

PACIFIC SYMPHONY
Financial Statements
June 30, 2020
With Summarized Comparative Information June 30, 2019
With Independent Auditor's Report

**Pacific Symphony
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June 30, 2020, and 2019**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors,
Pacific Symphony:

We have audited the accompanying financial statements of Pacific Symphony (the "Symphony"), which comprise the statements of financial position as of June 30, 2020, and 2019, the related statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the years then ended, and the related notes to 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 accepted in the United States of America ("GAAP"); 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 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 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 qualified audit opinion.

Basis for Qualified Opinion

The Symphony has included its underwater endowment assets, the difference between the historical amounts contributed compared to the related investment asset balances, as a component of net assets without donor restriction, as was a requirement prior to the adoption of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. If the underwater amounts had been classified as net assets with donor restriction to conform with current US GAAP, such net assets would have decreased by \$3,453,144 and \$3,450,752, with equivalent increases to net assets without donor restriction as of June 30, 2020, and 2019, respectively. The total change in net assets for the years ended June 30, 2020, and 2019 would not be affected.

Qualified Opinion

In our opinion, except for the effects on the financial statements of matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Symphony as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Symphony's June 30, 2019, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

April 4, 2022

Pacific Symphony
Statements of Financial Position
June 30, 2020, and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 4,498,494	\$ 2,357,706
Investments	19,984,143	22,042,157
Accounts receivable (less allowance for doubtful accounts of \$10,000)	160,778	357,454
Prepaid expenses and deposits	616,658	693,963
Contributions receivable, net	7,384,031	8,018,474
Beneficial interest in irrevocable deferred gifts	1,330,521	946,993
Property and equipment, net	<u>880,216</u>	<u>745,680</u>
 Total assets	 <u>\$ 34,854,841</u>	 <u>\$ 35,162,427</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 244,293	\$ 832,356
Accrued liabilities	774,310	810,259
Deferred revenue	3,231,043	3,012,438
Paycheck Protection Program loan payable	<u>2,097,147</u>	<u>-</u>
Total liabilities	<u>6,346,793</u>	<u>4,655,053</u>
Net assets		
Without donor restrictions	(5,173,000)	(2,810,065)
With donor restrictions	<u>33,681,048</u>	<u>33,317,439</u>
Total net assets	<u>28,508,048</u>	<u>30,507,374</u>
 Total liabilities and net assets	 <u>\$ 34,854,841</u>	 <u>\$ 35,162,427</u>

The Notes to Financial Statements are an integral part of these statements.

Pacific Symphony
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues			
Concert ticket sales	\$ 3,517,064	\$ -	\$ 3,517,064
Contracted concerts	1,312,673	-	1,312,673
Interest income	3,147	-	3,147
Other income	<u>762,075</u>	<u>-</u>	<u>762,075</u>
Total operating revenues	<u>5,594,959</u>	<u>-</u>	<u>5,594,959</u>
Operating expenses			
Program expenses			
Program services	9,414,042	-	9,414,042
Education and community outreach	<u>2,154,997</u>	<u>-</u>	<u>2,154,997</u>
Total program expenses	<u>11,569,039</u>	<u>-</u>	<u>11,569,039</u>
Support services			
Marketing and public relations	2,735,273	-	2,735,273
General and administrative	1,867,559	-	1,867,559
Development and fund-raising	1,730,965	-	1,730,965
Facilities	<u>702,112</u>	<u>-</u>	<u>702,112</u>
Total support services	<u>7,035,909</u>	<u>-</u>	<u>7,035,909</u>
Total operating expenses	<u>18,604,948</u>	<u>-</u>	<u>18,604,948</u>
Operating loss	<u>(13,009,989)</u>	<u>-</u>	<u>(13,009,989)</u>

The Notes to Financial Statements are an integral part of these statements.

Pacific Symphony
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions in support of operations			
Contributions	\$ 5,313,551	\$ 2,679,295	\$ 7,992,846
Fund-raising events			
Contributions from fund-raising events	916,170	-	916,170
Event participation revenue	2,613,072	-	2,613,072
Less direct costs of donor benefits	<u>(931,515)</u>	<u>-</u>	<u>(931,515)</u>
Net revenues from fund-raising events	<u>2,597,727</u>	<u>-</u>	<u>2,597,727</u>
Change in value of insurance assignments	-	2,121	2,121
Net assets released from donor restrictions	<u>2,714,100</u>	<u>(2,714,100)</u>	<u>-</u>
	<u>2,714,100</u>	<u>(2,711,979)</u>	<u>2,121</u>
 Total contributions in support of operations	 <u>10,625,378</u>	 <u>(32,684)</u>	 <u>10,592,694</u>
 Change in net assets from operations prior to endowment activities	 <u>(2,384,611)</u>	 <u>(32,684)</u>	 <u>(2,417,295)</u>
Endowment activities			
Contributions and other changes in endowment assets	1,268,264	14,886	1,283,150
Investment income	396,441	-	396,441
Net realized and unrealized loss on investments	(1,422,482)	-	(1,422,482)
Change in value of beneficial interest	-	381,407	381,407
Investment management expenses	(63,456)	-	(63,456)
Capital campaign expenses	<u>(157,091)</u>	<u>-</u>	<u>(157,091)</u>
Change in net assets from endowment activities	<u>21,676</u>	<u>396,293</u>	<u>417,969</u>
 Change in net assets	 <u>(2,362,935)</u>	 363,609	 <u>(1,999,326)</u>
 Net assets			
Beginning of year	<u>(2,810,065)</u>	<u>33,317,439</u>	<u>30,507,374</u>
 End of year	 <u>\$ (5,173,000)</u>	 <u>\$ 33,681,048</u>	 <u>\$ 28,508,048</u>

The Notes to Financial Statements are an integral part of these statements.

Pacific Symphony
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues			
Concert ticket sales	\$ 5,879,852	\$ -	\$ 5,879,852
Contracted concerts	1,097,068	-	1,097,068
Interest income	3,764	-	3,764
Other income	<u>993,637</u>	<u>-</u>	<u>993,637</u>
Total operating revenues	<u>7,974,321</u>	<u>-</u>	<u>7,974,321</u>
Operating expenses			
Program expenses			
Program services	11,673,421	-	11,673,421
Education and community outreach	<u>2,270,487</u>	<u>-</u>	<u>2,270,487</u>
Total program expenses	<u>13,943,908</u>	<u>-</u>	<u>13,943,908</u>
Support services			
Marketing and public relations	2,996,993	-	2,996,993
General and administrative	1,784,248	-	1,784,248
Development and fund-raising	1,828,828	-	1,828,828
Facilities	<u>232,841</u>	<u>-</u>	<u>232,841</u>
Total support services	<u>6,842,910</u>	<u>-</u>	<u>6,842,910</u>
Total operating expenses	<u>20,786,818</u>	<u>-</u>	<u>20,786,818</u>
Operating loss	<u>(12,812,497)</u>	<u>-</u>	<u>(12,812,497)</u>

The Notes to Financial Statements are an integral part of these statements.

Pacific Symphony
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions in support of operations			
Contributions	\$ 5,775,261	\$ 759,810	\$ 6,535,071
Fund-raising events			
Contributions from fund-raising events	850,867	-	850,867
Event participation revenue	2,012,233	-	2,012,233
Less direct costs of donor benefits	<u>(759,549)</u>	<u>-</u>	<u>(759,549)</u>
Net revenues from fund-raising events	<u>2,103,551</u>	<u>-</u>	<u>2,103,551</u>
Change in value of insurance assignments	-	3,339	3,339
Net assets released from donor restrictions	<u>3,017,771</u>	<u>(3,017,771)</u>	<u>-</u>
	<u>3,017,771</u>	<u>(3,014,432)</u>	<u>3,339</u>
Total contributions in support of operations	<u>10,896,583</u>	<u>(2,254,622)</u>	<u>8,641,961</u>
Change in net assets from operations prior to endowment activities	<u>(1,915,914)</u>	<u>(2,254,622)</u>	<u>(4,170,536)</u>
Endowment activities			
Contributions and other changes in endowment assets	-	5,755	5,755
Investment income	535,674	-	535,674
Net realized and unrealized gain on investments	337,765	-	337,765
Change in value of beneficial interest	-	(32,325)	(32,325)
Investment management expenses	(75,375)	-	(75,375)
Capital campaign expenses	<u>(158,638)</u>	<u>-</u>	<u>(158,638)</u>
Change in net assets from endowment activities	<u>639,426</u>	<u>(26,570)</u>	<u>612,856</u>
Change in net assets	<u>(1,276,488)</u>	<u>(2,281,192)</u>	<u>(3,557,680)</u>
Net assets			
Beginning of year	<u>(1,533,577)</u>	<u>35,598,631</u>	<u>34,065,054</u>
End of year	<u>\$ (2,810,065)</u>	<u>\$ 33,317,439</u>	<u>\$ 30,507,374</u>

The Notes to Financial Statements are an integral part of these statements.

Pacific Symphony
Statement of Functional Expenses
Year Ended June 30, 2020 (with Summarized Comparative Information for the Year Ended June 30, 2019)

	Program Services	Supporting Services			Total Expenses 2020	Total Expenses 2019
	Concerts and Education	Management General and Administrative	Fund-Raising	Total		
Salaries and related expenses						
Key employee compensation	\$ 681,426	\$ 533,744	\$ 250,116	\$ 783,860	\$ 1,465,286	\$ 1,265,559
Other salaries and related expenses	7,182,852	1,699,688	969,770	2,669,458	9,852,310	10,250,930
Total salaries and related expenses	<u>7,864,278</u>	<u>2,233,432</u>	<u>1,219,886</u>	<u>3,453,318</u>	<u>11,317,596</u>	<u>11,516,489</u>
Other expense						
Accounting fees	-	53,228	-	53,228	53,228	52,599
Advertising and promotions	-	1,422,265	287,167	1,709,432	1,709,432	2,084,372
Conferences	1,239	7,553	3,827	11,380	12,619	16,652
Depreciation and amortization	-	183,654	-	183,654	183,654	184,958
Educational programs	600,792	-	-	-	600,792	624,060
Fundraising services	-	-	39,002	39,002	39,002	6,393
Insurance	48,284	39,398	-	39,398	87,682	86,757
Investment management fees	-	63,456	-	63,456	63,456	75,375
Information technology	-	232,323	3,595	235,918	235,918	210,600
Legal fees	-	46,809	-	46,809	46,809	12,196
Miscellaneous	126,906	16,682	3,456	20,138	147,044	120,642
Occupancy	-	518,457	-	518,457	518,457	513,636
Office expense	33,893	272,532	122,475	395,007	428,900	521,056
Other service fees	37,552	252,687	197,515	450,202	487,754	531,652
Production and exhibition	2,754,316	-	-	-	2,754,316	4,306,550
Royalties	76,908	-	-	-	76,908	79,200
Travel	24,871	21,277	11,133	32,410	57,281	77,644
Interest expense	-	4,647	-	4,647	4,647	-
Total other expense	<u>3,704,761</u>	<u>3,134,968</u>	<u>668,170</u>	<u>3,803,138</u>	<u>7,507,899</u>	<u>9,504,342</u>
Total expense including endowment	<u>11,569,039</u>	<u>5,368,400</u>	<u>1,888,056</u>	<u>7,256,456</u>	<u>18,825,495</u>	<u>21,020,831</u>
Less: Endowment expenses						
Capital campaign expenses	-	(157,091)	-	(157,091)	(157,091)	(158,638)
Investment management fees	-	(63,456)	-	(63,456)	(63,456)	(75,375)
Total endowment expenses	<u>-</u>	<u>(220,547)</u>	<u>-</u>	<u>(220,547)</u>	<u>(220,547)</u>	<u>(234,013)</u>
	<u>\$ 11,569,039</u>	<u>\$ 5,147,853</u>	<u>\$ 1,888,056</u>	<u>\$ 7,035,909</u>	<u>\$ 18,604,948</u>	<u>\$ 20,786,818</u>

The Notes to Financial Statements are an integral part of these statements.

Pacific Symphony
Statements of Cash Flows
Years Ended June 30, 2020, and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Change in net assets	\$ (1,999,326)	\$ (3,557,680)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	183,654	184,958
Change in value of beneficial interest	(383,528)	28,985
Change in discount to contributions receivable	27,718	66,189
Contributions restricted for long-term investment	-	(898,947)
Net realized and unrealized loss (gain) on investments	1,422,482	(337,765)
Changes in operating assets and liabilities		
Decrease in accounts receivable - net	196,676	157,436
Decrease in prepaid expenses and deposits	77,305	15,342
Decrease in contributions receivable - net	606,725	4,252,960
(Decrease) increase in accounts payable	(588,063)	142,011
Decrease in accrued liabilities	(35,949)	(31,045)
(Decrease) increase in deferred revenue	<u>218,605</u>	<u>(146,276)</u>
Net cash used in operating activities	<u>(273,701)</u>	<u>(123,832)</u>
Investing activities		
Purchases of investments	(7,812,069)	(22,159,134)
Proceeds from sales of investments	8,382,487	21,822,654
Purchases of property and equipment	<u>(318,190)</u>	<u>(97,913)</u>
Net cash provided by (used in) investing activities	<u>252,228</u>	<u>(434,393)</u>
Financing activities		
Proceeds from Paycheck Protection Program loan	2,097,147	-
Proceeds from contributions restricted for long-term investment	<u>65,114</u>	<u>674,245</u>
Net cash provided by financing activities	<u>2,162,261</u>	<u>674,245</u>
Net change in cash and cash equivalents	2,140,788	116,020
Cash and cash equivalents		
Beginning of year	<u>2,357,706</u>	<u>2,241,686</u>
End of year	<u>\$ 4,498,494</u>	<u>\$ 2,357,706</u>

The Notes to Financial Statements are an integral part of these statements.

Pacific Symphony
Notes to Financial Statements
June 30, 2020, and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Pacific Symphony (the "Symphony") is a nonprofit corporation founded in 1979 to establish a major orchestra for Orange County, California. The Symphony receives contributions and grant funding from individual donors, various foundations, and corporations.

Basis of Presentation

The financial statements of the Symphony have been prepared in accordance with U.S. accepted accounting principles ("US GAAP"), which requires the Symphony to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Symphony. These net assets may be used at the discretion of the Symphony's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Symphony or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Symphony records gifts of cash and other assets as net assets with donor restriction 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, donor restricted net assets are reclassified to net assets without restrictions and reported in the statements of activities and changes in net assets as net assets released from donor restrictions. Contributions with donor-imposed restrictions that are received and spent in the same year have been recorded as net assets without donor restrictions in the accompanying statements of activities and changes in net assets.

Endowment monies are identified in the accompanying financial statements as net assets with donor restriction, which include donor-restricted contributions, and as net assets without donor restrictions, which include unspent investment income and realized and unrealized losses on endowments. Management has reported underwater endowment balances as a component of net assets without donor restriction, as was a requirement prior to the adoption of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. If the underwater amounts had been classified as net assets with donor restriction to conform with current US GAAP, such net assets would have decreased by \$3,453,144 and \$3,450,752, with equivalent increases to net assets without donor restriction as of June 30, 2020, and 2019, respectively. The total change in net assets for the years ended June 30, 2020, and 2019 would not be affected.

Cash and Cash Equivalents

The Symphony considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Additionally, all stock gifts received are considered cash equivalents as they are liquidated to cash as soon as administratively possible.

Cash Reserve Fund

A \$150,000 cash reserve fund was established by a foundation grant that provided cash for operations during the year, as long as the funds were replaced and shown as reserved on the year-end statement.

Pacific Symphony
Notes to Financial Statements
June 30, 2020, and 2019

Concentration of Credit Risk

The Symphony maintains its cash balances at several commercial banks that consist of cash on deposit which, at times, may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Symphony has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Investments

Investments are measured and reported at fair value. Those with a readily determinable fair value are based on quotations obtained from national security exchanges. Investments with fair values that are not readily determinable are carried at estimated fair values as provided by the investment managers. The Symphony management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair value. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed. Changes in fair value are reported as investment income or loss in the statements of activities and changes in net assets. All investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, 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 financial statements.

Endowment Funding of Operations

The Symphony partially funds its operating activities with expenditures from the endowment. For the years ended June 30, 2020, and 2019, the expenditures were \$24,068 and \$1,940,390, respectively, and are included as part of endowment activities in the accompanying statements of activities and changes in net assets. The board of directors authorized a one-time policy exception to its annual endowment distributions to increase current year operations support. For the fiscal year ended June 30, 2019, distributions were increased by \$950,000. The board resolution simultaneously resolved to reduce the annual distributions for the subsequent fiscal year ending June 30, 2020, by the same amount. See Note 8 for additional details of the changes in endowment net assets.

Beneficial Interest in Irrevocable Deferred Gifts

Contributions, including unconditional promises to give, are recognized as revenue in the period received. The Symphony is also a beneficiary in certain trusts. The Symphony recognizes as revenue the present value of the estimated future benefits to be received upon distribution of irrevocable trusts for which the Symphony is beneficiary but is not the trustee. When these gifts are revocable in nature, they are not reflected in the financial statements. The Symphony also recognizes as revenue the cash surrender value of the insurance policies for which the Symphony is the beneficiary.

Property and Equipment

Property and equipment includes furniture and equipment, musical instruments, music library, production equipment, and leasehold improvements, and is stated at cost, net of accumulated depreciation. Donated assets are recorded at the estimated fair value on the date received and are recorded as donor restricted net asset support and subsequently released from restrictions as such assets are depreciated.

Pacific Symphony
Notes to Financial Statements
June 30, 2020, and 2019

Depreciation is computed using the straight-line method over the estimated useful lives of assets as follows:

<u>Description</u>	<u>Estimated Live (Years)</u>
Furniture and equipment	5
Music library	5
Production equipment	7
Leasehold improvements	10

Leasehold improvements are amortized over the shorter of the term of the lease or the life of the improvement.

Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There was no impairment of long-lived assets during the years ended June 30, 2020, and 2019. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Revenue Recognition

Deferred revenue consists of advance tickets sales, program support pertaining to future concerts, and advance Education participation fees. Ticket sales and contracted concerts are recorded as revenue when a concert is performed, and any related prepaid costs are charged to expense. Contributions, including unconditional promises to give, are recognized when received or pledged by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. The Symphony's policy is to record restricted gifts that are received and spent in the same year as unrestricted support.

Advertising

The Symphony follows the policy of charging advertising costs to expense as incurred. Total advertising costs expensed for the years ended June 30, 2020, and 2019 were \$1,709,432 and \$2,084,372, respectively.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Pacific Symphony
Notes to Financial Statements
June 30, 2020, and 2019

The discounts on those amounts are computed using interest rates commensurate with the risks involved applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed Services and Gifts In-Kind

Contributed services are recognized if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers and directors have made significant contributions of their time and talent to support the Symphony's functions. Only amounts that meet the criteria above are recorded in the accompanying financial statements.

The Symphony also has received donations of various noncash assets, such as supplies or services that were used for purposes of operating activities. There were no gift in-kind contributions recorded for the years ended June 30, 2020, and 2019.

Revenue and Recently Adopted Accounting Policies

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities (Topic 958) - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update requires a recipient of funds from a resource provider to determine if those funds should be classified as a reciprocal exchange transaction or as a contribution based on the value that the resource provider is receiving from the transaction. Additionally, the update requires recipient organizations to determine whether a contribution is conditional based on whether the agreement includes barriers that must be overcome, and either a right of return of assets transferred, or a right of release of a resource provider's obligation to transfer assets. If the agreement includes both characteristics, the recipient is not entitled to the transferred assets, and therefore does not recognize the associated revenues, until the barrier is overcome.

The Symphony adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified prospective method of transition. No adjustment to net assets as of July 1, 2019, was necessary. The Symphony applied the new guidance using the practical expedient provided in Topic 958 that allows the guidance to be applied only to agreements that were not complete as of July 1, 2019. Adoption of the new guidance did not have a material impact on the Symphony's financial statements.

Income Taxes

The Symphony is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal and state income taxes. However, the Symphony is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

The Symphony has adopted the accounting standards relating to accounting and reporting for uncertainty in income taxes. For the Symphony, these standards could be applicable to the incurrence of any unrelated business income attributable to the Symphony. Because of the Symphony's general tax-exempt status, these standards are not anticipated to have a material impact on the Symphony's financial statements. Further, there were no income tax related penalties and interest included in these financial statements.

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Vacation Expense

Hourly and salary employees earn credits during the current year for future vacation benefits. The expense and corresponding liability are accrued when vacations are earned rather than when vacations are paid.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 results could differ from those estimates.

Fair Value Measurements

The carrying value of financial instruments in the financial statements approximates fair value.

The Symphony has adopted the accounting standard for fair value measurements of financial assets and financial liabilities (Note 3), and for fair value measurements of non-financial items that are recognized and disclosed at fair value in the financial statements on a recurring basis. The accounting standard defines fair value as 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.

The assets that are recorded at fair value on a recurring basis are investments and beneficial interests in irrevocable deferred gifts. The Symphony has no financial liabilities or non-financial items that are recorded at fair value on a recurring basis.

The accounting standard establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 - Fair values are based on quoted prices in active markets for identical assets and liabilities. The Symphony's Level 1 assets include common stock and institutional mutual funds.

Level 2 - Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the asset. The Symphony's Level 2 assets include alternative investments, life insurance contracts, and charitable gift annuities.

Level 3 - Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies and property appraisal and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. The Symphony's Level 3 assets include contributions receivable, investments in real property, real estate investment trusts, and a limited partnership.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair values may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering from sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

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Collective Bargaining Agreement

Employees of the Symphony performing services as musicians are employed under a collective bargaining agreement. Employees subject to the agreement approximate 53.5% of the Symphony's expenses for salaries and benefits. Management has no indication of any work stoppages and believes any would be unlikely. Any such labor disruption could cause a severe impact on the Symphony's operations. Under the Symphony's collective bargaining agreement, any work stoppages are prohibited for the term of the contract, which expired in August 2021 with extension to August 2024. The collective bargaining agreement includes a minimum health and welfare contribution of \$1,500 per regular musician to obtain Level A benefits based on a COVID-19 modification in effect until September 2022. The minimum applies to the plan year which ends October 2020 and the amount paid to ensure minimums were achieved was \$12,261.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Advertising and marketing	Service provided by function
Outside services	Service provided by function
Depreciation	Direct usage
Technology and utilities	Direct usage
Insurance	Service provided by function
Rent	Square footage
Program and office supplies	Direct usage
Other	Direct usage

Certain expenses reported on the accompanying statement of functional expenses, such as depreciation, rent, and supplies, and other expenses, have been allocated to programs based on direct usage. For certain expenses including advertising and marketing, outside services, insurance, and equipment expenses, the costs directly attributable to program or supporting services have been allocated as such. Salaries and benefits have been allocated to the program and supporting services based on time and effort of the employees involved.

Recent Accounting Pronouncements (Not Yet Adopted)

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Under Topic 606, an entity is required to recognize revenue upon transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The Symphony is currently assessing the impact of Topic 606 on the financial statements. Topic 606 is effective for the Symphony's year ended June 30, 2021.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Under ASU No. 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee 's obligation to make lease payments arising from a lease, measured on a discounted basis; and

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- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Management is currently assessing the impact of Topic 842 on financial statements. Topic 842 is effective for the Symphony's year ended June 30, 2023.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities*. This ASU permits private companies and not-for-profit organizations that have not yet applied the revenue recognition standard to do so for annual reporting periods beginning after December 15, 2019. For leases, the ASU provides an effective date deferral to private companies, private not-for-profit organizations, and public not-for-profit organizations that have not yet issued (or made available) their financial statements reflecting the adoption of the guidance to fiscal years beginning after December 15, 2021.

Subsequent Events

The Symphony evaluated subsequent events through April 4, 2022, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements other than disclosures below and in Note 8, Note 9 and Note 11.

In April 2021, the Symphony received a second loan in the amount of \$2,000,000 under the Payroll Protection Program ("PPP") of the CARES Act. This loan is guaranteed by the Small Business Administration and is for a 5-year term at a 1.0% interest rate. Under the PPP, the Symphony can have the entire loan forgiven if the proceeds are used to fund payroll and other allowable expenses. The Symphony intends to follow the PPP restrictions so that the entire loan will be forgiven.

In July 2021, the Symphony obtained a Shuttered Venue Operators Grant ("SVOG") in the amount of \$1,629,363 with an additional supplemental funding of \$1,814,682 in November 2021. The SVOG provides federal funds to entities that were impacted by government shutdowns resulting from the COVID-19 virus. Grant recipients are not required to repay the funding if funds are used for eligible uses by the dates specified by each respective grant.

In 2021, the Symphony applied for the Employee Retention Credit in the amount of \$292,138 relating to fiscal year ended June 30, 2020, and \$2,967,203 relating to subsequent years. The credit will be claimed against the Symphony's payroll tax obligations for each calendar quarter based on qualified wages, subject to certain limitations. No amounts have been recorded in the June 30, 2020, financial statements since the Symphony first became eligible for the credit as a result of the signing of the Consolidated Appropriations Act ("CAA") on December 27, 2020.

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2. AVAILABILITY AND LIQUIDITY

The following represents the Symphony's financial assets at June 30:

	<u>2020</u>	<u>2019</u>
Financial assets at year end		
Cash and cash equivalents	\$ 4,498,494	\$ 2,357,706
Accounts receivable	160,778	357,454
Contributions receivable	7,384,031	8,018,474
Investments	<u>19,984,143</u>	<u>22,042,157</u>
	32,027,446	32,775,791
Less: Restricted cash and cash equivalents not available within twelve months	(38,277)	(1,706,136)
Assets to be held in perpetuity	(25,953,227)	(25,046,762)
Contributions receivable	<u>(6,098,674)</u>	<u>(6,369,220)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ (62,732)</u>	<u>\$ (346,327)</u>

The Symphony receives significant unrestricted revenue from ticket sales for concerts, public contributions, and promises to give, some of which are restricted by donors for program use and/or time restrictions. The Symphony operates the concerts and education programs at a deficit and is dependent on public contributions, which are ongoing, major, and central to its annual operations, to fund and be available to meet cash needs for supporting program services and general expenditures. Management of liquidity and reserves is conducted under three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As part of the liquidity plan, excess cash may be invested in short-term investments, such as money market accounts. In addition to annual cash flow budget estimates, the Symphony forecasts its future cash flows and monitors liquidity through a daily tracking mechanism and on a monthly basis during the closing review process.

To help manage liquidity needs, the Symphony inaugurated two multi-year major capital campaigns during FY 19/20 named Sound Future and Symphony Unbound. The Sound Future campaign is to sustain Symphony operations following the early impact of the COVID pandemic and economic shutdown. This campaign has continued with the goal of raising \$10,000,000 for use over five to six fiscal years, ensuring medium- and longer-term recovery from the impact of the temporary suspension of most of the Symphony's programmatic operations in spring of 2020, and related effects. As of June 30, 2020, the campaign raised \$1,195,953. Subsequent to year end, there are donor commitments of \$3,885,877 for the Sound Future campaign. See Note 8 for discussion on the Symphony Unbound campaign.

Additionally, the board of directors has the ability to authorize a policy exception to its endowment distributions to support operational requirements.

3. INVESTMENTS

Investments as of June 30, 2020, and 2019 consist of common stock, mutual funds, alternative assets, and assets held in irrevocable deferred gifts such as mutual funds, life insurance contracts, real estate investment trusts, limited partnerships, and real property.

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The following table sets forth by level, within the fair value hierarchy, the Symphony's assets at fair value as of June 30:

	2020			Total
	Level 1	Level 2	Level 3	
Exchange traded funds				
Domestic funds	\$ 6,525,141	\$ -	\$ -	\$ 6,525,141
Fixed income	761,391	-	-	761,391
International funds	9,634,744	-	-	9,634,744
Other	1,184,310	-	-	1,184,310
	<u>18,105,586</u>	<u>-</u>	<u>-</u>	<u>18,105,586</u>
Mutual funds - fixed income	1,904,457	-	-	1,904,457
Option contracts domestic options (short)	(25,900)	-	-	(25,900)
Contributions receivable	-	-	7,384,031	7,384,031
Irrevocable deferred gifts	<u>-</u>	<u>174,305</u>	<u>1,156,216</u>	<u>1,330,521</u>
	<u>\$ 19,984,143</u>	<u>\$ 174,305</u>	<u>\$ 8,540,247</u>	<u>\$ 28,698,695</u>
	2019			
	Level 1	Level 2	Level 3	Total
Exchange traded funds				
Domestic funds	\$ 6,074,869	\$ -	\$ -	\$ 6,074,869
International funds	12,098,560	-	-	12,098,560
	<u>18,173,429</u>	<u>-</u>	<u>-</u>	<u>18,173,429</u>
Mutual funds - fixed income	2,072,310	-	-	2,072,310
Option contracts domestic options (short)	(168,984)	-	-	(168,984)
Contributions receivable	-	-	8,018,474	8,018,474
Alternative assets	-	1,965,402	-	1,965,402
Irrevocable deferred gifts	<u>1,597</u>	<u>172,183</u>	<u>773,213</u>	<u>946,993</u>
	<u>\$ 20,078,352</u>	<u>\$ 2,137,585</u>	<u>\$ 8,791,687</u>	<u>\$ 31,007,624</u>

Investment activity consisted of the following during the years ended June 30:

	2020	2019
Investment income	\$ 396,441	\$ 535,674
Investment management expenses	(63,456)	(75,375)
Net realized and unrealized gain (loss)	(1,422,482)	337,765
Change in value of beneficial interest	381,407	(32,325)
	<u>\$ (708,090)</u>	<u>\$ 765,739</u>

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The following table sets forth a summary of all of the Symphony's Level 3 assets measured at fair value at June 30.

	Contribution Receivable	
	2020	2019
Balance, beginning of year	\$ 8,018,474	\$ 12,337,623
New pledges	9,811,584	7,032,210
Payments received	(10,095,911)	(11,377,017)
Write-offs	(277,334)	(40,531)
Change in allowance for uncollectible pledges	(100,500)	-
Change in present value discount amount	27,718	66,189
Balance, end of year	<u>\$ 7,384,031</u>	<u>\$ 8,018,474</u>

	Irrevocable Deferred Gifts	
	2020	2019
Balance, beginning of year	\$ 773,213	\$ 793,433
Investment gain (loss), net	383,003	(20,220)
Balance, end of year	<u>\$ 1,156,216</u>	<u>\$ 773,213</u>

4. CONTRIBUTIONS RECEIVABLE

At June 30, 2020, contributions receivable include amounts that have been discounted at rates ranging from 0.1% to 2.6% as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Amounts due in			
Less than one year	\$ 1,485,857	\$ 2,980,440	\$ 4,466,297
One to five years	-	2,856,916	2,856,916
Thereafter	-	300,000	300,000
Total promises to give	<u>1,485,857</u>	<u>6,137,356</u>	<u>7,623,213</u>
Less			
Discount to reflect contributions at present value	-	(38,682)	(38,682)
Reserve for uncollectibles	<u>(200,500)</u>	<u>-</u>	<u>(200,500)</u>
Net promises to give	<u>\$ 1,285,357</u>	<u>\$ 6,098,674</u>	<u>\$ 7,384,031</u>

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Notes to Financial Statements
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At June 30, 2019, contributions receivable include amounts that have been discounted at rates ranging from 0.6% to 2.6% as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Amounts due in			
Less than one year	\$ 1,749,254	\$ 2,549,712	\$ 4,298,966
One to five years	-	3,585,907	3,585,907
Thereafter	-	300,000	300,000
Total promises to give	1,749,254	6,435,619	8,184,873
Less			
Discount to reflect			
contributions at present value	-	(66,399)	(66,399)
Reserve for uncollectibles	(100,000)	-	(100,000)
Net promises to give	<u>\$ 1,649,254</u>	<u>\$ 6,369,220</u>	<u>\$ 8,018,474</u>

5. BENEFICIAL INTEREST IN IRREVOCABLE DEFERRED GIFTS

The Symphony has been named as a third-party beneficiary in a charitable remainder unitrust agreement for which the Symphony is not the trustee. The trust shall terminate upon the death of the donor, at which time the Symphony will receive the trust assets to invest in perpetuity. The estimated fair value of the trust assets, consisting primarily of real estate and real estate investment trusts at June 30, 2020, and 2019, is \$1,156,216 and \$774,809, respectively, and is recorded as a component of net assets with donor restrictions.

The Symphony is the beneficiary of several life insurance policies whereby the Symphony receives a cash payment upon the death of the donors. The fair values of the life insurance assignments were determined by using the cash surrender value of the policies, which totaled \$174,305 and \$172,184, at June 30, 2020, and 2019, respectively, and are recorded as net assets with donor restrictions.

6. PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 911,176	\$ 875,009
Musical instruments	293,070	293,070
Music library	14,071	14,071
Production equipment	1,209,400	1,123,234
Leasehold improvements	312,033	212,924
	<u>2,739,750</u>	<u>2,518,308</u>
Less: Accumulated depreciation	<u>(1,859,534)</u>	<u>(1,772,628)</u>
	<u>\$ 880,216</u>	<u>\$ 745,680</u>

Depreciation and amortization expense for the years ended June 30, 2020, and 2019 was \$183,654 and \$184,958, respectively.

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7. ACCRUED LIABILITIES

Accrued liabilities at June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Accrued bonuses	\$ -	\$ 40,369
Accrued retirement plan expense	120,332	119,107
Accrued vacation	282,133	288,593
Deferred rent expense	108,417	91,957
Employee wages and benefits	262,807	253,705
Other	<u>621</u>	<u>16,528</u>
	<u>\$ 774,310</u>	<u>\$ 810,259</u>

8. ENDOWMENT

The accounting standard provides guidance with respect to the accounting for donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which the State of California has enacted. In addition, the accounting standard requires expanded disclosures for all endowment funds. Based on its interpretation of the provisions of UPMIFA and the accounting standard, the Symphony has determined that retaining its existing policies regarding net asset classification of its donor-restricted endowment funds is appropriate. The historic dollar value of donor-restricted endowment contributions is reported as donor restricted net assets. The Symphony's endowment was established for the purpose of supporting the Symphony's mission.

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Changes in Endowment Net Assets for the Years Ending June 30, 2020, and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2018	\$ (2,149,788)	\$ 25,964,911	\$ 23,815,123
Changes in the value of beneficial interest	-	(32,325)	(32,325)
Contributions	-	5,755	5,755
Investment income, net	460,299	-	460,299
Net appreciation (realized and unrealized)	337,765	-	337,765
Capital campaign expenses	(158,638)	-	(158,638)
Expenditure of appropriated funds	<u>(1,940,390)</u>	<u>-</u>	<u>(1,940,390)</u>
Endowment net assets, June 30, 2019	(3,450,752)	25,938,341	22,487,589
Changes in the value of beneficial interest	-	381,407	381,407
Contributions	1,268,264	14,886	1,283,150
Investment income, net	332,985	-	332,985
Net depreciation (realized and unrealized)	(1,422,482)	-	(1,422,482)
Capital campaign expenses	(157,091)	-	(157,091)
Expenditure of appropriated funds	<u>(24,068)</u>	<u>-</u>	<u>(24,068)</u>
Endowment net assets, June 30, 2020	<u>\$ (3,453,144)</u>	<u>\$ 26,334,634</u>	<u>\$ 22,881,490</u>

Return Objectives and Risk Parameters

The Symphony has adopted investment and spending policies for endowment assets that provides continued financial stability for the Symphony and a revenue stream for spending on the Symphony's mission. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that ensures safety through diversification while obtaining a competitive rate of return with the secondary objective to maintain liquidity. The Symphony expects its endowment funds over time, to provide an average net rate of return of approximately 5% annually.

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Notes to Financial Statements
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Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return, the Symphony relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yields (interest and dividends). The Symphony targets a diversified asset allocation that utilizes fixed income, equity-based investments, and option contracts to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Symphony's investment policy includes an endowment spending rate not to exceed 4.5% of the endowment fund's market value at the start of the fiscal year and calculated using a rolling three-year average. This spending rate constitutes the Board of Director's annual appropriation for spending endowment earnings. These spending assumptions are intended to allow for the significant and immediate spending of the income of the portfolio, provide a target rate of return for the Endowment Fund for the Symphony, and provide a sustainable spending level that will allow for support of the Symphony's initiatives in fulfilling its mission, while maintaining the purchasing power of the Endowment Fund's assets.

Underwater Endowment

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors. Funds with deficiencies reported in net assets without donor restrictions were as follows at June 30:

	<u>2020</u>	<u>2019</u>
Fair value of underwater endowment funds	\$ 22,881,490	\$ 22,487,589
Original endowment gift amount	<u>26,334,634</u>	<u>25,938,341</u>
Deficiencies of underwater endowment funds	<u>\$ (3,453,144)</u>	<u>\$ (3,450,752)</u>

The Symphony inaugurated a multi-year major capital campaign during FY 19/20 named Symphony Unbound. The Symphony Unbound campaign is intended to raise \$62,000,000 by the Symphony's 50th anniversary in 2029. \$50,000,000 is designated endowment with \$12,000,000 board designated endowment to provide "as needed" supplemental annual support beginning FY 19/20. Subsequent to year end, there are donor commitments of \$4,401,194 for the Symphony Unbound campaign.

As stated above, the purpose of this endowment fund is to operate and maintain the Pacific Symphony. Currently the Symphony is fully operational and requires funding only for day-to-day upkeep and staffing. Taking all of the aforementioned factors into account, the Symphony believes that balance maintained in the endowment fund is sufficient funding to subsidize the Pacific Symphony for the foreseeable future.

9. POTENTIAL IMPACT OF COVID-19 AND PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

There is significant uncertainty as to the severity and the longevity of the pandemic and how it will affect the revenues of the Symphony. Management continues to evaluate the impact of the COVID-19 virus on the Symphony and has concluded that while it is reasonably possible that the pandemic response could have a negative effect on its financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements.

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On April 7, 2020, the Symphony issued an unsecured promissory note for \$2,092,500 (the "PPP Loan") through the Paycheck Protection Program ("PPP") established under the CARES Act and administered by the U.S. Small Business Administration ("SBA"). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Symphony was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined period after the PPP Loan was disbursed ("Covered Period"), and otherwise satisfied PPP requirements. The PPP Loan was made through East West Bank (the "Lender"), has a two-year term, bears interest at 1.00% per annum, and matures on April 7, 2022. The Symphony will record the forgiveness of the loan as a gain on extinguishment in the period in which legal release is received.

In September 2021, the Symphony was informed that its application for forgiveness of \$2,097,147 of the PPP Loan was approved. Since the PPP Loan was over \$2,000,000, the Symphony's forgiveness will be subject to potential audit by the SBA.

10. RETIREMENT PLAN

During the year ended June 30, 2008, the Symphony instituted a 401(k)-retirement plan covering all eligible employees. Employee contributions to the plan are at the participants' discretion. For the years ended June 30, 2020, and 2019, the Symphony made contributions of \$120,332 and \$119,107, respectively, into the plan for eligible nonunion participants. The Symphony is not responsible for managing the investments available in the plan, or funding of the plan beyond the amount of the annual contributions.

The Symphony participates in the American Federation of Musicians and Employers' Pension Plan ("AFMEPP") (EIN 51-6120204) and made contributions of \$554,853 and \$550,111 for the years ended June 30, 2020, and 2019, respectively. The plan is managed by AFMEPP and considered to be in the red zone. Plans in the red zone are generally less than 65% funded. The collective bargaining agreement expires in August 2024. Participation in the multiemployer plan is not considered to be significant by the Symphony for the years ended June 30, 2020, and 2019. The Symphony's contributions to these plans did not exceed 5% of the total contributions to the plan. No minimum contributions or minimum funding requirements are required by the collective bargaining agreement, statutory obligations, or other contractual obligations in current or future periods.

11. COMMITMENTS

Operating Leases

The Symphony leases certain facilities and equipment under noncancelable operating lease agreements, which expire at various dates through December 2026. In December 2020, an executive committee member of the board donated to the Symphony the facility that it was originally renting under an operating lease agreement. The facility value was estimated at \$6 million.

Future minimum lease payments under all noncancelable operating leases as of June 30 are as follows:

2021	\$ 266,333
2022	82,200
2023	84,850
2024	87,410
2025	90,040
Thereafter	15,080
	<u>\$ 625,913</u>

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Total rent expense under all operating leases amounted to \$470,858 and \$470,976 for the years ended June 30, 2020, and 2019, respectively.

12. NET ASSETS

The following is a summary of the Symphony's net assets with and without donor restrictions at June 30:

Without Donor Restrictions

	<u>2020</u>	<u>2019</u>
Operating	\$ (1,719,856)	\$ 640,687
Endowment	<u>(3,453,144)</u>	<u>(3,450,752)</u>
	<u>\$ (5,173,000)</u>	<u>\$ (2,810,065)</u>

With Donor Restrictions

	<u>2020</u>	<u>2019</u>
Operating fund cash - time or purpose restricted for sponsorship of certain events	\$ -	\$ 1,499,091
Cash - restricted for special projects and instrument acquisitions	207,045	207,045
Endowment cash and cash equivalents	40,469	137,510
Amount due (from) or to endowment	38,277	(915,856)
Assets to be held in perpetuity	25,953,227	25,046,762
Contributions receivable	6,098,674	6,369,220
Beneficial interests	1,330,521	946,993
Instruments and equipment	<u>12,835</u>	<u>26,674</u>
	<u>\$ 33,681,048</u>	<u>\$ 33,317,439</u>

General net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. For the year ended June 30, 2020, net assets released from donor restrictions for purpose restrictions for instrument purchases was \$7,781 and for purpose restrictions for various concerts, musical and education programs was \$2,706,319. For the year ended June 30, 2019, net assets released from donor restrictions for purpose restrictions for instrument purchases was \$7,748, for equipment purchases was \$2,875 and for purpose restrictions for various concerts, musical and education programs was \$3,007,148.