

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(D/B/A LEAGUE OF AMERICAN ORCHESTRAS)**



Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2018 and 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
American Symphony Orchestra League
(d/b/a the League of American Orchestras)

We have audited the accompanying financial statements of American Symphony Orchestra League (d/b/a League of American Orchestras) (the "League") which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Symphony Orchestra League (d/b/a League of American Orchestras) as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
November 7, 2018

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and cash equivalents (Notes 2B, 10 and 12):		
Operating	\$ 56,481	\$ 35,441
Cash reserve	<u>1,166,575</u>	<u>1,265,901</u>
Total cash and cash equivalents	<u>1,223,056</u>	<u>1,301,342</u>
Accounts receivable (Notes 2F and 4)	104,659	129,031
Contributions and pledges receivable (Notes 2G and 5)	<u>2,450,533</u>	<u>4,336,917</u>
Investments		
Investments held for permanently restricted endowment, at fair value (Notes 2D, 2I, 3 and 11)	3,561,131	3,561,131
Other investments, at fair value (Notes 2D, 2I and 3)	<u>1,461,727</u>	<u>1,220,767</u>
Total investments at fair value	<u>5,022,858</u>	<u>4,781,898</u>
Prepaid expenses and other assets	264,449	214,162
Property and equipment, net (Notes 2E and 6)	<u>64,716</u>	<u>84,826</u>
 TOTAL ASSETS	 <u>\$ 9,130,271</u>	 <u>\$ 10,848,176</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 340,686	\$ 195,392
Deferred revenue (Note 2F)	528,652	555,141
Deferred rent (Note 9)	<u>105,843</u>	<u>157,635</u>
 TOTAL LIABILITIES	 <u>975,181</u>	 <u>908,168</u>
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (DEFICIT) (Note 2C)		
Unrestricted		
Board designated change capital fund (Note 12)	400,000	400,000
Board designated fund for cash reserve (Note 12)	500,000	500,000
Board designated fund for infrastructure (Note 12)	200,000	-
Working capital reserve (Note 12)	423,750	423,750
Available for operations	<u>(534,362)</u>	<u>(555,214)</u>
Total unrestricted	989,388	768,536
Temporarily restricted (Notes 8 and 11)	3,604,571	5,610,341
Permanently restricted (Note 11)	<u>3,561,131</u>	<u>3,561,131</u>
 TOTAL NET ASSETS	 <u>8,155,090</u>	 <u>9,940,008</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 9,130,271</u>	 <u>\$ 10,848,176</u>

AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
SUPPORT AND REVENUE:								
Contributions and grants (Note 2G)	\$ 1,450,841	\$ 362,944	\$ -	\$ 1,813,785	\$ 1,480,879	\$ 1,754,295	\$ -	\$ 3,235,174
Membership dues (Note 2F)	1,994,957	-	-	1,994,957	1,876,459	-	-	1,876,459
Meetings and seminars (Note 2F)	904,205	-	-	904,205	685,524	-	-	685,524
Symphony magazine	157,275	-	-	157,275	159,727	-	-	159,727
Other income	15,113	-	-	15,113	31,735	-	-	31,735
Investment income, net (Notes 2D and 3)	91,919	348,276	-	440,195	121,642	497,975	-	619,617
Net assets released from restrictions (Notes 2C, 8 and 11)	2,716,990	(2,716,990)	-	-	2,757,976	(2,757,976)	-	-
TOTAL SUPPORT AND REVENUE	7,331,300	(2,005,770)	-	5,325,530	7,113,942	(505,706)	-	6,608,236
EXPENSES (Note 2H):								
Program services:								
Learning and leadership development	3,249,777	-	-	3,249,777	2,935,924	-	-	2,935,924
Research and development	303,308	-	-	303,308	464,831	-	-	464,831
Communications and public relations	969,847	-	-	969,847	956,710	-	-	956,710
Membership services	452,032	-	-	452,032	451,172	-	-	451,172
Advocacy	470,018	-	-	470,018	434,117	-	-	434,117
Total program services	5,444,982	-	-	5,444,982	5,242,754	-	-	5,242,754
Supporting services:								
Management and general	933,362	-	-	933,362	1,012,258	-	-	1,012,258
Development	732,104	-	-	732,104	806,255	-	-	806,255
Total supporting services	1,665,466	-	-	1,665,466	1,818,513	-	-	1,818,513
TOTAL EXPENSES	7,110,448	-	-	7,110,448	7,061,267	-	-	7,061,267
CHANGE IN NET ASSETS	220,852	(2,005,770)	-	(1,784,918)	52,675	(505,706)	-	(453,031)
Net assets - beginning of year	768,536	5,610,341	3,561,131	9,940,008	715,861	6,116,047	3,561,131	10,393,039
NET ASSETS - END OF YEAR	\$ 989,388	\$ 3,604,571	\$ 3,561,131	\$ 8,155,090	\$ 768,536	\$ 5,610,341	\$ 3,561,131	\$ 9,940,008

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

AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for Year Ended June 30, 2017)

	Program Services					Supporting Services			Total 2018	TOTAL 2017	
	Learning and Leadership Development	Research and Development	Communications and Public Relations	Membership Services	Advocacy	Total Program Services	Management and General	Development			Total Supporting Services
Salaries	\$ 579,599	\$ 134,705	\$ 593,822	\$ 244,935	\$ 259,180	\$ 1,812,241	\$ 368,735	\$ 426,190	\$ 794,925	\$ 2,607,166	\$ 2,857,786
Payroll taxes and employee benefits (Note 7)	126,081	28,586	128,006	53,664	55,845	392,162	83,762	86,859	170,621	562,763	593,241
Total Salaries and Related Costs	705,680	163,271	721,828	298,599	315,025	2,204,403	452,497	513,049	965,546	3,169,949	3,451,027
Consultants	265,884	45,606	13,504	2,963	-	327,957	106,552	8,538	115,090	443,047	469,381
Professional services (Note 3)	-	-	-	-	-	-	72,417	-	72,417	72,417	50,894
Awards/professional development	1,626,250	-	-	-	-	1,626,250	-	-	-	1,626,250	1,365,530
Meeting expenses	323,478	947	2,162	5,251	3,327	335,165	23,388	31,225	54,613	389,778	296,119
Travel and lodging	102,647	312	6,116	14,530	16,711	140,316	10,928	7,838	18,766	159,082	177,581
Printing, production and copying	1,392	-	48,011	-	39	49,442	-	889	889	50,331	67,475
Postage and delivery	2,304	331	22,155	1,159	1,164	27,113	1,368	1,627	2,995	30,108	37,515
Supplies	17,451	52,393	14,458	2,102	46,936	133,330	7,834	7,838	15,672	149,002	124,791
Occupancy (Note 9)	131,651	32,210	113,552	58,467	69,877	405,757	90,854	95,985	186,839	592,596	600,659
Telecommunications	28,169	4,198	19,814	57,220	10,296	119,697	8,395	41,315	49,710	169,407	179,079
Equipment rental and repairs	23,555	1,184	4,170	3,284	2,718	34,911	3,257	3,612	6,869	41,780	40,318
Insurance	1,765	466	1,761	1,394	1,089	6,475	7,880	1,528	9,408	15,883	15,007
Staff training, recruitment and support	1,894	-	871	-	-	2,765	47,701	702	48,403	51,168	38,626
Bank charges and fees	12,863	-	-	-	80	12,943	65,071	-	65,071	78,014	79,613
Miscellaneous	2,390	24	82	-	1,216	3,712	3,534	5,384	8,918	12,630	8,580
Bad debt	-	-	-	-	-	-	19,189	-	19,189	20,125	-
Depreciation and amortization (Note 2E)	2,404	2,376	1,363	7,063	1,540	14,746	12,497	12,574	25,071	39,817	38,947
TOTAL EXPENSES	\$ 3,249,777	\$ 303,308	\$ 969,847	\$ 452,032	\$ 470,018	\$ 5,444,982	\$ 933,362	\$ 732,104	\$ 1,665,466	\$ 7,110,448	\$ 7,061,267

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

AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services					Supporting Services			Total 2017	
	Learning and Leadership Development	Research and Development	Communications and Public Relations	Membership Services	Advocacy	Total Program Services	Management and General	Development		Total Supporting Services
Salaries	\$ 616,445	\$ 236,113	\$ 585,820	\$ 228,573	\$ 255,019	\$ 1,921,970	\$ 509,064	\$ 426,752	\$ 935,816	\$ 2,857,786
Payroll taxes and employee benefits (Note 7)	130,104	50,237	120,034	51,823	52,810	405,008.00	102,780	85,453	188,233	593,241
Total Salaries and Related Costs	746,549	286,350	705,854	280,396	307,829	2,326,978	611,844	512,205	1,124,049	3,451,027
Consultants	220,111	46,000	28,274	15,729	1,980	312,094	74,787	82,500	157,287	469,381
Professional services (Note 3)	-	-	-	-	-	-	50,894	-	50,894	50,894
Awards/professional development	1,365,530	-	-	-	-	1,365,530	-	-	-	1,365,530
Meeting expenses	228,668	347	1,143	8,228	3,149	241,535	19,838	34,746	54,584	296,119
Travel and lodging	123,365	1,136	4,530	21,542	15,515	166,088	1,964	9,529	11,493	177,581
Printing, production and copying	2,554	4,100	60,591	-	70	67,315	-	160	160	67,475
Postage and delivery	8,921	647	21,498	1,489	796	33,351	2,076	2,088	4,164	37,515
Supplies	7,889	47,846	12,941	2,377	39,374	110,427	9,306	5,058	14,364	124,791
Occupancy (Note 9)	167,953	48,374	95,632	47,528	49,012	408,499	102,708	89,452	192,160	600,659
Telecommunications	25,420	7,462	18,788	61,286	12,203	125,159	10,935	42,985	53,920	179,079
Equipment rental and repairs	22,797	1,886	4,113	2,030	1,889	32,715	4,163	3,440	7,603	40,318
Insurance	2,516	141	1,724	904	802	6,087	7,432	1,488	8,920	15,007
Staff training, recruitment and support	-	18,728	816	-	-	19,544	10,617	8,465	19,082	38,626
Bank charges and fees	10,492	-	-	-	-	10,492	69,121	-	69,121	79,613
Miscellaneous	1,169	250	424	2,915	59	4,817	2,012	1,751	3,763	8,580
Bad debt	-	-	-	-	-	-	-	-	20,125	20,125
Depreciation and amortization (Note 2E)	1,990	1,564	382	6,748	1,439	12,123	14,436	12,388	26,824	38,947
TOTAL EXPENSES	\$ 2,935,924	\$ 464,831	\$ 956,710	\$ 451,172	\$ 434,117	\$ 5,242,754	\$ 1,012,258	\$ 806,255	\$ 1,818,513	\$ 7,061,267

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,784,918)	\$ (453,031)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	39,817	38,947
Write off of uncollectible receivables	19,189	20,125
Discount on contributions and pledges receivable	19,058	33,889
Net realized/unrealized gain on investments	(355,496)	(545,704)
Subtotal	(2,062,350)	(905,774)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	5,183	(31,009)
Contributions and pledges receivable	1,867,326	1,642,841
Prepaid expenses and other assets	(50,287)	25,226
(Decrease) or increase in liabilities:		
Accounts payable and accrued expenses	145,294	(70,310)
Deferred revenue	(26,489)	14,421
Deferred rent	(51,792)	(36,204)
Net Cash (Used in) Provided by Operating Activities	(173,115)	639,191
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(19,707)	(16,027)
Proceeds from sales of investments	185,000	353,604
Purchases of investments	(70,464)	(78,295)
Net Cash Provided by Investing Activities	94,829	259,282
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on line of credit	-	(230,000)
Net Cash Used in Financing Activities	-	(230,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(78,286)	668,473
Cash and cash equivalents - beginning of year	1,301,342	632,869
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,223,056	\$ 1,301,342

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

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

American Symphony Orchestra League (d/b/a League of American Orchestras) (the “League”) was founded in 1942 and chartered by Congress in 1962. One of the nation’s largest performing arts service organizations, the League comprises approximately 700 member symphony, chamber, youth and collegiate orchestras of all sizes, and links a national network of thousands of instrumentalists, conductors, managers, board members, volunteers, staff members and business partners.

The League supplies guidance and support to the orchestra field through: collection and dissemination of critical information and knowledge across multiple channels, including a national Conference and award-winning magazine; nationally recognized learning and leadership development programs; dedicated advocacy and strategic communications activities; targeted research and development projects; and leadership around collective action.

Examples of recent and current League initiatives include: programs and materials on financial management in tough economic times and problem-solving for emerging administrative leaders; an online career center; the field’s first review and analysis of audience demographic trends; assistance in obtaining visas for foreign guest artists; a study of innovation in orchestras; and a national orchestra food drive.

The League is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – The League’s financial statements have been prepared on the accrual basis of accounting. The League adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Cash and Cash Equivalents*** – All highly liquid instruments with a maturity of three months or less when acquired are considered to be cash equivalents.
- C. ***Basis of Presentation*** – The League maintains its net assets under the following three classes:
- Unrestricted – includes the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
 - Temporarily Restricted – resources received with donor stipulations that limit the use of the donated assets or place time restrictions on the resources. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
 - Permanently Restricted – includes funds that have been designated by the donor to be held and invested in perpetuity. The income and net capital appreciation from all permanently restricted assets are available for temporarily restricted purposes, in accordance with donor intent.
- D. ***Investments*** – Investments are carried at fair value as explained in note 3 and include cash to be reinvested. Unrealized gains and losses are included in the accompanying statements of activities. Donated securities are recorded at their fair value, as determined using quoted market prices at the date of donation, and are sold immediately upon receipt by the League. Dividend and interest income are recorded as earned. Net investment earnings on the endowment funds are recorded as temporarily restricted net assets until appropriated by the board.

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. ***Property and Equipment*** – Property and equipment are recorded at cost less accumulated depreciation and amortization. The League capitalizes furniture and fixtures with a cost of \$500 or more, equipment with a cost of \$750 or more and all other property and equipment with a cost of \$2,500 or more and a useful life of greater than one year. Amortization of leasehold improvements is provided using the straight-line method, applied over the lesser of the estimated useful lives of the improvements or the remaining term of the lease.
- F. ***Revenue and Deferred Revenue*** – The League recognizes membership dues from its orchestra members as revenue during the period to which the membership relates. Revenue generated from meetings and seminars is recognized at the time the meeting or seminar takes place. Any amounts received in advance are recorded as deferred revenue.
- G. ***Contributions and Pledges Receivable*** – Contributions and pledges are recognized when the donor makes an unconditional promise to give. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. As of June 30, 2018 and 2017, the League determined that no allowance is needed for uncollectible contributions and pledges and other receivables. Such estimate is based on management’s evaluation of the creditworthiness of the donors, the aged basis of its receivables, as well as current economic conditions and historical information.
- H. ***Functional Allocation of Expenses*** – The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the programs and supporting services benefited.
- I. ***Fair Value Measurements*** – Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as reported in Note 3.
- J. ***Use of Estimates*** – The preparation of financial statements in conformity with U.S GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.
- K. ***Recent Accounting Pronouncements***

Effective for the year ended June 30, 2018, The League adopted the guidance issued by the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2015-07, *Disclosure for Investments in Certain Entities that Calculate NAV*. Under the amendment, investments in entities for which fair value is calculated using the net asset value (“NAV”) are no longer required to categorize within the fair value hierarchy those investments that use NAV as a practical expedient, although there must be a reconciliation of the fair value hierarchy to amounts presented in statements of financial position. The League has reflected the effects of this amendment as of and for the years ended June 30, 2018 and 2017.

- L. ***Reclassifications*** – Certain items in the June 30, 2017 financial statements have been reclassified to conform with the June 30, 2018 presentation in the statement of activities. These reclassifications had no impact on the change in net assets.

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 – INVESTMENTS & FAIR VALUE MEASUREMENTS

Investments consist of the following for the year ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
CommonFund Multi-Strategy Equity Fund	\$ 3,131,498	\$ 3,507,679
Corporate bonds	1,500,777	1,257,527
Mutual funds	<u>280,007</u>	<u>-</u>
Investments other than cash and cash equivalents	4,912,282	4,765,206
Cash and cash equivalents	<u>110,576</u>	<u>16,692</u>
Total Investments	<u>\$ 5,022,858</u>	<u>\$ 4,781,898</u>

Certain investments are subject to market volatility that could substantially change their carrying value in the near term.

Investment income consists of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 83,937	\$ 73,404
Interest on cash and cash equivalents	762	509
Net realized/unrealized gain on investments	<u>355,496</u>	<u>545,704</u>
Total investment income	<u>\$ 440,195</u>	<u>\$ 619,617</u>

Investment fees for each of the years ended June 30, 2018 and 2017 were approximately \$14,000 and are included in professional services on the accompanying statements of functional expenses.

The fair value hierarchy defines three levels as follows:

- Level 1 – Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are also obtained from third-party pricing services for similar assets or liabilities.
- Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining fair value, the League utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2018 and 2017, there were no transfers.

CommonFund investment programs are designed to generate superior long-term investment performance. The fund permits monthly redemptions with a prior five day notice prior to month's end. There are no unfunded commitments.

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 3 – INVESTMENTS & FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at June 30, 2018, are classified in the table as follows:

	<u>Level 2</u>
Corporate bonds	\$ 1,500,777
Mutual funds	<u>280,007</u>
	1,780,784
CommonFund multi-strategy fund measured using net asset value as a practical expedient	<u>3,131,498</u>
Total investments at fair value	4,912,282
Cash and cash equivalents	<u>110,576</u>
Total Investments	<u>\$ 5,022,858</u>

Financial assets carried at fair value at June 30, 2017, are classified in the table as follows:

	<u>Level 2</u>
Corporate bonds	\$ 1,257,527
CommonFund multi-strategy fund measured using net asset value as a practical expedient	<u>3,507,679</u>
Total investments at fair value	4,765,206
Cash and cash equivalents	<u>16,692</u>
Total Investments	<u>\$ 4,781,898</u>

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Membership dues	\$ 58,554	\$ 62,139
Symphony magazine advertising	18,473	27,057
Other	<u>27,632</u>	<u>39,835</u>
Total accounts receivable	<u>\$ 104,659</u>	<u>\$ 129,031</u>

NOTE 5 – CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions and pledges receivable consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Contributions and pledges receivable:		
Due within 1 year	\$ 2,202,544	\$ 2,270,853
Due within 1 to 5 years	<u>252,500</u>	<u>2,089,633</u>
	2,455,044	4,360,486
Present value discount (at rates ranging from 0.86%-5.0%)	<u>(4,511)</u>	<u>(23,569)</u>
Total contributions and pledges receivable	<u>\$ 2,450,533</u>	<u>\$ 4,336,917</u>

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NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 904,923	\$ 904,923	2-4 years
Furniture and fixtures	216,737	216,737	7-10 years
Computer hardware and software	<u>1,295,105</u>	<u>1,275,398</u>	5 years
Total cost	2,416,765	2,397,058	
Less: accumulated depreciation and amortization	<u>(2,352,049)</u>	<u>(2,312,232)</u>	
Net book value	<u>\$ 64,716</u>	<u>\$ 84,826</u>	

Depreciation and amortization expense amounted to \$39,817 and \$38,947 for the year ended June 30, 2018 and 2017, respectively.

NOTE 7 – RETIREMENT PLANS

The League has a defined contribution plan, which is qualified under Section 403(b) of the U.S. Internal Revenue Code. During the years ended June 30, 2018 and 2017, the League made contributions of approximately \$4,000 and \$11,000, respectively.

In fiscal year 2007, the League established a Section 457(b) deferred compensation plan for its key employees. Under the terms of the plan, such eligible employees may contribute amounts through a salary-reduction agreement. The League does not contribute to this plan.

NOTE 8 – TEMPORARILY RESTRICTED CONTRIBUTIONS

Temporarily restricted net assets as of June 30, 2018 and 2017, are available for the following purposes, which may also contain time restrictions:

	<u>2018</u>	<u>2017</u>
Leadership Program	\$ 786,305	\$ 623,028
Technology Initiatives	12,683	14,274
Board Governance	35	35
Other Research and Development/Learning and Leadership Development Programs	289,954	407,466
Getty Future's Innovation Fund	1,990,000	3,750,000
Time restricted	<u>525,594</u>	<u>815,538</u>
Total temporarily restricted net assets	<u>\$ 3,604,571</u>	<u>\$ 5,610,341</u>

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NOTE 8 – TEMPORARILY RESTRICTED CONTRIBUTIONS (Continued)

During the years ended June 30, 2018 and 2017, the League released temporarily restricted net assets by incurring program expenses or the passage of time, as follows:

	<u>2018</u>	<u>2017</u>
Board Governance	\$ -	\$ 105,000
Leadership Program	185,000	200,000
Technology Initiatives	6,590	5,817
Other Research and Development/Learning and Leadership Development Programs	355,400	336,159
Getty Future's Innovation Fund	1,760,000	1,525,000
Time restricted	<u>410,000</u>	<u>586,000</u>
Total net assets released from restrictions	<u>\$ 2,716,990</u>	<u>\$ 2,757,976</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. During fiscal-year 1999, the League entered into a ten-year lease for office facilities in New York City. The lease provided for scheduled rent increases and escalations over the lease term and a free-rent allowance for the first six months. The League renewed this lease in June of 2008 for the ten years beginning January 1, 2010. This lease extension provided for scheduled rent increases and escalations over the lease term and a free-rent allowance for the first month. The effects of these scheduled rent increases and free-rent allowances are being recognized by the League on a straight-line basis over the term of the lease. Such amounts are reported as deferred rent in the accompanying statements of financial position.

The League is also obligated under operating leases for office equipment.

Future minimum rental commitments under these leases for the years ending subsequent to June 30, 2018 are approximately as follows:

2019	\$ 592,000
2020	313,000
2021	7,000
2022	<u>4,000</u>
Total	<u>\$ 916,000</u>

Rent expense for the years ended June 30, 2018 and 2017, amounted to approximately \$560,000 and \$582,000, respectively.

- B. The League has been named as a defendant in certain legal actions. Upon review by the League's legal counsel, management believes that, if liability is established, all pending claims will be adequately covered by the League's insurance coverage.
- C. On June 29, 2017, the League obtained a \$1,000,000 line of credit with a maturity date of December 25, 2018. Under the terms of the agreement, interest is payable monthly at a rate equal to the London InterBank Offered Rate plus 3.000 percentage points and any indebtedness is secured by all assets of the League. As of June 30, 2018, there was no outstanding balance under this agreement. As of November 7, 2018, there was no outstanding balance.

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NOTE 10 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the League to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2018 and 2017, there were approximately \$1,342,000 and \$1,126,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such amounts include outstanding checks.

NOTE 11 – ENDOWMENT NET ASSETS

U.S GAAP provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The guidance requires disclosure about an organization’s endowment funds, whether or not the organization is subject to UPMIFA.

The League’s Board of Directors have determined that as a federally chartered institution operating in the State of New York, the League is not generally subject to the not-for profit law of any state. Inasmuch as nearly all of the states, including New York, have enacted a version of UPMIFA, the League has implemented the general disclosure guidance of U.S. GAAP as it relates to endowment net assets. In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor restricted endowment funds that fall below the level, if any; the donor requires the organization to retain. Such deterioration may occur for a variety of reasons, including unfavorable market fluctuations. There were no deficiencies as of June 30, 2018 and 2017.

The League's endowment investment policy is to invest assets into investment instruments approved by the Finance Committee of the Board of Directors with the allocation of funds based upon specified target percentages (or range of target percentages) for each type of investment instrument. The overall investment objective is to maximize the total return from income (dividends and interest) and the appreciation of investments commensurate with moderate risk across various asset classes. Any income on the League’s endowment funds and any increase in value over the historical dollar value at the time of the donation are generally utilized within the year earned for the program purposes. Unless authorized by the Board of Directors or the Finance Committee in compliance with the terms of the relevant contribution, the appropriations from the endowment funds do not deplete the value of any restricted endowment funds below historical dollar value at the time of donation.

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

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity:			
Interest and dividends	\$ 69,158	\$ -	\$ 69,158
Net realized/unrealized gain	<u>279,118</u>	<u>-</u>	<u>279,118</u>
Total investment activity	348,276	-	348,276
Appropriations	<u>(341,847)</u>	<u>-</u>	<u>(341,847)</u>
Change in endowment net assets	6,429	-	6,429
Endowment net assets, beginning of year	<u>779,876</u>	<u>3,561,131</u>	<u>4,341,007</u>
Endowment net assets, end of year	<u>\$ 786,305</u>	<u>\$ 3,561,131</u>	<u>\$ 4,347,436</u>

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NOTE 11 – ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets for the year ended June 30, 2017, are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity:			
Interest and dividends	\$ 60,644	\$ -	\$ 60,644
Net realized/unrealized loss	<u>437,331</u>	<u>-</u>	<u>437,331</u>
Total investment activity	497,975	-	497,975
Appropriations	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Change in endowment net assets	297,975	-	297,975
Endowment net assets, beginning of period	<u>481,901</u>	<u>3,561,131</u>	<u>4,043,032</u>
Endowment net assets, end of period	<u>\$ 779,876</u>	<u>\$ 3,561,131</u>	<u>\$ 4,341,007</u>

NOTE 12 – RESERVE FUNDS

	<u>Reserve Full Value</u>	<u>6/30/2017 Balance</u>	<u>Additions</u>	<u>Replacement</u>	<u>6/30/2018 Balance</u>
Board-designated Change Capital Fund	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ 400,000
Board-designated Cash Reserve Fund	500,000	500,000	-	-	500,000
Board-designated Infrastructure Fund	200,000	-	200,000	-	200,000
Working Capital Reserve	423,750	<u>423,750</u>	<u>-</u>	<u>-</u>	<u>423,750</u>
Working Capital Reserve Total		<u>\$ 1,323,750</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 1,523,750</u>
	<u>Reserve Full Value</u>	<u>6/30/2016 Balance</u>	<u>Additions</u>	<u>Replacement</u>	<u>6/30/2017 Balance</u>
Board-designated Change Capital Fund	\$ 400,000	\$ 380,000	\$ -	\$ 20,000	\$ 400,000
Board-designated Cash Reserve Fund	500,000	500,000	-	-	500,000
Working Capital Reserve	423,750	<u>423,750</u>	<u>-</u>	<u>-</u>	<u>423,750</u>
Total		<u>\$ 1,303,750</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 1,323,750</u>

The Board-designated Change Capital Fund is a revolving fund designed to allow the League to invest prudently in change initiatives intended to enhance services to members and/or strengthen the organization's sustainability. Any draw taken on the corpus of the fund must be replaced within 60 months. The use of dividends, interest and realized and/or unrealized gains generated by the fund are at the discretion to the Board. During fiscal year 2017, the League fully replaced the board-designated change capital fund of the fiscal 2014 draw.

The Board-Designated Cash Reserve Fund is a revolving fund established to level out operating cash flow throughout the course of the fiscal year. The fund must hold its full value for no less than 30 (thirty) consecutive days during the course of each fiscal year.

The Board-Designated Infrastructure Fund is a non-permanent fund established in 2018 to be used as needed by management for expenditures related to the implementation of a new customer relationship management "CRM" platform and related software application, build-out of new web-site with related learning capacity and office relocation.

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NOTE 12 – RESERVE FUNDS (Continued)

The Working Capital Reserve was established through a grant made initially in 2006 and increased in subsequent years to create a working capital reserve intended to provide liquidity for short-term operating cash flow requirements throughout the course of the fiscal year. As required under the agreement, the fund has been fully replenished to its full value by September 30th.

As of June 30, 2018 and 2017, there was a balance of \$1,123,750 and 923,750, respectively, in the Cash Reserve Fund, representing the holdings of the board designated infrastructure fund and the two Cash Reserve Funds. The funds associated with the Change Capital Fund are invested in the Commonfund and Wells Fargo.

NOTE 13 – UNCERTAIN TAX POSITIONS

The League believes it has no uncertain tax positions as of June 30, 2018 and 2017, in accordance with Accounting Standards Codification (“ASC”) Topic 740 “Income Taxes”, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 14 – SUBSEQUENT EVENTS

The League has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 7, 2018, the date the financial statements were available to be issued.