

1945-2020
75
YEARS

**SAN DIEGO
YOUTH SYMPHONY**

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



Leaf & Cole, LLP
Certified Public Accountants

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
San Diego Youth Symphony and Conservatory

Opinion

We have audited the accompanying financial statements San Diego Youth Symphony and Conservatory (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Youth Symphony and Conservatory as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Diego Youth Symphony and Conservatory, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Youth Symphony and Conservatory's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 San Diego Youth Symphony and Conservatory's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about San Diego Youth Symphony and Conservatory's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Leaf & Cole LLP

San Diego, California
August 7, 2023

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current Assets:</u> (Notes 2 and 5)		
Cash and cash equivalents	\$ 737,561	\$ 246,138
Grants receivable	267,945	120,949
Other receivables	31,742	361,342
Pledges receivable	24,870	19,073
Prepaid expenses	34,890	19,795
Total Current Assets	<u>1,097,008</u>	<u>767,297</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 6, 7, 8, 9 and 10)		
Pledges receivable, net	21,691	21,691
Investments	1,631,715	1,860,944
Deposits	3,476	3,476
Charitable remainder unitrust	229,921	279,313
Musical instruments	732,646	671,570
Property and equipment, net	43,346	39,536
Beneficial interest in endowment funds	268,142	289,514
Total Noncurrent Assets	<u>2,930,937</u>	<u>3,166,044</u>
TOTAL ASSETS	<u>\$ 4,027,945</u>	<u>\$ 3,933,341</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 14)		
Accounts payable and accrued expenses	\$ 122,260	\$ 209,318
Deferred revenue	31,710	306,503
Total Current Liabilities	<u>153,970</u>	<u>515,821</u>
<u>Commitments and Contingencies</u> (Notes 10 and 14)		
<u>Net Assets:</u> (Notes 2, 11, 12 and 13)		
Without Donor Restrictions:		
Undesignated	842,993	557,783
Undesignated spending allowance	107,255	52,255
Board designated quasi-endowment	410,766	735,849
Total Without Donor Restrictions	<u>1,361,014</u>	<u>1,345,887</u>
With Donor Restrictions:		
Purpose restrictions	1,160,137	724,398
Perpetual in nature	1,352,824	1,347,235
Total With Donor Restrictions	<u>2,512,961</u>	<u>2,071,633</u>
Total Net Assets	<u>3,873,975</u>	<u>3,417,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,027,945</u>	<u>\$ 3,933,341</u>

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

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total
Revenue and Support:						
Contributions	\$ 417,623	\$ 729,711	\$ 1,147,334	\$ 280,152	\$ 417,804	\$ 697,956
Program revenue	769,431	-	769,431	482,986	-	482,986
Government grants	677,920	40,000	717,920	735,045	35,000	770,045
Fundraising activities	252,781	-	252,781	198,856	-	198,856
In-kind donations	101,406	-	101,406	34,115	-	34,115
City of San Diego Commission for Arts and Culture	97,483	-	97,483	62,043	-	62,043
Other income	329	-	329	797	-	797
Investment income (loss)	(263,088)	(38,196)	(301,284)	322,050	138,658	460,708
Net assets released from restrictions	290,187	(290,187)	-	304,653	(304,653)	-
Total Revenue and Support	<u>2,344,072</u>	<u>441,328</u>	<u>2,785,400</u>	<u>2,420,697</u>	<u>286,809</u>	<u>2,707,506</u>
Expenses:						
Music program	<u>1,621,703</u>	<u>-</u>	<u>1,621,703</u>	<u>1,294,284</u>	<u>-</u>	<u>1,294,284</u>
Supporting Services:						
General and administrative	264,581	-	264,581	246,783	-	246,783
Fundraising	442,661	-	442,661	374,174	-	374,174
Total Supporting Services	<u>707,242</u>	<u>-</u>	<u>707,242</u>	<u>620,957</u>	<u>-</u>	<u>620,957</u>
Total Expenses	<u>2,328,945</u>	<u>-</u>	<u>2,328,945</u>	<u>1,915,241</u>	<u>-</u>	<u>1,915,241</u>
Change in Net Assets	15,127	441,328	456,455	505,456	286,809	792,265
Net Assets at Beginning of Year	<u>1,345,887</u>	<u>2,071,633</u>	<u>3,417,520</u>	<u>840,431</u>	<u>1,784,824</u>	<u>2,625,255</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,361,014</u>	<u>\$ 2,512,961</u>	<u>\$ 3,873,975</u>	<u>\$ 1,345,887</u>	<u>\$ 2,071,633</u>	<u>\$ 3,417,520</u>

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

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Supporting Services				Total
	Music Program	General and Administrative	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 1,061,352	\$ 148,547	\$ 239,772	\$ 388,319	\$ 1,449,671
Payroll taxes and employee benefits	130,666	23,372	37,333	60,705	191,371
Total Salaries and Related Expenses	<u>1,192,018</u>	<u>171,919</u>	<u>277,105</u>	<u>449,024</u>	<u>1,641,042</u>
<u>Nonsalary Related Expenses:</u>					
Advertising and promotion	41,018	7,122	5,588	12,710	53,728
Conferences and meetings	28,400	6,031	6,831	12,862	41,262
Contractors	36,926	-	-	-	36,926
Depreciation	6,417	3,791	-	3,791	10,208
Dues and subscriptions	1,471	7,721	52	7,773	9,244
Insurance	10,775	5,387	5,387	10,774	21,549
Occupancy costs	64,543	2,332	26,193	28,525	93,068
Office and information technology	67,210	52,131	41,121	93,252	160,462
Other expenses	74,598	6,198	16,903	23,101	97,699
Printing, postage and shipping	8,063	609	2,056	2,665	10,728
Production and event costs	67,058	-	17,307	17,307	84,365
Royalties, rights and reproductions	8,100	-	-	-	8,100
Special events	-	-	41,571	41,571	41,571
Travel	15,106	1,340	2,547	3,887	18,993
Total Nonsalary Related Expenses	<u>429,685</u>	<u>92,662</u>	<u>165,556</u>	<u>258,218</u>	<u>687,903</u>
Total Expenses	<u>\$ 1,621,703</u>	<u>\$ 264,581</u>	<u>\$ 442,661</u>	<u>\$ 707,242</u>	<u>\$ 2,328,945</u>

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

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Supporting Services				Total
	Music Program	General and Administrative	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 982,147	\$ 131,995	\$ 229,258	\$ 361,253	\$ 1,343,400
Payroll taxes and employee benefits	119,740	19,948	34,648	54,596	174,336
Total Salaries and Related Expenses	1,101,887	151,943	263,906	415,849	1,517,736
<u>Nonsalary Related Expenses:</u>					
Advertising and promotion	22,650	-	6,493	6,493	29,143
Conferences and meetings	531	44	556	600	1,131
Contractors	6,025	-	-	-	6,025
Depreciation	13,490	8,183	-	8,183	21,673
Dues and subscriptions	1,335	7,154	145	7,299	8,634
Insurance	10,768	5,384	5,384	10,768	21,536
Occupancy costs	38,646	3,883	17,228	21,111	59,757
Office and information technology	54,393	67,174	26,621	93,795	148,188
Other expenses	35,844	1,924	8,786	10,710	46,554
Printing, postage and shipping	867	441	2,385	2,826	3,693
Production and event costs	709	-	4,742	4,742	5,451
Royalties, rights and reproductions	3,923	-	-	-	3,923
Special events	-	-	35,934	35,934	35,934
Travel	3,216	653	1,994	2,647	5,863
Total Nonsalary Related Expenses	192,397	94,840	110,268	205,108	397,505
Total Expenses	\$ 1,294,284	\$ 246,783	\$ 374,174	\$ 620,957	\$ 1,915,241

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

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 456,455	\$ 792,265
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,208	21,673
Loss on disposal of property and equipment	-	731
Loss on disposal of musical instruments	10,103	14,296
Net realized and unrealized losses (gains) on investments	268,751	(317,820)
Donated musical instruments	(63,690)	(22,545)
Endowment contributions	(76,353)	(83,229)
Endowment investment (income) loss	60,279	(16,769)
Endowment distributions	10,485	10,437
(Increase) Decrease in:		
Grants receivable	(146,996)	(68,739)
Other receivables	329,600	(356,425)
Pledges receivable, net	(5,797)	(9,657)
Prepaid expenses	(15,095)	4,351
Increase (Decrease) in:		
Accounts payable and accrued expenses	(87,058)	82,681
Deferred revenue	(274,793)	(1,512)
Net Cash Provided by Operating Activities	<u>476,099</u>	<u>49,738</u>
<u>Cash Flows From Investing Activities:</u>		
Investment (purchases) and sales, net	(39,522)	18,435
Change in charitable remainder unitrust	49,392	(48,753)
Purchase of musical instruments	(7,489)	(2,306)
Purchase of property and equipment	(14,018)	(5,396)
Proceeds from sale of property and equipment	-	2,000
Change in beneficial interest in endowment funds	21,372	(55,084)
Net Cash Provided by (Used in) Investing Activities	<u>9,735</u>	<u>(91,104)</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment contributions	76,353	83,229
Endowment investment income (loss)	(60,279)	16,769
Endowment distributions	(10,485)	(10,437)
Net Cash Provided by Financing Activities	<u>5,589</u>	<u>89,561</u>
Net Increase in Cash and Cash Equivalents	491,423	48,195
Cash and Cash Equivalents at Beginning of Year	<u>246,138</u>	<u>197,943</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 737,561</u>	<u>\$ 246,138</u>

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

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Organization:

For 75 years, San Diego Youth Symphony and Conservatory (SDYS) has served as a catalyst for investing in the future of thousands of young San Diegans through the study and performance of music. Through SDYS' flagship youth orchestra program in Balboa Park, its community engagement projects across San Diego, and its early childhood music curriculum, SDYS is San Diego's most comprehensive provider of 'cradle through college' music education programs, and is a national leader in innovative community engagement, serving thousands of young musicians and their families each year. At SDYS, we believe that music is a vehicle for giving young people the social, emotional, and academic skills that transcend traditional educational models and prepare them to enter a 21st century workforce. We respect every young person who takes part in our programs, and celebrate their accomplishments as musicians, as members of our community, and as future leaders, in San Diego and across the nation.

Mission | Vision | Values

Mission

San Diego Youth Symphony instills excellence in musical achievement and personal growth through rigorous and inspiring music education experiences.

Vision

Lives enriched by music.

Values

In its work with young musicians across San Diego County, SDYS embraces the following values:

- Commitment
- Creativity
- Equity
- Collaboration
- Service

SDYS programs include the following efforts:

Balboa Park Youth Orchestra Program

SDYS' flagship Youth Orchestra program in Balboa Park offers young musicians, from beginning through pre-professional level, the opportunity to participate in outstanding music education experiences. Built on four levels of instruction in thirteen ensembles, the Prelude, Inspiration, Showcase, and Ovation programs feature weekly rehearsals and annual performance opportunities. To focus on the "whole musician," SDYS extension programs also offer chamber music, concerto competitions, music theory and composition programs, individual and group lessons, student mentoring opportunities, and more.

Community Engagement

SDYS is committed to giving every young person across San Diego the opportunity to receive quality in-school music education. We collaborate with local schools, feeder patterns, and school districts to restore and strengthen in-school music programs and arts-rich environments. With on-site access for every student as the ultimate goal, SDYS launched the Community Opus Project in 2010 in partnership with the Chula Vista Elementary School District (CVESD). In 2015, the success of this program resulted in a landmark \$15M commitment to bringing arts teachers to every campus. SDYS is now replicating, adapting and expanding this program to new schools and districts across San Diego.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 1 - Organization: (Continued)

Early Childhood

SDYS supports the critical first phase of children’s growth from birth to age seven with programs that promote extended learning at home, support family bonding, and pave the way for future musical instruction and achievement. ChIMES (Childhood Introduction to Music Education, with Smiles) is the first strategic element of our educational philosophy. By encouraging ensemble-based experiences from ages 0-5, we promote stronger pro-social skills, improved speech and language development, and ensure that children from all backgrounds have access. The next program in our strategy, Music Discovery, for children ages 5-7 will pilot in 2022.

International Youth Symphony MusiCamp

Each summer, SDYS collaborates with the International Rotary Youth Exchange to recruit talented young musicians from around the world. This one-of-a-kind collaboration brings young people together to rehearse and perform in the spirit of international cooperation. This three-week program culminates in as many as five performances across San Diego County.

Advocacy, Outreach and Service

SDYS continues to work throughout San Diego County to ensure quality access to music education, and to educate our audiences about classical music. SDYS students participate in a variety of community performances, as well as numerous events in Balboa Park, including SDYS’ newest community event, the Young People’s Concert. SDYS also collaborates with multiple partners to gather and analyze data with regard to student learning and achievement through music. We partner with schools and school districts across the county to explore the effects of music on children.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of SDYS have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated quasi-endowment.
- Net Assets With Donor Restrictions - Net assets subject to donor—or certain grantor—imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions 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.

Risks and Uncertainties

SDYS invests in various types of investment securities which are exposed to various risks, such as interest rate, 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 such changes could materially affect the amounts reported in the statements of financial position.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

SDYS' statements of financial position include the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual and exchange traded funds and common stocks are considered Level 1 assets, and are reported at fair value based on quoted net asset values of the shares held at the measurement date.
- Investments in fixed income securities are considered Level 2 assets, and are reported at fair value based on quoted prices in active markets for similar assets at the measurement date.
- Charitable remainder unitrust is considered a Level 3 asset, and is reported at fair value based on management's assumptions about the expected investment return on the underlying trust assets, an applicable discount rate, and the life expectancy of the donor. (Note 7)
- Beneficial interest in endowment funds held by San Diego Foundation is considered a Level 3 asset, which represents the fair value of the underlying assets as reported by San Diego Foundation. (Note 9)

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of outstanding receivables. Management believes that all grants, other, and pledges receivable are fully collectible; therefore, no allowance for doubtful grants, other, and pledges receivable was recorded at June 30, 2022 and 2021.

Musical Instruments

SDYS has a collection of musical instruments (the "Collection") that they have purchased or have received as donations. If purchased, items accessioned into the Collection are capitalized at cost, and if donated, they are capitalized at fair value on the accession date, the date on which the item is accepted by SDYS. Gains or losses on the deaccession of the Collection are classified in the statements of activities as with donor restrictions or without donor restrictions, depending on donor restrictions, if any, placed on the item at the time of accession. As a matter of policy, any proceeds from the sale of musical instruments are used for any purpose that advances SDYS' mission.

Accession of musical instruments to the Collection totaled \$71,179 and \$24,851 for the years ended June 30, 2022 and 2021, respectively. Deaccession of musical instruments from the Collection totaled \$10,103 and \$14,296 during the years ended June 30, 2022 and 2021, respectively, resulting in a loss on disposal of \$10,103 and \$14,296 for the years ended June 30, 2022 and 2021, respectively. Costs incurred in connection with the acquisition and conservation of the Collection are expensed in the period incurred. The Collection totaled \$732,646 and \$671,570 at June 30, 2022 and 2021, respectively.

Capitalization and Depreciation

SDYS capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, SDYS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. SDYS reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment is depreciated using the straight-line method over the estimated useful lives as follows:

Tenant improvements	7 - 10 years
Music equipment	5 - 10 years
Office equipment and furnishings	3 - 7 years

Depreciation totaled \$10,208 and \$21,673 for the years ended June 30, 2022 and 2021, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Compensated Absences

Accumulated unpaid vacation benefits totaling \$43,799 and \$49,119 at June 30, 2022 and 2021, respectively, are accrued when incurred, and included in accounts payable and accrued expenses.

Revenue and Expense Recognition

Revenue from tuition and fees, other program revenue and fundraising activities are recognized as revenue when the related program, performance or event occurs. Expenses directly associated with a future performance or event are deferred until the fiscal year in which the performance or event occurs. Prepaid expenses related to future performances and events totaled \$2,973 and \$163 at June 30, 2022 and 2021, respectively, and are included in prepaid expenses. Deferred revenue from tuition and fees and other programs totaled \$31,710 and \$30,916 at June 30, 2022 and 2021, respectively.

Contributions and grants are recognized when the donor makes a promise to give to SDYS that is in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Donated Services and Support

SDYS received the following in-kind contributions for the year ending June 30:

	<u>2022</u>	<u>2021</u>
Musical instruments	\$ 63,690	\$ 22,545
Modular practice rooms (3)	15,000	-
Office and rehearsal halls	11,200	11,200
Various items used in auction at special event	6,552	-
Professional photographic services	3,400	-
Gift certificates	1,564	-
Music supplies	-	370
Total Contributed Nonfinancial Assets	<u>\$ 101,406</u>	<u>\$ 34,115</u>

Contributed musical instruments received by SDYS are recorded as in-kind donations with a corresponding increase in the musical instrument collection. SDYS estimated the fair value of the musical instruments based on the current price located on a publicly available website for similar instruments.

SDYS received 3 modular practice rooms which have been included in in-kind revenue and expenses. The estimated fair value is based on the value of similar products selling in the United States. The practice rooms are used in the music program.

SDYS occupies office and rehearsal halls in facilities donated by the San Diego Parks and Recreation. The estimated fair value is based on the amount that would be charged for a similar space. The donated facilities are included in in-kind donations and expenses. The office space is used for supporting services and the rehearsal halls are used in the music program.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Support (Continued)

SDYS has received donations of items used in the auction at the special event. The estimated value is based on the wholesale values that would be received for selling similar products in the United States.

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets, or they require specialized skills that would need to be purchased if they were not donated. The professional photographic services are reported using current rates for similar photographic services.

Contributed gift certificates and music supplies received by SDYS were used in the music program. The estimated fair value is based on the wholesale values that would be received for selling similar products in the United States, and have been included in in-kind contributions and expenses.

In addition, many individuals volunteer their time and perform a variety of tasks that assist SDYS with specific programs and various committee assignments. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended June 30, 2022 and 2021 did not meet the requirements above; therefore, no amounts were recognized in the financial statements for volunteer time.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. SDYS allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by SDYS' management.

Income Taxes

SDYS is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. SDYS believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. SDYS is not a private foundation.

SDYS' Return of Organization Exempt from Income Tax for the years ended June 30, 2022, 2021, 2020, and 2019 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three - to - four years after the returns were filed.

Concentration of Credit Risk

SDYS maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally-insured limits. SDYS has not experienced any losses in such accounts. SDYS believes it is not exposed to any significant credit risk on cash and cash equivalents.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, SDYS considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounting Pronouncements Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

Reclassification

SDYS has reclassified certain prior year information to conform with the current-year presentation.

Subsequent Events

In preparing these financial statements, SDYS has evaluated events and transactions for potential recognition or disclosure through August 7, 2023, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed, except as disclosed in Note 15.

Note 3 - Liquidity and Availability:

SDYS regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. SDYS considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated quasi-endowments, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, SDYS considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 737,561	\$ 246,138
Investments	1,631,715	1,860,944
Grants receivable	267,945	120,949
Other receivables	31,742	361,342
Pledges receivable	24,870	19,073
Appropriation of board-designated quasi-endowment and endowment earnings	65,000	60,000
Less: Donor-restricted endowment funds	(1,084,682)	(1,057,721)
Less: Board-designated quasi-endowment	(410,766)	(735,849)
Financial assets available to meet general expenditures within one year	<u>\$ 1,263,385</u>	<u>\$ 874,876</u>

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 3 - Liquidity and Availability: (Continued)

In addition to financial assets available to meet general expenditures over the next 12 months, SDYS has a line - of - credit agreement with available borrowings totaling \$100,000 as described in Note 10. In addition, SDYS operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

SDYS' governing board has designated a portion of its unrestricted resources for endowment purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board of Directors. Appropriations of board-designated quasi-endowment fund earnings are made in accordance with the spending policy, as described in Note 11.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Appropriations of endowment fund earnings are made in accordance with the spending policy, as described in Note 13. The portion of the donor-restricted endowment funds required to be held in perpetuity are not available for general expenditure.

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at June 30:

	2022			Balance at June 30, 2022
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common stocks	\$ 672,053	\$ -	\$ -	\$ 672,053
Mutual and exchange traded funds	429,445	-	-	429,445
Fixed income securities	-	530,217	-	530,217
Charitable remainder unitrust (Note 7)	-	-	229,921	229,921
Beneficial interest in endowment funds (Note 9)	-	-	268,142	268,142
	<u>\$ 1,101,498</u>	<u>\$ 530,217</u>	<u>\$ 498,063</u>	<u>\$ 2,129,778</u>
	2021			Balance at June 30, 2021
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common stocks	\$ 781,798	\$ -	\$ -	\$ 781,798
Mutual and exchange traded funds	506,138	-	-	506,138
Fixed income securities	-	573,008	-	573,008
Charitable remainder unitrust (Note 7)	-	-	279,313	279,313
Beneficial interest in endowment funds (Note 9)	-	-	289,514	289,514
	<u>\$ 1,287,936</u>	<u>\$ 573,008</u>	<u>\$ 568,827</u>	<u>\$ 2,429,771</u>

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 4 - Fair Value Measurements: (Continued)

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in the Notes, as indicated above.

The following table represents SDYS' Level 3 financial instruments, the valuation techniques used to measure the fair value of the financial instruments, and the significant unobservable inputs, and the range of values for those inputs for the years ended June 30:

2022				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrust	\$ 229,921	Present value of expected cash flows	Investment yield Discount rate	7% 7%
Beneficial interest in endowment funds	\$ 268,142	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
2021				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrust	\$ 279,313	Present value of expected cash flows	Investment yield Discount rate	7% 7%
Beneficial interest in endowment funds	\$ 289,514	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A

Note 5 - Pledges Receivable:

Pledges receivable consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 24,870	\$ 19,073
Due in more than five years	25,000	25,000
Less: Discount to present value	(3,309)	(3,309)
Total Noncurrent, Net	<u>21,691</u>	<u>21,691</u>
Total Pledges Receivable, Net	<u>\$ 46,561</u>	<u>\$ 40,764</u>

The pledges receivable have been discounted to their present value using a discount rate of 2.4% at each of the years ended June 30, 2022 and 2021.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 6 - Investments:

Investments consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Common stocks	\$ 672,053	\$ 781,798
Fixed income securities	530,217	573,008
Mutual and exchange traded funds	429,445	506,138
Total Investments	<u>\$ 1,631,715</u>	<u>\$ 1,860,944</u>

The following schedule summarizes the investment income for the years ended June 30:

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 26,265	\$ 22,083	\$ 48,348
Net realized and unrealized (losses)	(268,751)	(9,644)	(278,395)
Change in charitable remainder unitrust	-	(49,392)	(49,392)
Investment fees	(20,602)	(1,243)	(21,845)
Total Investment Loss	<u>\$ (263,088)</u>	<u>\$ (38,196)</u>	<u>\$ (301,284)</u>
	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 21,807	\$ 24,384	\$ 46,191
Net realized and unrealized gains	317,820	66,674	384,494
Change in charitable remainder unitrust	-	48,753	48,753
Investment fees	(17,577)	(1,153)	(18,730)
Total Investment Income	<u>\$ 322,050</u>	<u>\$ 138,658</u>	<u>\$ 460,708</u>

Note 7 - Charitable Remainder Unitrust:

SDYS was named as the remainder beneficiary of a charitable remainder unitrust (the "Trust"). The Trust was established and funded by the donor and provides for a distribution annually to the donor during their lifetime. Upon the death of the donor, the remaining value of the Trust will be distributed to SDYS, subject to the donor restriction that the corpus be maintained in perpetuity. The assets held in the Trust totaling \$307,253 and \$382,013 at June 30, 2022 and 2021, respectively, have been discounted to their net present value using a discount rate of 7%. The activity of the charitable remainder unitrust consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Balance at Beginning of Year	\$ 279,313	\$ 230,560
Change in discount and fair value	(49,392)	48,753
Balance at End of Year	<u>\$ 229,921</u>	<u>\$ 279,313</u>

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
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JUNE 30, 2022 AND 2021

Note 8 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Tenant improvements	\$ 315,891	\$ 315,891
Music equipment	58,201	58,351
Office equipment and furnishings	131,304	121,055
Subtotal	<u>505,396</u>	<u>495,297</u>
Less: Accumulated depreciation	<u>(462,050)</u>	<u>(455,761)</u>
Property and Equipment, Net	<u>\$ 43,346</u>	<u>\$ 39,536</u>

Note 9 - Beneficial Interest in Endowment Funds:

SDYS has a beneficial interest in endowment funds held by San Diego Foundation, which is classified as with donor restrictions and must be maintained in perpetuity. The beneficial interest in endowment funds is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 39% international equities, 33% alternative investments, 11% fixed income, 7% real assets, and 10% real estate. SDYS receives distributions of earnings on an annual basis. The distributions are used to further SDYS' mission of instilling excellence in musical achievement and personal growth through rigorous and inspiring music education experience. SDYS received \$10,485 and \$10,437 in distributions for the years ended June 30, 2022 and 2021, respectively. The activity in the beneficial interest in endowment funds consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Balance at Beginning of Year	\$ 289,514	\$ 234,430
Investment (loss) income	(9,644)	66,674
Investment fees	(1,243)	(1,153)
Distributions	<u>(10,485)</u>	<u>(10,437)</u>
Balance at End of Year	<u>\$ 268,142</u>	<u>\$ 289,514</u>

Note 10 - Line-of-Credit:

SDYS has a line of credit with Western Alliance Bank originated in December 2018, in the original amount of \$100,000, at an interest rate of prime plus 1% per annum. There was no outstanding balance on the line-of-credit at June 30, 2022 and 2021. The line of credit expires January 3, 2023, and is secured by a blanket filing on all business assets. Subsequent to year end the line of credit was renewed and extended to January 3, 2025 (Note 15).

Note 11 - Undesignated Spending Allowance:

San Diego Youth Symphony Board of Trustees has established a spending policy for the General Endowment and Board-Designated Quasi-Endowment. The amount to be allocated to the Spending Allowance annually is 5% of the \$100,000 threshold below the combined value of the Board-Designated Quasi-Endowment Funds plus the General Endowment Funds (the "Funds"). The Spending Allowance allocation for the years ended June 30, 2022 and 2021 was calculated based on the December 31, 2021 and 2020 value of the Funds, respectively.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 11 - Undesignated Spending Allowance: (Continued)

The matrix below serves as the guide to making this calculation. Higher and lower value \$100,000 thresholds will be applied if the combined Funds rise above or drop below those listed as follows:

\$700,000 to \$800,000	5% of \$700,000 = \$35,000
\$800,000 to \$900,000	5% of \$800,000 = \$40,000
\$900,000 to \$1,000,000	5% of \$900,000 = \$45,000
\$1,000,000 to \$1,100,000	5% of \$1,000,000 = \$50,000

The value calculated on this basis is moved to the Spending Allowance, and is available for the management to spend at their discretion. Any additional income is added to the Board-Designated Quasi-Endowment and becomes subject to the above restrictions. The activity of the Undesignated Spending Allowance consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Undesignated Spending Allowance at Beginning of Year	\$ 52,255	\$ 52,255
Allocation	55,000	45,000
Expenditures	-	(45,000)
Undesignated Spending Allowance at End of Year	<u>\$ 107,255</u>	<u>\$ 52,255</u>

Note 12 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by SDYS, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Program designated funds	\$ 568,956	\$ 157,942
Moerer Memorial	321,412	314,948
Whitesell/Fox Scholarship Fund	106,464	105,147
Gigli Family Scholarship Fund	68,752	49,423
Young-Sharin Scholarship Fund	61,781	63,834
Pledges Receivable, Net	21,691	21,691
Inge Manes Memorial Fund	2,046	2,501
Kawashima Fund - Associate Concert Master	1,618	1,873
Spinner Yates Scholarship Fund	1,532	1,496
Brooks First Assistant Chair	825	1,004
Blair and Georgia Sadler Fund - Scholarship	795	876
Alex Foss Steele - Megna Trumpet Scholarship	662	-
A. Cohen Scholarship Fund	532	311
Elaine and Stanley Goff Fund - Scholarship	511	624
Chelsea King Scholarship - French Horn	426	521
Betty R. Hiller Scholarship Fund	355	432
Eleanor M. Young Scholarship Fund - Cello	347	425

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SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 12 - Net Assets With Donor Restrictions: (Continued)

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose: (Continued)		
La Jolla Debutante Ball Committee - Violin	306	375
Carson Kemp Memorial Fund - Nominated Scholarship	209	256
Francoise and Salim Shah Scholarship	206	-
Julie E. Brewer Conductor's Achievement Award - Scholarship	204	250
Bruno Bello Family Scholarship Fund	165	101
Clark Piano Fund	153	187
M. Adler Lindberg Pre-K Fund	138	119
Marvin Levine Principal Viola Chair	51	62
Total Subject to Expenditure for Specified Purpose	1,160,137	724,398
Perpetual in Nature:		
Endowments (Note 13)	1,352,824	1,347,235
Total Net Assets With Donor Restrictions	\$ 2,512,961	\$ 2,071,633

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Fulfilled:		
Program designated funds	\$ 268,289	\$ 282,937
Endowment earnings appropriated	21,898	20,893
Moeser Memorial	-	823
Total Net Assets Released From Restrictions	\$ 290,187	\$ 304,653

Note 13 - Endowment Net Assets:

SDYS' endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. SDYS holds and manages fifteen of the funds, with the remaining fund held and managed by San Diego Foundation.

Symphony Managed Funds

In regards to the funds held and managed by SDYS, SDYS has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, SDYS classifies donor-restricted net assets of a perpetual nature as (1) the original value of gifts donated to the perpetual endowment; (2) the original value of subsequent gifts donated to the perpetual endowment; (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets of a perpetual nature is classified as donor-restricted net assets with time restrictions, until those amounts are appropriated for expenditure by SDYS in a manner consistent with the standard of prudence prescribed by UPMIFA.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 13 - Endowment Net Assets: (Continued)

Symphony Managed Funds (Continued)

In accordance with UPMIFA, SDYS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of SDYS and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of SDYS
- The investment policies of SDYS

SDYS considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. SDYS has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. SDYS has no underwater endowment funds at June 30, 2022 and 2021.

SDYS has adopted investment and spending policies for endowment funds that:

- Manage the funds in a prudent manner, recognizing risk and return tradeoffs
- Maintain a diversified portfolio that provides for asset growth through a combination of investment income and capital appreciation comparable to established industry benchmarks
- Maintain sufficient liquidity to fund expenses and support the spending policy
- Comply with applicable laws

SDYS' endowment funds are invested in a diversified portfolio of individual securities and mutual funds that are structured to satisfy its long-term rate-of-return objectives. SDYS relies on a total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). On an annual basis, the interest and dividends earned on the restricted endowment funds are added to net assets with donor restrictions (time-restricted). SDYS' spending policy in regard to these funds is to disburse them for their restricted purpose to meet the current program needs of SDYS. SDYS' spending policy in regard to the General Endowment funds (with no specific donor intention) and the Board-Designated-Quasi Endowment funds is described in Note 11.

San Diego Foundation Managed Funds

SDYS has a beneficial interest in endowment funds that are held at San Diego Foundation (the "Foundation"). The Foundation manages the funds in accordance with UPMIFA. The Foundation's objective is to maintain the purchasing power (real value) of the endowment funds.

However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require SDYS to retain as a fund of perpetual duration.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 13 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

Donor-restricted net assets of a perpetual nature held by the Foundation are comprised of the following:

- The original value of gifts donated to the fund
- The original value of Symphony funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income and realized and unrealized gains and losses on investments
- Distributions from the fund in accordance with the spending policy

The Foundation has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives, while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

The Foundation's endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return. The Foundation's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

Endowment composition by type of fund at June 30:

	2022			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Donor-Restricted Endowment Funds:				
San Diego Foundation - General	\$ -	\$ -	\$ 268,142	\$ 268,142
Charitable Remainder Unitrust	-	-	229,921	229,921
Joan Kroc Fund - General	-	-	125,000	125,000
R.P. Foundation - General	-	-	125,000	125,000
Inge Manes Memorial Fund	-	2,046	100,150	102,196
Kawashima Fund - Associate Concert Master	-	1,618	81,000	82,618
Spinner Yates Scholarship Fund	-	1,532	75,000	76,532
Brooks First Assistant Chair	-	825	41,386	42,211
Dorothy and Joel Sollender Fund - General	-	-	39,900	39,900
Blair and Georgia Sadler Fund - Scholarship	-	795	39,050	39,845
Alex Foss Steele - Megna Trumpet Scholarship	-	662	36,468	37,130
A. Cohen Scholarship Fund	-	532	26,033	26,565
Elaine and Stanley Goff Fund - Scholarship	-	511	25,000	25,511
Francoise and Salim Shah Scholarship	-	206	25,035	25,241
Chelsea King Scholarship - French Horn	-	426	20,867	21,293
Betty R. Hiller Scholarship Fund	-	355	17,383	17,738

(Continued)

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 13 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

	2022			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Eleanor M. Young Scholarship Fund - Cello	-	347	17,000	17,347
La Jolla Debutante Ball Committee - Violin	-	306	15,000	15,306
Carson Kemp Memorial Fund - Nominated Scholarship	-	209	10,229	10,438
Julie E. Brewer Conductor's Achievement Award Scholarship	-	204	10,000	10,204
Bruno Bello Family Scholarship Fund	-	165	8,100	8,265
Clark Piano Fund	-	153	7,500	7,653
M. Adler Lindberg Pre-K Fund	-	138	7,160	7,298
Marvin Levine Principal Viola Chair	-	51	2,500	2,551
Total Donor-Restricted Endowment Funds	-	11,081	1,352,824	1,363,905
Board-Designated Quasi-Endowment	410,766	-	-	410,766
Total Endowment Funds	<u>\$ 410,766</u>	<u>\$ 11,081</u>	<u>\$ 1,352,824</u>	<u>\$ 1,774,671</u>
	2021			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Donor-Restricted Endowment Funds:				
San Diego Foundation - General	\$ -	\$ -	\$ 289,514	\$ 289,514
Charitable Remainder Unitrust	-	-	279,313	279,313
Joan Kroc Fund - General	-	-	125,000	125,000
R.P. Foundation - General	-	-	125,000	125,000
Inge Manes Memorial Fund	-	2,501	100,150	102,651
Kawashima Fund - Associate Concert Master	-	1,873	75,000	76,873
Spinner Yates Scholarship Fund	-	1,496	75,000	76,496
Brooks First Assistant Chair	-	1,004	40,200	41,204
Dorothy and Joel Sollender Fund - General	-	-	39,900	39,900
Blair and Georgia Sadler Fund - Scholarship	-	876	38,850	39,726
A. Cohen Scholarship Fund	-	311	25,079	25,390
Elaine and Stanley Goff Fund - Scholarship	-	624	25,000	25,624
Chelsea King Scholarship – French Horn	-	521	20,867	21,388
Eleanor M. Young Scholarship Fund - Cello	-	425	17,000	17,425
Betty R. Hiller Scholarship Fund	-	432	17,283	17,715
La Jolla Debutante Ball Committee - Violin	-	375	15,000	15,375
Carson Kemp Memorial Fund - Nominated Scholarship	-	256	10,229	10,485
Julie E. Brewer Conductor's Achievement Award - Scholarship	-	250	10,000	10,250
Clark Piano Fund	-	187	7,500	7,687
M. Adler Lindberg Pre-K Fund	-	119	4,750	4,869
Bruno Bello Family Scholarship Fund	-	101	4,100	4,201
Marvin Levine Principal Viola Chair	-	62	2,500	2,562
Total Donor-Restricted Endowment Funds	-	11,413	1,347,235	1,358,648
Board-Designated Quasi-Endowment	735,849	-	-	735,849
Total Endowment Funds	<u>\$ 735,849</u>	<u>\$ 11,413</u>	<u>\$ 1,347,235</u>	<u>\$ 2,094,497</u>

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Note 13 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

Changes in endowment net assets for the years ended June 30:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>With Donor Restrictions - Perpetual</u>	<u>Total</u>
Endowment Net Assets at June 30, 2020	\$ 458,799	\$ 10,456	\$ 1,160,169	\$ 1,629,424
Investment income	322,050	11,413	114,274	447,737
Contributions	-	-	83,229	83,229
Distribution of spending allowance	(45,000)	-	-	(45,000)
Distributions	-	(10,456)	(10,437)	(20,893)
Endowment Net Assets at June 30, 2021	<u>735,849</u>	<u>11,413</u>	<u>1,347,235</u>	<u>2,094,497</u>
Investment (loss) income	(270,083)	11,081	(60,279)	(319,281)
Contributions	-	-	76,353	76,353
Distribution of spending allowance	(55,000)	-	-	(55,000)
Distributions	-	(11,413)	(10,485)	(21,898)
Endowment Net Assets at June 30, 2022	<u>\$ 410,766</u>	<u>\$ 11,081</u>	<u>\$ 1,352,824</u>	<u>\$ 1,774,671</u>

Note 14 - Commitments and Contingencies:

Lease Obligations

SDYS entered into a three-year and three-month operating lease for office space at Liberty Station in March 2020, which expires June 15, 2023. The lease payments total \$3,375 per month, excluding common area maintenance costs. Rent expense and common area maintenance costs totaled \$51,033 and \$38,315 for the years ended June 30, 2022 and 2021, respectively.

The following is a schedule of future minimum lease payments (excluding common area maintenance costs) under the lease:

<u>Years Ended June 30</u>	
2023	\$ <u>41,716</u>
Total	\$ <u><u>41,716</u></u>

Payroll Protection Program Loan

In April 2020, SDYS received a loan totaling \$278,900 from the U.S. Small Business Administration, under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that SDYS meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1%, and is due in April 2022. SDYS has recognized \$-0- and \$278,900 as revenue at June 30, 2022 and 2021, respectively. The loan was fully forgiven during the year ended June 30, 2021.

Consolidated Appropriations Act Payroll Protection Program

In February 2021, SDYS received a loan totaling \$275,587 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program (“PPP2”). The loan is forgivable to the extent that SDYS meets the terms and conditions of PPP2. Any portion of the loan that is not forgiven bears interest at 1%, and is due February 2026.

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Note 14 - Commitments and Contingencies:

Consolidated Appropriations Act Payroll Protection Program (Continued)

SDYS has recognized \$275,587 and \$-0- as revenue at June 30, 2022 and 2021, respectively. The amount received totaling \$-0- and \$275,587 has been included in deferred revenue at June 30, 2022 and 2021, respectively. The loan was fully forgiven during the year ended June 30, 2022.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. SDYS is closely monitoring its investment portfolio and liquidity, and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on SDYS' operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on SDYS' donors, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact SDYS' financial position and changes in net assets and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 15 - Subsequent Event:

In February 2023, the line-of-credit (Note 10) was renewed and extended to January 3, 2025.