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YEARS

**SAN DIEGO
YOUTH SYMPHONY**

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



Leaf & Cole, LLP
Certified Public Accountants

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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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 of San Diego Youth Symphony and Conservatory (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, San Diego Youth Symphony and Conservatory adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter.

Leaf & Cole LLP

San Diego, California
November 19, 2024

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current Assets:</u> (Notes 2 and 5)		
Cash and cash equivalents	\$ 200,297	\$ 737,561
Grants receivable	261,114	267,945
Other receivables	44,318	31,742
Pledges receivable	3,733	24,870
Prepaid expenses	32,749	34,890
Total Current Assets	542,211	1,097,008
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 6, 7, 8, 9, 10 and 14)		
Pledges receivable, net	21,691	21,691
Investments	2,015,645	1,631,715
Deposits	3,476	3,476
Charitable remainder unitrust	254,359	229,921
Musical instruments	759,572	732,646
Right of use asset - operating lease, net	103,945	-
Property and equipment, net	36,043	43,346
Beneficial interest in endowment funds	274,387	268,142
Total Noncurrent Assets	3,469,118	2,930,937
TOTAL ASSETS	\$ 4,011,329	\$ 4,027,945

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 14)		
Accounts payable and accrued expenses	\$ 109,337	\$ 122,260
Deferred revenue	50,135	31,710
Operating lease liability, current	45,964	-
Total Current Liabilities	205,436	153,970
<u>Noncurrent Liabilities:</u> (Notes 2 and 14)		
Operating lease liability, net of current portion	56,150	-
Total Noncurrent Liabilities	56,150	-
Total Liabilities	261,586	153,970
<u>Commitments</u> (Notes 10 and 14)		
<u>Net Assets:</u> (Notes 2, 11, 12 and 13)		
Without Donor Restrictions:		
Undesignated	807,956	842,993
Undesignated spending allowance	45,000	107,255
Board designated quasi-endowment	518,608	410,766
Total Without Donor Restrictions	1,371,564	1,361,014
With Donor Restrictions:		
Purpose restrictions	898,575	1,160,137
Perpetual in nature	1,479,604	1,352,824
Total With Donor Restrictions	2,378,179	2,512,961
Total Net Assets	3,749,743	3,873,975
TOTAL LIABILITIES AND NET ASSETS	\$ 4,011,329	\$ 4,027,945

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, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total
<u>Revenue and Support:</u>						
Program revenue	\$ 882,176	\$ -	\$ 882,176	\$ 769,431	\$ -	\$ 769,431
Contributions	382,631	476,871	859,502	417,623	729,711	1,147,334
Fundraising activities	279,815	-	279,815	252,781	-	252,781
Investment income (loss)	157,902	69,763	227,665	(263,088)	(38,196)	(301,284)
Government grants	140,000	38,000	178,000	677,920	40,000	717,920
City of San Diego Commission for Arts and Culture	175,867	-	175,867	97,483	-	97,483
In-kind donations	41,083	-	41,083	101,406	-	101,406
Other income	522	-	522	329	-	329
Net assets released from restrictions	719,416	(719,416)	-	290,187	(290,187)	-
Total Revenue and Support	<u>2,779,412</u>	<u>(134,782)</u>	<u>2,644,630</u>	<u>2,344,072</u>	<u>441,328</u>	<u>2,785,400</u>
<u>Expenses:</u>						
Music program	<u>1,864,154</u>	<u>-</u>	<u>1,864,154</u>	<u>1,621,703</u>	<u>-</u>	<u>1,621,703</u>
Supporting Services:						
General and administrative	422,258	-	422,258	264,581	-	264,581
Fundraising	482,450	-	482,450	442,661	-	442,661
Total Supporting Services	<u>904,708</u>	<u>-</u>	<u>904,708</u>	<u>707,242</u>	<u>-</u>	<u>707,242</u>
Total Expenses	<u>2,768,862</u>	<u>-</u>	<u>2,768,862</u>	<u>2,328,945</u>	<u>-</u>	<u>2,328,945</u>
Change in Net Assets	10,550	(134,782)	(124,232)	15,127	441,328	456,455
Net Assets at Beginning 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>
NET ASSETS AT END OF YEAR	<u>\$ 1,371,564</u>	<u>\$ 2,378,179</u>	<u>\$ 3,749,743</u>	<u>\$ 1,361,014</u>	<u>\$ 2,512,961</u>	<u>\$ 3,873,975</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, 2023

	Supporting Services				Total
	Music Program	General and Administrative	Fundraising	Total Supporting Services	
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 1,394,137	\$ 118,832	\$ 249,891	\$ 368,723	\$ 1,762,860
Payroll taxes and employee benefits	103,392	57,369	102,062	159,431	262,823
Total Salaries and Related Expenses	<u>1,497,529</u>	<u>176,201</u>	<u>351,953</u>	<u>528,154</u>	<u>2,025,683</u>
<u>Nonsalary Related Expenses:</u>					
Advertising and promotion	17,859	2,381	5,897	8,278	26,137
Conferences and meetings	13,096	14,467	2,412	16,879	29,975
Consession expenses	8,700	-	74	74	8,774
Contractors	25,655	8,885	400	9,285	34,940
Depreciation	7,140	4,194	-	4,194	11,334
Dues and subscriptions	2,275	12,293	319	12,612	14,887
In-kind expenses	15,650	-	-	-	15,650
Insurance	-	25,128	-	25,128	25,128
Occupancy costs	35,609	20,884	24,098	44,982	80,591
Office and information technology	53,306	147,533	28,838	176,371	229,677
Other expenses	23,543	2,142	-	2,142	25,685
Production and event costs	76,848	2,869	8,373	11,242	88,090
Royalties, rights and reproductions	62,329	171	336	507	62,836
Special events	1,992	315	58,265	58,580	60,572
Travel	22,623	4,795	1,485	6,280	28,903
Total Nonsalary Related Expenses	<u>366,625</u>	<u>246,057</u>	<u>130,497</u>	<u>376,554</u>	<u>743,179</u>
Total Expenses	<u>\$ 1,864,154</u>	<u>\$ 422,258</u>	<u>\$ 482,450</u>	<u>\$ 904,708</u>	<u>\$ 2,768,862</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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (124,232)	\$ 456,455
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	11,334	10,208
Amortization of right of use asset	132,580	-
Loss on disposal of musical instruments	17,342	10,103
Net realized and unrealized (gains) losses on investments	(154,583)	268,751
Donated musical instruments	(25,433)	(63,690)
Endowment contributions	(96,097)	(76,353)
Endowment investment (income) loss	(41,802)	60,279
Endowment distributions	11,119	10,485
(Increase) Decrease in:		
Grants receivable	6,831	(146,996)
Other receivables	(12,576)	329,600
Pledges receivable, net	21,137	(5,797)
Prepaid expenses	2,141	(15,095)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(12,923)	(87,058)
Deferred revenue	18,425	(274,793)
Operating lease liability	(134,411)	-
Net Cash (Used in) Provided by Operating Activities	<u>(381,148)</u>	<u>476,099</u>
<u>Cash Flows From Investing Activities:</u>		
Investment (purchases) and sales, net	(229,347)	(39,522)
Change in charitable remainder unitrust	(24,438)	49,392
Purchase of musical instruments	(18,835)	(7,489)
Purchase of property and equipment	(4,031)	(14,018)
Change in beneficial interest in endowment funds	(6,245)	21,372
Net Cash (Used in) Provided by Investing Activities	<u>(282,896)</u>	<u>9,735</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment contributions	96,097	76,353
Endowment investment income (loss)	41,802	(60,279)
Endowment distributions	(11,119)	(10,485)
Net Cash Provided by Financing Activities	<u>126,780</u>	<u>5,589</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(537,264)	491,423
Cash and Cash Equivalents at Beginning of Year	<u>737,561</u>	<u>246,138</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>200,297</u>	\$ <u>737,561</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ <u>48,887</u>	\$ <u>-</u>
Right of use assets upon ASU 842 implementation	\$ <u>236,525</u>	\$ <u>-</u>
Right of use assets after ASU 842 implementation	\$ <u>103,945</u>	\$ <u>-</u>

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

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022

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, 2023 and 2022.

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 \$44,268 and \$71,179 for the years ended June 30, 2023 and 2022, respectively. Deaccession of musical instruments from the Collection totaled \$17,342 and \$10,103 during the years ended June 30, 2023 and 2022, respectively, resulting in a loss on disposal of \$17,342 and \$10,103 for the years ended June 30, 2023 and 2022, respectively. Costs incurred in connection with the acquisition and conservation of the Collection are expensed in the period incurred. The Collection totaled \$759,572 and \$732,646 at June 30, 2023 and 2022, 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 \$11,334 and \$10,208 for the years ended June 30, 2023 and 2022, 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, 2023 AND 2022

Note 2 - Significant Accounting Policies: (Continued)

Lease

SDYS entered into a lease agreement for office space through June 2025 and a lease agreement for office equipment through January 2027. Pursuant to the guidance for accounting for leases, SDYS accounts for the operating leases as noted below.

SDYS determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of, and obtain substantially all of the economic benefits from, the use of an asset for a period of time in exchange for consideration. Operating leases are included in right-of-use (“ROU”) assets – operating and lease liability – operating, and finance leases are included in right-of-use (“ROU”) assets – financing and lease liability – financing in the statement of financial position.

ROU assets represent SDYS’ right to use an underlying asset for the lease term and lease liabilities represent SDYS’ obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that SDYS will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. SDYS has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, SDYS has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Compensated Absences

Accumulated unpaid vacation benefits totaling \$40,294 and \$43,799 at June 30, 2023 and 2022, 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 \$-0- and \$2,973 at June 30, 2023 and 2022, respectively, and are included in prepaid expenses. Deferred revenue from tuition and fees and other programs totaled \$50,135 and \$31,710 at June 30, 2023 and 2022, 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.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Significant Accounting Policies: (Continued)

Donated Services and Support

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

	<u>2023</u>	<u>2022</u>
Musical instruments	\$ 25,433	\$ 63,690
Professional photographic services	4,450	3,400
Office and rehearsal halls	11,200	11,200
Modular practice rooms (3)	-	15,000
Various items used in auction at special event	-	6,552
Gift certificates	-	1,564
Total Contributed Nonfinancial Assets	<u>\$ 29,883</u>	<u>\$ 101,406</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.

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, 2023 and 2022 did not meet the requirements above; therefore, no amounts were recognized in the financial statements for volunteer time.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Significant Accounting Policies: (Continued)

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, 2023, 2022, 2021 and 2020 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.

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.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("*ASC*") 842, *Leases* ("*FASB ASC 842*") to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the statement of financial position by lessees, and the disclosures of key information about leasing arrangements.

SDYS adopted this guidance Accounting Standards Codification (ASC) 842 in 2022 using the effective date transition method which allows SDYS to apply the guidance for the current-year presentation and not adjust the prior-year numbers. SDYS elected the package of practical expedients that allows an entity to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. SDYS did not elect to use hindsight for leases existing at the adoption date.

As a result of the adoption of FASB ASC 842 on July 1, 2022, a right-of-use asset - operating of \$236,525, and a lease liability - operating of \$236,525, were recorded.

Reclassification

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

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Significant Accounting Policies: (Continued)

Subsequent Events

In preparing these financial statements, SDYS has evaluated events and transactions for potential recognition or disclosure through November 19, 2024, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 200,297	\$ 737,561
Investments	2,015,645	1,631,715
Grants receivable	261,114	267,945
Other receivables	44,318	31,742
Pledges receivable	3,733	24,870
Appropriation of board-designated quasi-endowment and endowment earnings	60,000	65,000
Less: Donor-restricted endowment funds	(1,205,217)	(1,084,682)
Less: Board-designated quasi-endowment	(518,608)	(410,766)
Financial assets available to meet general expenditures within one year	<u>\$ 861,282</u>	<u>\$ 1,263,385</u>

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.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - Fair Value Measurements:

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

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Common stocks	\$ 843,843	\$ -	\$ -	\$ 843,343
Mutual and exchange traded funds	509,354	-	-	509,354
Fixed income securities	-	662,448	-	662,448
Charitable remainder unitrust (Note 7)	-	-	254,359	254,359
Beneficial interest in endowment funds (Note 9)	-	-	274,387	274,746
	<u>\$ 1,353,197</u>	<u>\$ 662,448</u>	<u>\$ 528,746</u>	<u>\$ 2,544,391</u>
	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
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>

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.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - Fair Value Measurements: (Continued)

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:

2023				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrust	\$ 254,359	Present value of expected cash flows	Investment yield Discount rate	7% 7%
Beneficial interest in endowment funds	\$ 274,387	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
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

Note 5 - Pledges Receivable:

Pledges receivable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 3,733	\$ 24,870
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>\$ 25,424</u>	<u>\$ 46,561</u>

The pledges receivable have been discounted to their present value using a discount rate of 2.4% at the years ended June 30, 2023 and 2022.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 6 - Investments:

Investments consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Common stocks	\$ 843,843	\$ 672,053
Fixed income securities	662,448	530,217
Mutual and exchange traded funds	509,354	429,445
Total Investments	<u>\$ 2,015,645</u>	<u>\$ 1,631,715</u>

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

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 21,679	\$ 27,959	\$ 49,638
Net realized and unrealized gains	154,583	18,674	173,257
Change in charitable remainder unitrust	-	24,438	24,438
Investment fees	<u>(18,358)</u>	<u>(1,310)</u>	<u>(19,668)</u>
Total Investment Income	<u>\$ 157,904</u>	<u>\$ 69,763</u>	<u>\$ 227,665</u>
	<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	<u>(20,602)</u>	<u>(1,243)</u>	<u>(21,845)</u>
Total Investment Loss	<u>\$ (263,088)</u>	<u>\$ (38,196)</u>	<u>\$ (301,284)</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 \$327,253 and \$307,253 at June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ 229,921	\$ 279,313
Change in discount and fair value	24,438	(49,392)
Balance at End of Year	<u>\$ 254,359</u>	<u>\$ 229,921</u>

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 8 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Tenant improvements	\$ 315,891	\$ 315,891
Equipment	193,536	189,505
Subtotal	<u>509,427</u>	<u>505,396</u>
Less: Accumulated depreciation	<u>(473,484)</u>	<u>(462,050)</u>
Property and Equipment, Net	<u>\$ 36,043</u>	<u>\$ 43,346</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 \$11,119 and \$10,485 in distributions for the years ended June 30, 2023 and 2022, respectively. The activity in the beneficial interest in endowment funds consisted of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Balance at Beginning of Year	\$ 268,142	\$ 289,514
Investment (loss) income	18,674	(9,644)
Investment fees	(1,310)	(1,243)
Distributions	<u>(11,119)</u>	<u>(10,485)</u>
Balance at End of Year	<u>\$ 274,387</u>	<u>\$ 268,142</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, 2023 and 2022. The line of credit expires January 3, 2025, and is secured by a blanket filing on all business assets.

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, 2023 and 2022 was calculated based on the December 31, 2022 and 2021 value of the Funds, respectively.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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>2023</u>	<u>2022</u>
Undesignated Spending Allowance at Beginning of Year	\$ 107,255	\$ 52,255
Allocation	45,000	55,000
Expenditures	(107,255)	-
Undesignated Spending Allowance at End of Year	<u>\$ 45,000</u>	<u>\$ 107,255</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>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Moeser Memorial	\$ 311,593	\$ 321,412
Program designated funds	281,776	568,956
Whitesell/Fox Scholarship Fund	108,056	106,464
Gigli Family Scholarship Fund	99,947	68,752
Young-Sharin Scholarship Fund	60,625	61,781
Pledges Receivable, Net	21,691	21,691
Inge Manes Memorial Fund	2,283	2,046
Kawashima Fund - Associate Concert Master	1,875	1,618
Spinner Yates Scholarship Fund	1,710	1,532
James Algert Scholarship Fund	1,710	-
Brooks First Assistant Chair	1,024	825
Alex Foss Steele - Megna Trumpet Scholarship	924	662
Blair and Georgia Sadler Fund - Scholarship	921	795
A. Cohen Scholarship Fund	623	532
Francoise and Salim Shah Scholarship	571	206
Elaine and Stanley Goff Fund - Scholarship	570	511
Chelsea King Scholarship - French Horn	476	426
Betty R. Hiller Scholarship Fund	398	355
Eleanor M. Young Scholarship Fund - Cello	387	347

(Continued)

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose: (Continued)		
La Jolla Debutante Ball Committee - Violin	342	306
Carson Kemp Memorial Fund - Nominated Scholarship	233	209
Julie E. Brewer Conductor's Achievement Award - Scholarship	228	204
M. Adler Lindberg Pre-K Fund	200	138
Bruno Bello Family Scholarship Fund	184	165
Clark Piano Fund	171	153
Marvin Levine Principal Viola Chair	57	51
Total Subject to Expenditure for Specified Purpose	898,575	1,160,137
Perpetual in Nature:		
Endowments (Note 13)	1,479,604	1,352,824
Total Net Assets With Donor Restrictions	\$ 2,378,179	\$ 2,512,961

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>2023</u>	<u>2022</u>
Purpose Restrictions Fulfilled:		
Program designated funds	\$ 677,216	\$ 268,289
Endowment earnings appropriated	22,200	21,898
Moeser Memorial	20,000	-
Total Net Assets Released From Restrictions	\$ 719,416	\$ 290,187

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, 2023 AND 2022

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, 2023 and 2022.

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, 2023 AND 2022

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 structure 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:

	2023			Total
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetual	
Donor-Restricted Endowment Funds:				
San Diego Foundation - General	\$ -	\$ -	\$ 274,387	\$ 274,387
Charitable Remainder Unitrust	-	-	254,359	254,359
Joan Kroc Fund - General	-	-	125,000	125,000
R.P. Foundation - General	-	-	125,000	125,000
Inge Manes Memorial Fund	-	2,283	100,150	102,433
Kawashima Fund - Associate Concert Master	-	1,875	84,000	85,875
Spinner Yates Scholarship Fund	-	1,710	75,000	76,710
James Algert Scholarship Fund	-	1,710	75,000	76,710
Brooks First Assistant Chair	-	1,024	48,609	49,633
Blair and Georgia Sadler Fund - Scholarship	-	921	42,314	43,235
Alex Foss Steele - Megna Trumpet Scholarship	-	924	41,001	41,925
Dorothy and Joel Sollender Fund - General	-	-	39,900	39,900
A. Cohen Scholarship Fund	-	623	27,313	27,936
Francoise and Salim Shah Scholarship	-	571	25,035	25,606
Elaine and Stanley Goff Fund - Scholarship	-	570	25,000	25,570
Chelsea King Scholarship - French Horn	-	476	20,867	21,343
Betty R. Hiller Scholarship Fund	-	398	17,586	17,984
Eleanor M. Young Scholarship Fund - Cello	-	387	17,000	17,387

(Continued)

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 13 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

	2023			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Donor-Restricted Endowment Funds: (Continued)				
La Jolla Debutante Ball Committee - Violin	\$ -	\$ 342	\$ 15,000	\$ 15,342
Carson Kemp Memorial Fund - Nominated Scholarship	-	233	10,229	10,462
Julie E. Brewer Conductor's Achievement Award Scholarship	-	228	10,000	10,228
M. Adler Lindberg Pre-K Fund	-	200	8,754	8,954
Bruno Bello Family Scholarship Fund	-	184	8,100	8,284
Clark Piano Fund	-	171	7,500	7,671
Marvin Levine Principal Viola Chair	-	57	2,500	2,557
Total Donor-Restricted Endowment Funds	-	14,887	1,479,604	1,494,491
Board-Designated Quasi-Endowment	518,608	-	-	518,608
Total Endowment Funds	<u>\$ 518,608</u>	<u>\$ 14,887</u>	<u>\$ 1,479,604</u>	<u>\$ 2,013,099</u>

	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
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>

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 13 - Endowment Net Assets: (Continued)

San Diego Foundation Managed Funds (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Endowment Net Assets at June 30, 2021	\$ 735,849	\$ 11,413	\$ 1,347,235	\$ 2,094,497
Investment income (loss)	(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	410,766	11,081	1,352,824	1,774,671
Investment income	171,148	14,887	41,802	227,837
Contributions	-	-	96,097	96,097
Distribution of spending allowance	(45,000)	-	-	(45,000)
Distributions	(18,306)	(11,081)	(11,119)	(40,506)
Endowment Net Assets at June 30, 2023	<u>\$ 518,608</u>	<u>\$ 14,887</u>	<u>\$ 1,479,604</u>	<u>\$ 2,013,099</u>

Note 14 - Commitments:

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 was extended to June 15, 2025. The lease payments total \$3,476 per month, excluding common area maintenance costs. Rent expense and common area maintenance costs totaled \$53,318 and \$51,033 for the years ended June 30, 2023 and 2022, respectively.

SDYS entered into a five-year operating lease for office equipment in January 2022 which expires in January 2027.

The following summarizes the line items on the statement of financial position for the operating leases included in the measurement of lease liabilities at June 30, 2023:

Operating lease right-of-use asset	\$ <u>103,945</u>
Operating lease liabilities, current	45,964
Operating lease liabilities, noncurrent portion	<u>56,150</u>
Total operating lease liabilities	<u>\$ 102,114</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

Weighted average remaining lease term - Operating	2.32 years
Weighted average discount rate - Operating	3.88%

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

Operating cash flows from operating leases	\$ <u>48,887</u>
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SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 14 - Commitments: (Continued)

Lease Obligations (Continued)

The following is a schedule of future minimum lease payments under the leases:

Years Ended June 30			
2024	\$	48,887	
2025		50,138	
2026		7,171	
2027		3,585	
Total Lease Payments	\$	109,781	
Less: Discount		(7,667)	
Present Value of Lease Liabilities	\$	102,114	

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.

SDYS has recognized \$-0- and \$275,587 as revenue at June 30, 2023 and 2022, respectively. The loan was fully forgiven during the year ended June 30, 2022.