century Chair Fund	1,103,007	221,542	9,929	(135)	(943)	1,333,400
Phyllis C. Wattis Fund for Wattis Room Maintenance	1,182,450	-	161,914	-	(12,605)	1,331,759
Wattis Special Performance Fund	1,153,465	-	165,525	(2,780)	(1,752)	1,314,458
The Paula and John Gambs Fund	1,176,353	-	115,266	(2,538)	(2,082)	1,286,999
The Harriet Heyman and Michael Moritz Endowed Fund	1,090,193	-	148,632	-	(35,004)	1,203,821
Diane Miller AIM Fund	1,123,068	-	92,480	(10,592)	(1,854)	1,203,102
The Lyman and Carol Casey Endowed Fund	1,114,044	-	90,774	(1,785)	(2,032)	1,201,001
The Christine and Pierre Lamond Fund	1,089,476	-	106,016	(10,418)	(1,718)	1,183,356
Nancy and Charles Geschke Fund	1,076,973	-	105,173	(10,301)	(1,716)	1,170,129
Bernard and Barbro Osher Youth Orchestra Touring Fund	1,056,497	-	111,528	-	-	1,168,025
Hume Flute Chair Fund	1,076,509	-	88,926	(1,442)	(1,923)	1,162,070
Carolyn H. Hume Youth Orchestra Touring Fund	1,052,959	9,600	57,257	-	(4,420)	1,115,396
Nan Tucker McEvoy Instrument Training and Support Fund	979,996	13,024	35,936	-	(15,784)	1,013,172
Athena T. Blackburn Endowed Fund for Russian Music	991,858	6,744	10,366	-	-	1,008,968
Emanuel S. Heller Endowment	838,718	-	72,734	(7,507)	(1,377)	902,568
The Leanne and George Roberts Endowment Fund for Community Programs	844,156	-	90,251	-	(53,259)	881,148

SAN FRANCISCO SYMPHONY
Schedule of Changes in Endowment Net Assets
For the Year Ended August 31, 2013

Funds Held in Trust	Net Assets September 1, 2012	Contributions and Bequests	Gains (Losses) and Investment Income-Net of Fees	Expenses and Allocated Transfers	Distribution of Investment Income	Net Assets August 31, 2013
Gary and Kathleen Heidenreich Fund	\$ 874,174	\$ -	\$ 102,844	\$ (8,514)	\$ (115,657)	\$ 852,847
Mrs. Walter Haas Children's Concert Fund	767,506	-	104,799	-	(32,470)	839,835
Maurice and Stella Eliasar Fund	658,760	-	54,547	(2,319)	(1,178)	709,810
Michael Tilson Thomas First Performances Fund	643,474	-	61,350	(1,360)	(1,131)	702,333
May Treat Morrison Memorial Foundation	677,865	-	45,811	-	(30,390)	693,286
William and Gretchen Kimball Education Fund	564,204	-	56,094	-	(27,083)	593,215
The Sandy and Paul Otellini Education Endowed Fund	549,538	-	56,166	-	(30,326)	575,378
Pauline C. Chickering Instrument Fund	492,629	-	65,226	(4,861)	(6,974)	546,020
John and Lisa Pritzker Concerts for Kids Fund	505,956	3,106	30,638	-	(9,066)	530,634
Ralph I. Dorfmann Commissioning Fund	468,133	-	57,572	-	-	525,705
San Francisco Symphony Keyboard Music Fund	411,519	-	36,434	(3,903)	(667)	443,383
Katherine H. Johnson Fund	407,559	12,868	12,164	(3,770)	(2,922)	425,899
Margaret Koshland Sloss Tribute Fund	433,955	-	45,526	(4,178)	(56,760)	418,543
Hanrahan Violin Chair Fund	361,870	-	27,970	(473)	(655)	388,712
Walter Edwin Dean II - Lenoir M. Dean Fund	340,973	-	40,991	(3,328)	(45,216)	333,420
J. Peter Cahill Guest Pianist Fund	323,581	-	22,792	-	(18,326)	328,047
Frannie & Mort Fleishhacker Endowed Touring Fund	216,555	48,866	22,683	-	(10,449)	277,655
Paul and Kathy Bissinger Endowed Fund	254,847	-	16,416	(115)	(1,741)	269,407
The Barbara and Richard Rosenberg Endowed Fund	248,763	-	20,070	(2,343)	(404)	266,086
The Hurlbut-Johnson Fund	238,537	-	23,350	-	(9,625)	252,262
James C. Hormel Concert for Kids Endowment Fund	238,424	(704)	23,560	-	(11,516)	249,764
Shenson Foundation Flute Chair for Youth Orchestra	228,583	-	9,105	(2,071)	(418)	235,199
Brayton Wilbur Jr. Endowed Fund for Touring	208,504	-	22,615	(291)	(13,639)	217,189
The Steinberg Family Education Endowed Fund	177,530	-	16,977	-	(10,397)	184,110
Elizabeth Letts Janss Fund	167,865	-	14,326	(1,588)	(21,567)	159,036
Leonard Kingsley Endowed Fund	143,762	-	18,413	(1,413)	(19,198)	141,564
KPMG Fund for Community Engagement	132,313	-	11,769	-	(8,730)	135,352
Ann and Jim Paras Endowed Fund	117,092	-	11,301	(247)	(209)	127,937
Nion McEvoy Family Fund	113,947	-	10,888	(212)	(216)	124,407
Agnes Albert Honorary Endowment Fund	113,612	-	11,085	(215)	(198)	124,284
Barbara Brookins Guest Artist Fund	118,999	-	11,365	-	(7,092)	123,272
Terry Family Fund	111,506	-	11,329	(199)	(190)	122,446
John P. and Susan H. Carver Fund	110,677	-	7,008	(154)	(213)	117,318
The Jon and Linda Gruber Education Fund	112,562	-	11,058	-	(6,613)	117,007
Mrs. George John Otto Memorial Vocalist Fund	105,188	-	10,322	-	(3,727)	111,783
Phyllis and Stuart Moldaw Fund for Instrument Training and Support	102,588	-	9,619	-	(1,588)	110,619
Geeslin Family Fund for Community Engagement	103,737	-	10,797	-	(5,089)	109,445
Jerome and Thao Dodson Music Education Fund	100,925	1,352	8,566	-	(1,622)	109,221
Halfmann-Yee Fund for Touring	-	100,000	7,953	-	-	107,953
The Howard and Agnes Shapiro Family Fund for Music Education	-	100,000	7,953	-	-	107,953
The Richard and Joan Madden Endowed Fund	97,131	-	9,970	(933)	(156)	106,012
Margaret Liu Foundation	100,686	754	4,121	-	(1,619)	103,942
James J. Parker Mostly Mozart Fund	96,020	-	8,413	(474)	(167)	103,792
Emma and Frederick Goltz Education Fund	99,195	878	3,905	-	(1,594)	102,384
Joan L. Danforth Guest Artist Fund	100,000	-	5,183	-	(3,605)	101,578
Jack and Fran Rominger Endowment Fund	-	100,000	-	-	-	100,000
Howard Skinner Fund	85,371	-	9,162	-	(2,608)	91,925
Lisa and Douglas Goldman Fund for Adventures in Music	85,421	880	7,379	-	(4,463)	89,217
Athena T. Blackburn Fund for Adventures in Music	83,666	-	9,419	-	(4,288)	88,797
Wornick Endowment Fund	64,054	-	7,384	(623)	(8,457)	62,358
Agnes Albert Display Case Endowment	51,534	-	4,754	(209)	(124)	55,955
Fannie M. Irwin Endowment	46,868	-	2,978	(205)	(87)	49,554
Brian P. McCune and Darlene Vian Fund for Vocal Performance	25,727	-	2,464	-	-	28,191
Louisa Jean De Bretteville Living Trust	10,239	-	784	(61)	(17)	10,945
	<u>\$ 268,040,050</u>	<u>\$ 3,998,608</u>	<u>\$ 26,941,005</u>	<u>\$ (2,685,022)</u>	<u>\$ (12,929,838)</u>	<u>\$ 283,364,803</u>