

**Traverse Symphony Orchestra**

FINANCIAL STATEMENTS  
AND REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

August 31, 2017 and 2016

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors  
*Traverse Symphony Orchestra*

We have audited the accompanying financial statements of *Traverse Symphony Orchestra* (the "Orchestra"), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Orchestra'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 Orchestra'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 Traverse Symphony Orchestra as of August 31, 2017 and 2016, 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.

*Dennis, Gartland & Niergarth*

November 22, 2017

# Traverse Symphony Orchestra

## STATEMENTS OF FINANCIAL POSITION

August 31,

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 65,317	\$ 90,728
Investments	424,866	415,992
Accounts receivable	79,207	94,064
Prepaid expenses	<u>45,885</u>	<u>48,508</u>
Total current assets	615,275	649,292
<b>PROPERTY AND EQUIPMENT, net</b>	<u>1,507</u>	<u>4,366</u>
Total assets	<u>\$ 616,782</u>	<u>\$ 653,658</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 29,173	\$ 34,691
Deferred revenue	<u>178,140</u>	<u>177,410</u>
Total liabilities	<u>207,313</u>	<u>212,101</u>
<b>NET ASSETS</b>		
Unrestricted	155,278	188,920
Temporarily restricted	38,591	37,037
Permanently restricted	<u>215,600</u>	<u>215,600</u>
Total net assets	<u>409,469</u>	<u>441,557</u>
Total liabilities and net assets	<u>\$ 616,782</u>	<u>\$ 653,658</u>

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

# Traverse Symphony Orchestra

## STATEMENT OF ACTIVITIES

Year Ended August 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND SUPPORT</b>				
Support				
Annual fund	\$ 364,359	\$ -	\$ -	\$ 364,359
Endowment and grants	67,449	-	-	67,449
Sponsorship	75,632	-	-	75,632
Performances	212,423	-	-	212,423
Advertising, tuition and contracted services	36,742	-	-	36,742
Interest, dividends and realized gains	10,243	13,605	-	23,848
Unrealized gain on investments	7,027	10,347	-	17,374
Assets released from restrictions	22,398	(22,398)	-	-
Total revenue, gains and support	796,273	1,554	-	797,827
<b>EXPENSES</b>				
Program services				
Performances	359,418	-	-	359,418
Artistic fixed	88,994	-	-	88,994
Performances - other	3,520	-	-	3,520
Marketing	60,552	-	-	60,552
Development	31,637	-	-	31,637
General and administrative	285,794	-	-	285,794
Total expenses	829,915	-	-	829,915
<b>CHANGE IN NET ASSETS</b>	(33,642)	1,554	-	(32,088)
<b>NET ASSETS, beginning of year</b>	188,920	37,037	215,600	441,557
<b>NET ASSETS, end of year</b>	\$ 155,278	\$ 38,591	\$ 215,600	\$ 409,469

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

# Traverse Symphony Orchestra

## STATEMENT OF ACTIVITIES

Year Ended August 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND SUPPORT</b>				
Support				
Annual fund	\$ 320,309	\$ 10,000	\$ -	\$ 330,309
Endowment and grants	68,489	-	-	68,489
Sponsorship	90,871	-	-	90,871
Performances	187,218	-	-	187,218
Advertising, tuition and contracted services	33,109	-	-	33,109
Interest, dividends and realized gains	8,216	10,739	-	18,955
Unrealized gain on investments	2,755	4,138	-	6,893
Assets released from restrictions	12,230	(12,230)	-	-
Total revenue, gains and support	723,197	12,647	-	735,844
<b>EXPENSES</b>				
Program services				
Performances	314,991	-	-	314,991
Artistic fixed	90,965	-	-	90,965
Performances - other	5,496	-	-	5,496
Marketing	66,395	-	-	66,395
Development	28,282	-	-	28,282
General and administrative	257,051	-	-	257,051
Total expenses	763,180	-	-	763,180
<b>CHANGES IN NET ASSETS</b>	(39,983)	12,647	-	(27,336)
<b>NET ASSETS, beginning of year</b>	228,903	24,390	215,600	468,893
<b>NET ASSETS, end of year</b>	\$ 188,920	\$ 37,037	\$ 215,600	\$ 441,557

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

# Traverse Symphony Orchestra

## STATEMENTS OF CASH FLOW

Years Ended August 31,

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (32,088)	\$ (27,336)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	2,859	5,499
Realized and unrealized gain on investments	(16,650)	(13,761)
Changes in operating assets and liabilities		
Accounts receivable	14,857	(35,771)
Prepaid expenses	2,623	(23,971)
Accounts payable and accrued expenses	(5,518)	11,604
Deferred revenue	<u>730</u>	<u>2,771</u>
Net cash used by operating activities	<u>(33,187)</u>	<u>(80,965)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	17,138	16,954
Purchase of investments, net of fees	<u>(9,362)</u>	<u>(11,312)</u>
Net cash flows provided by investing activities	<u>7,776</u>	<u>5,642</u>
<b>NET DECREASE IN CASH</b>	(25,411)	(75,323)
Cash and cash equivalents, beginning of year	<u>90,728</u>	<u>166,051</u>
Cash and cash equivalents, end of year	<u>\$ 65,317</u>	<u>\$ 90,728</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 2,980</u>	<u>\$ 990</u>

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



# Traverse Symphony Orchestra

## NOTES TO FINANCIAL STATEMENTS

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Business Activity*

Traverse Symphony Orchestra (the "Orchestra") is organized to promote and increase the musical knowledge and music appreciation of the public, especially in the Grand Traverse area of Michigan and surrounding region, through educational activities and musical performances.

#### *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles applicable to not-for-profit organizations in the United States of America.

#### *Support*

Annual campaign contributions and grants are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded at the time the promise is made at their net realizable value. The majority of the promises to give are received from a broad base of Grand Traverse Region contributors as a result of the annual campaign.

Grants and other contributions of cash and other assets are reported as temporarily or permanently restricted support if they 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

#### *Revenue*

Earned revenue comprises performances, sponsorships, program advertising, concession sales, and Civic Ensemble fees and tuition. Earned revenue is reported as unrestricted at the time goods and services are delivered.

## NOTES TO FINANCIAL STATEMENTS- Continued

### *Net Assets*

Net assets consist of the following:

**Unrestricted:** These net assets are available for general use by the Orchestra.

**Temporarily Restricted:** These net assets are restricted by donors, grantors or other outside parties to be used for some specific purpose or for use in a future period. Amounts received are reported as revenue upon receipt and are transferred to unrestricted net assets when the purpose restriction or time restriction has been met.

**Permanently Restricted:** These net assets are subject to restrictions of gift and trust instruments requiring that the principal be invested in perpetuity and the income only be used for particular purposes. Earnings, gains and losses on permanently restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

### *Cash and Cash Equivalents*

For the purposes of the statement of cash flow, the Orchestra considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

### *Investments*

Investments are reported at fair value. All amounts are uninsured and are subject to market fluctuations. Realized and unrealized gains and losses and other investment earnings are included in the statements of activities as changes in unrestricted net assets.

### *Accounts Receivable*

Unconditional promises to give are stated at the amount management expects to collect from balances outstanding. Management has reviewed the balances that comprise the various categories of promises to give and determined such balances to be fully collectible. Accordingly, no provision for uncollectible accounts is included in the financial statements. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made. All amounts are expected to be received within one year. For the years ended August 31, 2017 and 2016, there were no support amounts deemed uncollectible.

### *Property and Equipment*

Property and equipment are stated at cost, if purchased. Purchased assets of \$1,000 or more are capitalized. Donations of property and equipment are recorded as support at estimated fair value at the time received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Orchestra reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

## NOTES TO FINANCIAL STATEMENTS- Continued

### ***Deferred Revenue***

Deferred revenue consists of amounts received in advance related to future season performances. The amounts are recognized as the performances occur.

### ***Advertising***

All advertising costs have been treated as expenses by the Orchestra since there was no direct response advertising. Nondirect-response advertising costs are expensed as incurred. Advertising expense was \$26,562 and \$33,829 for the years ended August 31, 2017 and 2016, respectively.

### ***Income Taxes***

The Internal Revenue Service has determined the Orchestra to be exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

The Orchestra files information returns in the U.S. Federal jurisdiction. With few exceptions, the Orchestra is no longer subject to U.S. Federal examinations by tax authorities for years before August 31, 2014. The Orchestra has not had any business income unrelated to its exempt purpose and, therefore, has not filed income tax returns in any jurisdiction.

### ***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

### ***Reclassifications***

Certain amounts for the year ended August 31, 2016 have been reclassified to conform with the current year presentation.

### ***Subsequent Events***

The Orchestra has evaluated subsequent events and transactions for potential recognition and disclosure through November 22, 2017, the date the financial statements were available to be issued.

## **NOTE B - DEPOSITS**

The Orchestra maintains its cash in bank deposit accounts at various financial institutions. The balances, at times, may exceed Federally insured limits. At August 31, 2017 and 2016, there were no amounts in excess of Federally insured limits.

NOTES TO FINANCIAL STATEMENTS- Continued

**NOTE C - INVESTMENTS**

Investments held by the Traverse Symphony Orchestra are stated at fair value.

Investments consist of the following at August 31:

	2017		
	Cost	Market	Accumulated Unrealized Appreciation (Depreciation)
Bond mutual funds	\$ 154,141	\$ 153,927	\$ (214)
Equity mutual funds	211,446	270,939	59,493
Totals	<u>\$ 365,587</u>	<u>\$ 424,866</u>	<u>\$ 59,279</u>
	2016		
	Cost	Market	Accumulated Unrealized Appreciation (Depreciation)
Bond mutual funds	\$ 159,240	\$ 159,746	\$ 506
Equity mutual funds	189,536	244,396	54,860
Blended mutual funds	25,310	11,850	(13,460)
Totals	<u>\$ 374,086</u>	<u>\$ 415,992</u>	<u>\$ 41,906</u>

**NOTE D - ENDOWMENTS**

The Traverse Symphony Orchestra has an investment policy which includes asset allocation targets, as well as a spending policy for endowment funds. The Orchestra expects the current policies to allow its general endowment fund to grow over the long term. This is consistent with the Orchestra's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through investment return.

To achieve that objective, the Orchestra has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes cash, cash equivalents and equity and debt securities, that are intended to result in a consistent inflation-protected rate of return. Accordingly, the investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

## NOTES TO FINANCIAL STATEMENTS- Continued

The Orchestra classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any 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 expenditures of the Orchestra. The Orchestra considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation or deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Orchestra, and (7) the Orchestra's investment policies.

Investments are carried at market or appraised value and realized and unrealized gains and losses are reflected in the statement of activities. Most long-term investments are held in two investment accounts. Permanent endowments and the unappropriated net appreciations of those endowments are referred to as Donor Restricted Endowments. Amounts designed by the board of directors for long-term investments are referred to as Board Designated Endowments. Market value represents quoted market prices on major stock exchanges.

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NOTES TO FINANCIAL STATEMENTS- Continued

Investment activity of the Donor Restricted Endowment and the Board Designated Endowments for each of the years ended August 31, 2017 and 2016 is set forth as follows:

	Unrestricted Board Designated Endowments	Temporarily Restricted Donor Endowments - Income Not Appropriated	Permanently Restricted Donor Endowments - Corpus	Total
Balance - September 1, 2015	\$ 178,165	\$ 24,390	\$ 215,600	\$ 418,155
Investment Returns				
Interest, dividends and capital gain distributions	6,695	8,972	-	15,667
Realized and unrealized gains	4,215	5,905	-	10,120
Investment fees	(1,855)	(2,500)	-	(4,355)
Amounts appropriated for current operations	<u>(7,224)</u>	<u>(9,730)</u>	<u>-</u>	<u>(16,954)</u>
Balance - August 31, 2016	<u>179,996</u>	<u>27,037</u>	<u>215,600</u>	<u>422,633</u>
Investment Returns				
Interest, dividends and capital gain distributions	5,927	7,893	-	13,820
Realized and unrealized gains	11,563	16,059	-	27,622
Investment fees	(1,898)	(2,559)	-	(4,457)
Amounts appropriated for current operations	<u>(7,299)</u>	<u>(9,839)</u>	<u>-</u>	<u>(17,138)</u>
Balance - August 31, 2017	<u>\$ 188,289</u>	<u>\$ 38,591</u>	<u>\$ 215,600</u>	<u>\$ 442,480</u>

The amount of the original gift in the Donor Restricted Endowments is \$215,600.

Endowments consist of the following at August 31:

	<u>2017</u>	<u>2016</u>
Investments	\$ 424,866	\$ 415,992
Cash and cash equivalents	<u>17,614</u>	<u>6,641</u>
Total endowments	<u>\$ 442,480</u>	<u>\$ 422,633</u>

NOTES TO FINANCIAL STATEMENTS- Continued

**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at August 31:

	<u>2017</u>	<u>2016</u>
Furniture and equipment, at cost	\$ 84,321	\$ 84,321
Less accumulated depreciation	<u>(82,814)</u>	<u>(79,955)</u>
Total property and equipment, net of accumulated depreciation	<u>\$ 1,507</u>	<u>\$ 4,366</u>

Total depreciation expense was \$2,859 and \$5,499 for the years ended August 31, 2017 and 2016, respectively.

**NOTE F - LINE OF CREDIT**

The Orchestra has a line of credit with a bank with a maximum available limit of \$160,000. Interest is charged at the prime rate plus 1/2%. The Orchestra has a \$0 line of credit payable balance at August 31, 2017 and 2016. The line of credit expires on February 28, 2020.

**NOTE G - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Orchestra uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 - Inputs to the valuation methodology include:

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

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

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTES TO FINANCIAL STATEMENTS- Continued

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2017.

*Mutual funds:* Valued at the net asset value of underlying shares held on behalf of the Orchestra at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Orchestra believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The levels within the fair value hierarchy at which the Orchestra's investments are measured are as follows:

<u>August 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Vanguard Fixed Inc	\$ 79,485	\$ -	\$ -	\$ 79,485
Dodge & Cox Inc	74,441	-	-	74,441
Harbor Capital Appreciation	60,120	-	-	60,120
Vanguard Dividend Growth	47,055	-	-	47,055
Vanguard Value	46,452	-	-	46,452
American Europacific Growth	27,938	-	-	27,938
Oakmark International	27,570	-	-	27,570
Fidelity Small Cap	18,551	-	-	18,551
Lazard Emerging Markets	18,471	-	-	18,471
Fidelity Low Priced Stock	12,889	-	-	12,889
Vanguard Strategic	<u>11,894</u>	<u>-</u>	<u>-</u>	<u>11,894</u>
Total mutual funds	<u>\$ 424,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,866</u>

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NOTES TO FINANCIAL STATEMENTS- Continued

August 31, 2016	Level 1	Level 2	Level 3	Total
Mutual funds				
Vanguard Dividend Growth	\$ 87,652	\$ -	\$ -	\$ 87,652
Vanguard Fixed Inc	79,930	-	-	79,930
Dodge & Cox Inc	79,815	-	-	79,815
Harbor Capital Appreciation	57,835	-	-	57,835
American Europacific Growth	44,411	-	-	44,411
Fidelity Low Priced Stock	24,862	-	-	24,862
Fidelity Small Cap	17,741	-	-	17,741
Lazard Emerging Markets	11,896	-	-	11,896
Harbor Commodity Real Return	<u>11,850</u>	<u>-</u>	<u>-</u>	<u>11,850</u>
Total mutual funds	<u>\$ 415,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,992</u>

**NOTE H - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at August 31:

	<u>2017</u>	<u>2016</u>
Contributions - future performance	\$ -	\$ 10,000
Endowments	<u>38,591</u>	<u>27,037</u>
Total temporarily restricted	<u>\$ 38,591</u>	<u>\$ 37,037</u>

**NOTE I - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions for the years ended August 31, 2017 and 2016, consist of contributions and endowments of \$22,398 and \$12,230, respectively.

NOTES TO FINANCIAL STATEMENTS- Continued

**NOTE J - INTERESTS IN NET ASSETS OF COMMUNITY FOUNDATION**

The Orchestra has established agency endowment funds with the Community Foundation. Through its fundraising projects, the Orchestra accepts donations directly or encourages donors to contribute to the agency endowment funds. These funds provide income to the Orchestra in perpetuity. The market value of these agency endowment funds held by the Community Foundation was \$311,760 and \$293,860 at August 31, 2017 and 2016, respectively. Distributions to the Orchestra from the agency endowment funds are limited by the Community Foundation spending policies and are included in the statement of activities as endowment and grants. Distributions for the years ended August 31, 2017 and 2016 were \$11,449 and \$10,989, respectively. These assets are reported exclusively on the books of the Community Foundation.

Endowment and agency endowment funds consist of the following at August 31:

	<u>2017</u>	<u>2016</u>
Traverse Symphony Orchestra - endowments (Note D)	\$ 442,480	\$ 422,633
Community Foundation - agency endowments	<u>311,760</u>	<u>293,860</u>
Total endowments and agency endowments	<u>\$ 754,240</u>	<u>\$ 716,493</u>

**NOTE K - LEASES**

The Orchestra leases its office facilities under a lease expiring on September 30, 2018. Monthly payments under the agreements are \$1,375. Total lease expense was \$16,500 for each of the years ended August 31, 2017 and 2016.

**NOTE L - RISKS AND UNCERTAINTIES**

The Orchestra holds investment securities that are exposed to various risks such as fluctuation in interest rate, the securities market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.