



BE PRESENT

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 and 2018
with
REPORT OF INDEPENDENT AUDITORS**

THE UNIVERSITY MUSICAL SOCIETY

June 30, 2019 and 2018

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Report of Independent Auditors

To the Board of Directors of the University Musical Society

We have audited the accompanying financial statements of the University Musical Society (the “Society”), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 our 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, we consider internal control relevant to the Society'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 Society'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 University Musical Society as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Society changed the manner in which it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity in 2019. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

October 31, 2019

THE UNIVERSITY MUSICAL SOCIETY

Statement of Financial Position

	June 30,	
	2019	2018
Assets		
Cash equivalents on deposit with the University	\$ 963,630	\$ 936,680
Accounts receivable, net	163,664	28,499
Grants and pledges receivable, net	235,476	150,060
Prepaid expenses and other assets	350,709	401,743
Investments on deposit with the University	27,683,959	26,681,717
Capital assets, net	58,175	68,292
Total Assets	\$ 29,455,613	\$ 28,266,991
Liabilities and Net Assets		
Accrued compensation	\$ 244,758	\$ 238,362
Accounts payable and other liabilities	105,857	28,062
Deferred revenue	1,854,048	1,102,187
Total Liabilities	2,204,663	1,368,611
Net Assets:		
Without donor restrictions	7,889,229	7,804,591
With donor restrictions	19,361,721	19,093,789
Total Net Assets	27,250,950	26,898,380
Total Liabilities and Net Assets	\$ 29,455,613	\$ 28,266,991

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

THE UNIVERSITY MUSICAL SOCIETY

Statement of Activities

	Year Ended June 30,	
	2019	2018
Changes in Net Assets Without Donor Restrictions		
Operating Revenues, Gains and Other Support:		
Ticket sales	\$ 2,848,772	\$ 3,061,163
Gifts and grants	4,424,812	3,344,947
Net investment income	1,040,284	977,908
Events	85,680	171,787
Other	558,825	448,647
Net assets released from restrictions	630,215	1,303,392
Total Operating Revenues, Gains and Other Support	<u>9,588,588</u>	<u>9,307,844</u>
Operating Expenses:		
Concerts and other programs	6,350,803	6,525,274
Administrative	1,784,454	2,001,057
Development	1,469,245	1,194,746
Chorus	53,036	60,572
Total Operating Expenses	<u>9,657,538</u>	<u>9,781,649</u>
Decrease in Net Assets Without Donor Restrictions from Operations	<u>(68,950)</u>	<u>(473,805)</u>
Nonoperating Revenues:		
Net unrealized gain on investments on deposit with the University	153,588	406,736
Total Nonoperating Revenues	<u>153,588</u>	<u>406,736</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>84,638</u>	<u>(67,069)</u>
Changes in Net Assets With Donor Restrictions		
Gifts and grants	523,583	1,808,060
Net investment income	43,214	28,459
Net unrealized gain on investments on deposit with the University	331,350	829,234
Net assets released from restrictions	(630,215)	(1,303,392)
Increase in Net Assets With Donor Restrictions	<u>267,932</u>	<u>1,362,361</u>
Increase in Net Assets	<u>352,570</u>	<u>1,295,292</u>
Net Assets, Beginning of Year	<u>26,898,380</u>	<u>25,603,088</u>
Net Assets, End of Year	<u><u>\$ 27,250,950</u></u>	<u><u>\$ 26,898,380</u></u>

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

THE UNIVERSITY MUSICAL SOCIETY

Statement of Cash Flows

	Year Ended June 30,	
	2019	2018
Cash Flows from Operating Activities		
Increase in net assets	\$ 352,570	\$ 1,295,292
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	31,609	50,764
Net unrealized gain on investments on deposit with the University	(484,938)	(1,235,970)
Gifts and grants restricted for long-term purposes	(543,584)	(1,251,512)
Changes in operating assets and liabilities:		
Accounts receivable, net	(135,165)	28,874
Grants and pledges receivable, net	(91,220)	1,079,229
Prepaid expenses and other assets	51,034	(12,069)
Accrued compensation	6,396	(35,690)
Accounts payable and other liabilities	77,795	(171,036)
Deferred revenue	751,861	162,776
Net Cash Provided by (Used In) Operating Activities	16,358	(89,342)
Cash Flows from Investing Activities		
Net purchase of investments on deposit with the University	(517,304)	(1,432,877)
Purchases of capital assets	(21,492)	(21,292)
Net Cash Used in Investing Activities	(538,796)	(1,454,169)
Cash Flows from Financing Activities		
Gifts and grants restricted for long-term purposes	549,388	1,324,347
Net Cash Provided by Financing Activities	549,388	1,324,347
Net Increase (Decrease) in Cash Equivalents on Deposit with the University	26,950	(219,164)
Cash Equivalents on Deposit with the University, Beginning of Year	936,680	1,155,844
Cash Equivalents on Deposit with the University, End of Year	\$ 963,630	\$ 936,680

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

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements

June 30, 2019 and 2018

Note 1--Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation: The University Musical Society (the “Society”) presents professional concerts and performances by musical artists and organizations. The Society also manages the University Choral Union for musical education and public performance. The Society is a separate nonprofit organization affiliated with the University of Michigan (the “University”) and is exempt from income taxes under Internal Revenue Code Section 501(c)(3). Although the Society is affiliated with the University and located on the Ann Arbor campus, the Society supports itself solely from ticket sales, gifts, grants, investment and other income.

Net assets are categorized as:

- **Without donor restrictions** - Net assets that are not subject to externally imposed stipulations. This net asset category principally consists of fees for service and related expenses associated with the core activities of the Society. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors (the “Board”) or may otherwise be limited by contractual agreements with outside parties.
- **With donor restrictions** - Net assets subject to externally imposed stipulations that will be met either by actions of the Society or the passage of time. Included in this category are net assets to be maintained permanently by the Society, in which the donor has stipulated the corpus of the gift to be held in perpetuity and that only the income be made available for program operations.

The 2018 statement of activities has been revised to reflect a change in the estimated fair value of administrative space occupied by the Society at both Burton Memorial Tower and Liberty Centre rent free. Although this revision had no impact to the change in net assets, it did result in an increase of \$82,396 in both gift and grants revenue and administrative expense as well as total operating revenues, gains and other support and total operating expenses. The effects of these revisions are not considered material to the financial statements of the Society.

The 2018 statement of activities has been revised to reflect a change in the methodology used to functionalize the Society’s operating expenses. Although this change had no impact on total operating expenses, it resulted in a reclassification of these expenses including an increase of \$1,455,882 in concerts and other programs, a decrease of \$1,652,494 in administrative, an increase of \$202,088 in development and a decrease of \$5,476 in chorus. The effects of these revisions are not considered material to the financial statements of the Society.

Adoption of New Accounting Standard: During 2019, the Society adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies the classification of net assets and requires additional disclosures related to financial assets, liquidity and the functional classification of expenses.

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements--Continued

Note 1--Organization and Summary of Significant Accounting Policies--Continued

Accounting Standards Issued But Not Yet Adopted: During 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard requires entities to measure and recognize the consideration received in exchange for goods and services by allocating the transaction price to identified performance obligations. Consideration is then recognized into revenue as these performance obligations are satisfied. The standard is effective for fiscal years beginning after December 15, 2018, and the Society is currently evaluating the impact to its financial statements and related disclosures.

Summary of Significant Accounting Policies: The Society adheres to accounting principles generally accepted in the United States of America in reporting expenses by their functional classification and the accompanying financial statements have been prepared on the accrual basis.

For purposes of the statement of cash flows, the Society considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash equivalents on deposit with the University represent deposits in the University Investment Pool ("UIP"), a short-term commingled pool managed by the University that can be readily liquidated to pay contractual liabilities. Investments on deposit with the University represent investments in the University Endowment Fund ("UEF"), a commingled pool which is invested entirely in the Long Term Portfolio, a diversified, equity-oriented investment pool managed by the University. The University establishes the fair market value of the UIP at \$1.00 per share and any participant in the pool may purchase or redeem shares at that price. The University determines the fair market value of UEF shares at the end of each calendar quarter based on the fair market value of the pool. Participants may purchase or redeem UEF shares at fair market value at each valuation date, subject to minimum holding and notice requirements.

The Society receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts and includes such factors as prior collection history, type of gift and nature of fundraising. The fair value of pledges receivable approximates their financial statement carrying amount.

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements--Continued

Note 1--Organization and Summary of Significant Accounting Policies--Continued

Capital assets are recorded at cost or, if donated, at appraised value at the date of donation. Depreciation is provided on a straight-line method over the estimated useful lives of the respective assets, which range from four to fifteen years.

Revenues are reported as increases in net assets without donor restrictions unless use of the resources are limited by externally imposed stipulations. Contributions and investment income with externally imposed stipulations that are met in the same year as received or earned are reported as revenues without donor restrictions. Contributions and investment income with externally imposed stipulations that are not met in the same year as received or earned are reported as donor restricted revenues and are reclassified to net assets without donor restrictions when an expense is incurred that satisfies the externally imposed stipulations.

Ticket sales are recognized as revenue in the year when the related concerts are presented. Ticket sale proceeds received and related expenditures paid in advance of the year of presentation are treated as deferred revenue and prepaid expenses, respectively.

Net investment income represents distributions from pooled investments. Unrealized investment gains and losses are reported separately as nonoperating activity.

Expenses are reported as decreases in net assets without donor restrictions. Expirations of externally imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as net assets released from restrictions between the applicable classes of net assets.

Marketing costs, which are included as a component of concerts and other programs, are expensed as incurred. Marketing expenses totaled \$858,007 and \$989,309 for the years ended June 30, 2019 and 2018, respectively.

The Society has performed an evaluation of subsequent events through October 31, 2019, the date the financial statements were issued.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements--Continued

Note 2--Cash and Investments

The Society's cash equivalents and investments are maintained in the University's centralized investment pools. Cash reserves and relatively short duration assets are invested in the UIP, while longer term assets held in the UEF are invested in the University's Long Term Portfolio. The UIP is principally invested in investment-grade money market securities, U.S. government and other fixed income securities and absolute return strategies. The longer investment horizon of the University's Long Term Portfolio allows for an equity-oriented strategy to achieve higher expected returns over time, and permits the use of less liquid alternative investments, providing for equity diversification beyond the stock markets.

The Society either invests or finances its working capital requirements with the University based on the timing of the Society's cash flows. The Society earns interest on its deposits and is charged interest on advances made. The interest rate applied to both deposits and advances is adjusted quarterly based on the U.S. Treasury Bill rate. Cash equivalents on deposit with the University totaled \$963,630 and \$936,680 at June 30, 2019 and 2018, respectively.

The University's investment policies are governed and authorized by University Bylaws and the Board of Regents. The approved asset allocation policy for the Long Term Portfolio, in which the UEF invests, sets general targets for both equities and fixed income securities. Since diversification is a fundamental risk management strategy, the Long Term Portfolio is broadly diversified within these general categories. At June 30, 2019 and 2018, the Long Term Portfolio consisted of cash equivalents (1 percent and 2 percent), fixed income securities (4 percent and 6 percent), U.S. and non-U.S. equities (9 percent and 10 percent), commingled funds (25 percent and 21 percent) and nonmarketable alternative investments (61 percent and 61 percent).

Commingled (pooled) funds held in the Long Term Portfolio include Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships and corporate structures which are generally unrated and unregulated. Commingled funds have liquidity (redemption) provisions, which enable the University to make full or partial withdrawals with notice, subject to restrictions on the timing and amount. Commingled funds are primarily invested in non-U.S./global equities and absolute return strategies, but also include exposure to domestic fixed income and equity securities. Certain commingled funds may use derivatives, short positions and leverage as part of their investment strategy; however, these investments are structured to limit the University's risk exposure to the amount of invested capital.

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements--Continued

Note 2--Cash and Investments--Continued

Nonmarketable alternative investments held in the Long Term Portfolio consist of limited partnerships and similar vehicles involving an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. These limited partnerships include venture capital, private equity, real estate, natural resources and absolute return strategies. There is not an active secondary market for these alternative investments, which are generally unrated and unregulated, and the liquidity of these investments is dependent on actions taken by the general partner.

The Long Term Portfolio holds investments denominated in foreign currencies and forward foreign exchange contracts used to manage the risk related to fluctuations in currency exchange rates between the time of purchase or sale and the actual settlement of foreign securities. Various investment managers acting for the University also use forward foreign exchange contracts in risk-based transactions to carry out their portfolio strategies. Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The Long Term Portfolio's non-U.S. dollar exposure amounted to 11 percent and 10 percent of the portfolio at June 30, 2019 and 2018, respectively.

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and fluctuations embodied in forwards, futures and commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of a counterparty default is typically limited to the amounts recognized in the statement of net position and is not represented by the contract or notional amounts of the instruments.

The Society receives quarterly distributions from the UEF based on the University's endowment spending rule. The annual distribution rate is 4.5 percent of the one-quarter lagged seven year moving average fair value of fund shares. To protect endowment principal in the event of a prolonged market downturn, distributions are limited to 5.3 percent of the current fair value of fund shares. Monthly distributions are also made from the UIP to the Society based on the 90-day U.S. Treasury Bill rate. The University's costs to administer and grow the UEF and UIP are funded by investment returns.

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements--Continued

Note 2--Cash and Investments--Continued

Withdrawals may be made quarterly from the UEF, with notice given to the University one month prior to the end of the preceding quarter, based upon University policy, generally after a five-year investment period. Withdrawals may be made from the UIP on a daily basis.

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820"), establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs, which should be maximized under ASC 820, reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The three levels of inputs are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A significant portion of the underlying investments of the University's commingled pools include nonmarketable alternative investments and certain commingled funds described earlier in this note that are priced by managers using Level 3 inputs or net asset value, due to the lack of observable market data. The proprietary valuation techniques and unobservable pricing assumptions used by these managers to estimate fair value may have a significant impact on the resulting fair value determination of these investments. However, the Society uses Level 2 inputs to measure the fair value of its investments in the University's commingled pools described in Note 1 and within this note, since shares may be purchased or sold subject to holding and notice requirements at the fair market value determined by the University.

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements--Continued

Note 3--Financial Assets and Liquidity

The following reflects the Society's financial assets at the balance sheet date, reduced by amounts not available for general expenditures due to donor-imposed restrictions and Board designations. Operating reserves as designated by the Board enable the organization to sustain its operations despite unexpected adverse economic conditions and changes which could affect the organization's financial position.

Financial assets available to meet cash needs for general expenditures within one year at June 30 are as follows:

	<u>2019</u>
Total assets	\$ 29,455,613
Less non-financial assets:	
Prepaid expenses and other assets	350,709
Capital assets, net	<u>58,175</u>
Total financial assets	<u>29,046,729</u>
Less assets unavailable for general expenditures within one year, due to donor-imposed restrictions and Board designations:	
Pledges receivable in excess of one year	73,500
Donor restricted - time or purpose	3,375,096
Donor restricted - permanent	15,544,598
Board designated funds for operating reserves	<u>3,440,705</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 6,612,830</u></u>

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements--Continued

Note 4--Transactions with the University of Michigan

The Society receives no general fund support or student fee allocations from the University, but occupies rent-free administrative space in the University's Burton Memorial Tower and Liberty Centre. The estimated fair value of this space, \$142,000 per year, is recorded as gifts and grants revenue and administrative expense in the accompanying financial statements.

Staff members of the Society are treated as employees of the University. The Society reimburses the University for payroll, benefits, payroll taxes and payroll processing costs which totaled \$3,527,295 and \$3,742,467 for the years ended June 30, 2019 and 2018, respectively.

Other services such as facility rentals, leased vehicles and utilities are purchased from the University at standard rates and amounted to \$355,902 and \$336,615 for the years ended June 30, 2019 and 2018, respectively.

The University provided support of \$1,065,000 and \$1,000,000 for the years ended June 30, 2019 and 2018, respectively, which is included in gifts and grants revenue on the statement of activities. In both 2019 and 2018, the University contributed \$1,000,000 for the University of Michigan/University Musical Society Partnership Program, which provides support to designated Society education, creation and presentation programs of special value to the University. In 2019, the Society received additional University support of \$65,000 for a community outreach program. In both 2019 and 2018 the University's health system provided \$100,000 for sponsorship of certain musical, theatrical, and community outreach performances.

Note 5--Grants and Pledges Receivable

The composition of grants and pledges receivable at June 30, 2019 and 2018 is summarized as follows:

	2019	2018
Grants and pledges:		
Operating	\$ 101,000	\$ 56,700
Future year programming	96,547	45,967
Endowments	48,000	54,000
	<u>245,547</u>	<u>156,667</u>
Less:		
Allowance for uncollectible pledges	7,408	6,030
Unamortized discount to present value	2,663	577
Total grants and pledges receivable, net	<u>\$ 235,476</u>	<u>\$ 150,060</u>

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements--Continued

Note 5--Grants and Pledges Receivable--Continued

Payments on grants and pledges receivable at June 30, 2019 are expected to be received in the following years ended June 30:

2020	\$ 172,047
2021	43,500
2022	30,000
	<u>\$ 245,547</u>

Note 6--Capital Assets

Capital assets at June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 88,822	\$ 82,664
Equipment	182,867	182,980
Leasehold improvements	43,117	43,117
	<u>314,806</u>	<u>308,761</u>
Less accumulated depreciation	256,631	240,469
	<u>\$ 58,175</u>	<u>\$ 68,292</u>

The Society is obligated under various operating agreements for rental of production related equipment and auditorium space. Rental expenses totaled \$354,586 and \$387,666 for the years ended June 30, 2019 and 2018, respectively.

Note 7--Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Programming	\$ 18,636,543	\$ 18,314,046
Jazznet	579,832	579,832
Other	145,346	199,911
	<u>\$ 19,361,721</u>	<u>\$ 19,093,789</u>

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements--Continued

Note 7--Net Assets with Donor Restrictions--Continued

Donor restricted net assets released from restrictions during the years ended June 30, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Programming	\$ 619,000	\$ 935,587
Education		277,757
Other	11,215	90,048
	<u>\$ 630,215</u>	<u>\$ 1,303,392</u>

Note 8--Retirement Plan

The Society participates in the University's retirement plan, a defined contribution retirement plan through TIAA and Fidelity Management Trust Company ("FMTC") mutual funds. All staff are eligible to participate in the plan based upon age and service requirements. Participants maintain individual contracts with TIAA, or accounts with FMTC, and are fully vested.

Eligible employees generally contribute 5 percent of their pay and the Society generally contributes an amount equal to 10 percent of employees' pay to the plan after one year of employment with the University. Participants may elect to contribute additional amounts to the plan within specified limits that are not matched by the Society's contributions. Contributions made to the plan by the Society amounted to \$220,312 and \$185,449 for the years ended June 30, 2019 and 2018, respectively.

THE UNIVERSITY MUSICAL SOCIETY

Notes to Financial Statements--Continued

Note 9--Functional Classification of Expenses

The financial statements report certain categories of expenses that are attributable to one or more of the Society's defined operating functions; concerts and other programs, administrative, development and chorus. Those expenses attributable to more than one function include compensation, office rental space, depreciation, and IT service and equipment (noncapital). Compensation is allocated based on effort while office rental space is allocated based on both direct costs for storage space as well as headcount. Depreciation is allocated based on direct assignment and use of equipment and IT service and equipment (noncapital) is allocated based on headcount. All other costs are allocated on a direct basis.

Functional expenses, organized by their respective natural classification, for the years ended June 30, 2019 and 2018 are as follows:

	2019					2018
	Concerts and Other Programs	Administrative	Development	Chorus	Total	Total
Concert: artist fees, programming and production	\$ 3,263,937			\$ 2,143	\$ 3,266,080	\$ 3,282,328
Compensation	2,028,869	\$ 789,889	\$ 1,112,232	36,487	3,967,477	4,064,890
Office rental space	15,840	180,292	31,436		227,568	205,677
Depreciation	4,104	26,133	1,048	324	31,609	50,764
IT service and equipment (noncapital)	12,414	100,533	32,314	7,181	152,442	141,112
Staff development		23,024	760		23,784	2,926
Travel and hosting	370,431	46,370	138,592	6,244	561,637	653,072
Office supplies and other	655,208	618,213	152,863	657	1,426,941	1,380,880
	<u>\$ 6,350,803</u>	<u>\$ 1,784,454</u>	<u>\$ 1,469,245</u>	<u>\$ 53,036</u>	<u>\$ 9,657,538</u>	<u>\$ 9,781,649</u>