

SAN DIEGO YOUTH SYMPHONY

Part of the **KeyNote** Music Education Family

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



Leaf & Cole, LLP
Certified Public Accountants

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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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, 2024 and 2023, 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, 2024 and 2023, 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
May 12, 2025

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
<u>Current Assets:</u> (Notes 2, 5 and 10)		
Cash and cash equivalents	\$ 45,931	\$ 200,297
Grants receivable	128,795	261,114
Other receivables	293,839	44,318
Pledges receivable	-	3,733
Prepaid expenses	23,235	32,749
Total Current Assets	<u>491,800</u>	<u>542,211</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 6, 7, 8, 9, 10 and 14)		
Pledges receivable, net	21,691	21,691
Investments	1,990,437	2,015,645
Deposits	4,705	3,476
Charitable remainder unitrust	271,759	254,359
Musical instruments	821,274	759,572
Right of use asset - operating lease, net	57,475	103,945
Property and equipment, net	28,789	36,043
Beneficial interest in endowment funds	284,691	274,387
Total Noncurrent Assets	<u>3,480,821</u>	<u>3,469,118</u>
TOTAL ASSETS	<u>\$ 3,972,621</u>	<u>\$ 4,011,329</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2 and 14)		
Accounts payable and accrued expenses	\$ 150,890	\$ 109,337
Deferred revenue	25,289	50,135
Operating lease liability, current	45,514	45,964
Total Current Liabilities	<u>221,693</u>	<u>205,436</u>
<u>Noncurrent Liabilities:</u> (Notes 2 and 14)		
Operating lease liability, net of current portion	10,636	56,150
Total Noncurrent Liabilities	<u>10,636</u>	<u>56,150</u>
Total Liabilities	<u>232,329</u>	<u>261,586</u>
<u>Commitments</u> (Notes 10 and 14)		
<u>Net Assets:</u> (Notes 2, 11, 12 and 13)		
Without Donor Restrictions:		
Undesignated	725,866	807,956
Undesignated spending allowance	45,000	45,000
Board designated quasi-endowment	677,727	518,608
Total Without Donor Restrictions	<u>1,448,593</u>	<u>1,371,564</u>
With Donor Restrictions:		
Purpose restrictions	725,215	898,575
Perpetual in nature	1,566,484	1,479,604
Total With Donor Restrictions	<u>2,291,699</u>	<u>2,378,179</u>
Total Net Assets	<u>3,740,292</u>	<u>3,749,743</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,972,621</u>	<u>\$ 4,011,329</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, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total
<u>Revenue and Support:</u>						
Contributions	\$ 791,032	\$ 192,526	\$ 983,558	\$ 382,631	\$ 476,871	\$ 859,502
Program revenue	945,067	-	945,067	882,176	-	882,176
Investment income	207,637	66,548	274,185	157,902	69,763	227,665
Fundraising activities	248,648	-	248,648	279,815	-	279,815
Government grants	188,013	7,000	195,013	140,000	38,000	178,000
City of San Diego Commission for Arts and Culture	152,222	-	152,222	175,867	-	175,867
In-kind donations	40,143	-	40,143	41,083	-	41,083
Other income	-	-	-	522	-	522
Net assets released from restrictions	352,554	(352,554)	-	719,416	(719,416)	-
Total Revenue and Support	<u>2,925,316</u>	<u>(86,480)</u>	<u>2,838,836</u>	<u>2,779,412</u>	<u>(134,782)</u>	<u>2,644,630</u>
<u>Expenses:</u>						
Music program	<u>1,854,849</u>	<u>-</u>	<u>1,854,849</u>	<u>1,864,154</u>	<u>-</u>	<u>1,864,154</u>
Supporting Services:						
General and administrative	500,769	-	500,769	422,258	-	422,258
Fundraising	492,669	-	492,669	482,450	-	482,450
Total Supporting Services	<u>993,438</u>	<u>-</u>	<u>993,438</u>	<u>904,708</u>	<u>-</u>	<u>904,708</u>
Total Expenses	<u>2,848,287</u>	<u>-</u>	<u>2,848,287</u>	<u>2,768,862</u>	<u>-</u>	<u>2,768,862</u>
Change in Net Assets	77,029	(86,480)	(9,451)	10,550	(134,782)	(124,232)
Net Assets at Beginning 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>
NET ASSETS AT END OF YEAR	<u>\$ 1,448,593</u>	<u>\$ 2,291,699</u>	<u>\$ 3,740,292</u>	<u>\$ 1,371,564</u>	<u>\$ 2,378,179</u>	<u>\$ 3,749,743</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, 2024

	Supporting Services				
	Music	General and		Total	
	Program	Administrative	Fundraising	Supporting Services	Total
<u>Salaries and Related Expenses:</u>					
Salaries and wages	\$ 1,410,989	\$ 210,543	\$ 291,594	\$ 502,137	\$ 1,913,126
Payroll taxes and employee benefits	116,655	29,415	44,000	73,415	190,070
Total Salaries and Related Expenses	<u>1,527,644</u>	<u>239,958</u>	<u>335,594</u>	<u>575,552</u>	<u>2,103,196</u>
<u>Nonsalary Related Expenses:</u>					
Advertising and promotion	10,769	990	7,215	8,205	18,974
Conferences and meetings	10,495	16,080	360	16,440	26,935
Concession expenses	8,166	-	-	-	8,166
Contractors	23,360	7,400	460	7,860	31,220
Depreciation	8,333	2,942	-	2,942	11,275
Dues and subscriptions	1,219	13,403	703	14,106	15,325
In-kind expenses	18,150	-	500	500	18,650
Insurance	-	26,791	-	26,791	26,791
Occupancy costs	48,113	20,721	24,020	44,741	92,854
Office and information technology	74,300	164,641	51,662	216,303	290,603
Other expenses	5,881	1,438	-	1,438	7,319
Production and event costs	39,360	449	48	497	39,857
Royalties, rights and reproductions	66,792	175	1,451	1,626	68,418
Special events	51	678	67,086	67,764	67,815
Travel	12,216	5,103	3,570	8,673	20,889
Total Nonsalary Related Expenses	<u>327,205</u>	<u>260,811</u>	<u>157,075</u>	<u>417,886</u>	<u>745,091</u>
Total Expenses	<u>\$ 1,854,849</u>	<u>\$ 500,769</u>	<u>\$ 492,669</u>	<u>\$ 993,438</u>	<u>\$ 2,848,287</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				
	Music	General and		Total	
	Program	Administrative	Fundraising	Supporting	Total
				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
Concession 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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (9,451)	\$ (124,232)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	11,275	11,334
Amortization of right of use asset	46,470	132,580
Loss on disposal of musical instruments	5,881	17,342
Net realized and unrealized gains on investments	(208,415)	(154,583)
Donated musical instruments	(21,493)	(25,433)
Endowment contributions	(59,176)	(96,097)
Endowment investment income	(39,288)	(41,802)
Endowment distributions	11,584	11,119
(Increase) Decrease in:		
Grants receivable	132,319	6,831
Other receivables	(249,521)	(12,576)
Pledges receivable, net	3,733	21,137
Prepaid expenses	9,514	2,141
Increase (Decrease) in:		
Accounts payable and accrued expenses	41,553	(12,923)
Deferred revenue	(24,846)	18,425
Operating lease liability	(45,964)	(134,411)
Net Cash Used in Operating Activities	<u>(395,825)</u>	<u>(381,148)</u>
<u>Cash Flows From Investing Activities:</u>		
Investment (purchases) and sales, net	233,623	(229,347)
Change in charitable remainder unitrust	(17,400)	(24,438)
Purchase of musical instruments	(46,090)	(18,835)
Purchase of property and equipment	(4,021)	(4,031)
Change in beneficial interest in endowment funds	(10,304)	(6,245)
Net Cash Provided by (Used in) Investing Activities	<u>154,579</u>	<u>(282,896)</u>
<u>Cash Flows From Financing Activities:</u>		
Endowment contributions	59,176	96,097
Endowment investment income	39,288	41,802
Endowment distributions	(11,584)	(11,119)
Net Cash Provided by Financing Activities	<u>86,880</u>	<u>126,780</u>
Net Decrease in Cash and Cash Equivalents	(154,366)	(537,264)
Cash and Cash Equivalents at Beginning of Year	<u>200,297</u>	<u>737,561</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 45,931</u></u>	<u><u>\$ 200,297</u></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>48,991</u>	\$ <u>48,887</u>
Right of use assets upon ASU 842 implementation	\$ <u>-</u>	\$ <u>236,525</u>
Right of use assets after ASU 842 implementation	\$ <u>-</u>	\$ <u>103,945</u>

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

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 - Organization:

For nearly 80 years, San Diego Youth Symphony and Conservatory (SDYS), dba KeyNote, has served as a catalyst for investing in the future of thousands of young San Diegans through the study and performance of music. Through KeyNote's flagship youth orchestra program in Balboa Park (SDYS), its community engagement projects across San Diego (The Opus Project), and its early childhood music curriculum (ChIMES and Music Discovery), KeyNote is becoming San Diego's most comprehensive provider of 'cradle-to-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 and KeyNote, 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

KeyNote, and its family of music education programs, instill 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, KeyNote and SDYS embrace the following values:

- Commitment
- Creativity
- Equity
- Collaboration
- Service

Our programs include the following efforts:

San Diego Youth Symphony (SDYS)

San Diego Youth Symphony is the flagship of KeyNote's music education programs and, for nearly eighty years, has offered its youth orchestra programs in Balboa Park for young musicians, from beginning through advanced levels. Built on four levels of instruction in twelve ensembles, SDYS features weekly rehearsals and annual performance opportunities. To focus on the "whole musician," SDYS extension programs also offer opportunities to participate in chamber music, concerto competitions, music theory and composition programs, individual and group lessons, student mentoring opportunities, and more. In 2025, SDYS reintroduced the SDYS Jazz program, offering two ensembles for intermediate and advanced level jazz students. In 2026, SDYS will complete its curriculum with beginning wind, brass and percussion programs that will better bridge our early childhood curriculum to the ensemble program.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 - Organization: (Continued)

Community Engagement: The Opus Project

We are committed to giving every young person across San Diego the opportunity to receive quality in-school music education. As such, we collaborate with local schools, feeder patterns, and school districts to restore, enhance, and strengthen in-school music programs and arts-rich environments. With on-site access for every student as the ultimate goal, we launched The 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. Today, The Opus Project continues to thrive and we are now replicating, adapting and expanding this program with the San Diego Unified and Santee school districts. In addition to The Opus Project, we also offer limited assistance to schools through community partnership projects, through a program known as Opus Connect, to support music education efforts in elementary, middle and high schools across the county.

Early Childhood: ChIMES and Music Discovery

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 is the first step of this curriculum. By encouraging ensemble-based learning from ages 0-5, we promote stronger pro-social skills, improved speech and language development, school preparation, and ensure that children from all backgrounds have access to quality music programs. The next program in our curriculum, Music Discovery, for children ages 5-7, turns the play-based learning of ChIMES into ensemble-based music literacy classes where children are introduced to the instrument families of the orchestra and, over the course of the two-year program, select the instrument they will ultimately pursue in an SDYS ensemble.

Advocacy, Outreach and Service

KeyNote continues to work throughout San Diego County to ensure quality access to music education, and to educate our audiences about classical music. Our students participate in a variety of community performances, as well as numerous events in Balboa Park. We also collaborate 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.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies:

Financial Statement Presentation (Continued)

- 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.

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.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements (Continued)

- 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)

Allowance for Credit Losses

SDYS recognizes an allowance for credit losses on accounts receivable to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statement of financial position date, aging reports and historical information. Accounts and other receivables are written off when SDYS determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Management believes that all accounts and other receivables were fully collectible; therefore, no allowance for credit losses on accounts and other receivables were recorded at June 30, 2024 and 2023.

Allowance for Uncollectible Contributions Receivable

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of contributions receivable. Management believes that all contributions receivable were fully collectible; therefore, no allowance for uncollectible contributions receivable was recorded at June 30, 2024 and 2023.

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 \$67,583 and \$44,268 for the years ended June 30, 2024 and 2023, respectively. Deaccession of musical instruments from the Collection totaled \$5,881 and \$17,342 during the years ended June 30, 2024 and 2023, respectively, resulting in a loss on disposal of \$5,881 and \$17,342 for the years ended June 30, 2024 and 2023, respectively. Costs incurred in connection with the acquisition and conservation of the Collection are expensed in the period incurred. The Collection totaled \$821,274 and \$759,572 at June 30, 2024 and 2023, respectively.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

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 \$11,275 and \$11,334 for the years ended June 30, 2024 and 2023, 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.

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 \$46,235 and \$40,294 at June 30, 2024 and 2023, respectively, are accrued when incurred, and included in accounts payable and accrued expenses.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

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. There were no prepaid expenses related to future performances and events at June 30, 2024 and 2023. Deferred revenue from tuition and fees and other programs totaled \$25,289 and \$50,135 at June 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Musical instruments	\$ 21,493	\$ 25,433
Professional photographic services	7,450	4,450
Office and rehearsal halls	11,200	11,200
Total Contributed Nonfinancial Assets	<u>\$ 40,143</u>	<u>\$ 41,083</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 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.

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.

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, 2024 and 2023 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, 2024 AND 2023

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, 2024, 2023, 2022 and 2021 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.

Accounting Pronouncement Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-13, *Financial Instruments—Credit Losses* ("Topic 326") to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. FASB ASU 2016-13 affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset.

FASB ASU 2016-13 was adopted July 1, 2023 on a prospective transition approach. With respect to accounts and other receivables, ASU 2016-13 did not have a material impact on the financial statements.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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 May 12, 2025, 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 45,931	\$ 200,297
Investments	1,990,437	2,015,645
Grants receivable	128,795	261,114
Other receivables	293,839	44,318
Pledges receivable	-	3,733
Appropriation of board-designated quasi-endowment and endowment earnings	60,000	60,000
Less: Donor-restricted endowment funds	(1,281,793)	(1,205,217)
Less: Board-designated quasi-endowment	(677,727)	(518,608)
Financial assets available to meet general expenditures within one year	<u>\$ 559,482</u>	<u>\$ 861,282</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, 2024 AND 2023

Note 4 - Fair Value Measurements:

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

	2024			
	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, 2024
Common stocks	\$ 712,297	\$ -	\$ -	\$ 712,297
Mutual and exchange traded funds	490,471	-	-	490,471
Fixed income securities	-	787,669	-	787,669
Charitable remainder unitrust (Note 7)	-	-	271,759	271,759
Beneficial interest in endowment funds (Note 9)	-	-	284,691	284,691
	<u>\$ 1,202,768</u>	<u>\$ 787,669</u>	<u>\$ 556,450</u>	<u>\$ 2,546,887</u>

	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	274,387
	<u>\$ 1,353,197</u>	<u>\$ 662,448</u>	<u>\$ 528,746</u>	<u>\$ 2,544,391</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, 2024 AND 2023

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:

2024				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Charitable remainder unitrust	\$ 271,759	Present value of expected cash flows	Investment yield Discount rate	7% 7%
Beneficial interest in endowment funds	\$ 284,691	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
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

Note 5 - Pledges Receivable:

Pledges receivable consist of the following at June 30:

	2024	2023
Due in less than one year	\$ -	\$ 3,733
Due in more than five years	25,000	25,000
Less: Discount to present value	(3,309)	(3,309)
Total Noncurrent, Net	21,691	21,691
Total Pledges Receivable, Net	\$ 21,691	\$ 25,424

The pledges receivable have been discounted to their present value using a discount rate of 2.4% at the years ended June 30, 2024 and 2023.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 6 - Investments:

Investments consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Common stocks	\$ 712,297	\$ 843,843
Fixed income securities	787,669	662,448
Mutual and exchange traded funds	490,471	509,354
Total Investments	<u>\$ 1,990,437</u>	<u>\$ 2,015,645</u>

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

	<u>2024</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 18,468	\$ 27,260	\$ 45,728
Net realized and unrealized gains	208,414	23,256	231,670
Change in charitable remainder unitrust	-	17,400	17,400
Investment fees	(19,245)	(1,368)	(20,613)
Total Investment Income	<u>\$ 207,637</u>	<u>\$ 66,548</u>	<u>\$ 274,185</u>

	<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	(18,358)	(1,310)	(19,668)
Total Investment Income	<u>\$ 157,904</u>	<u>\$ 69,763</u>	<u>\$ 227,665</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 \$349,993 and \$327,253 at June 30, 2024 and 2023, 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>2024</u>	<u>2023</u>
Balance at Beginning of Year	\$ 254,359	\$ 229,921
Change in discount and fair value	17,400	24,438
Balance at End of Year	<u>\$ 271,759</u>	<u>\$ 254,359</u>

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 8 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Tenant improvements	\$ 315,891	\$ 315,891
Equipment	197,557	193,536
Subtotal	<u>513,448</u>	<u>509,427</u>
Less: Accumulated depreciation	(484,659)	(473,484)
Property and Equipment, Net	<u>\$ 28,789</u>	<u>\$ 36,043</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 45% international equities, 34% alternative investments, 10% fixed income, 3% real assets, and 8% 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 \$11,584 and \$11,119 in distributions for the years ended June 30, 2024 and 2023, respectively. The activity in the beneficial interest in endowment funds consisted of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Balance at Beginning of Year	\$ 274,387	\$ 268,142
Investment income	23,256	18,674
Investment fees	(1,368)	(1,310)
Distributions	<u>(11,584)</u>	<u>(11,119)</u>
Balance at End of Year	<u>\$ 284,691</u>	<u>\$ 274,387</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 1.75% per annum. There was no outstanding balance on the line-of-credit at June 30, 2024 and 2023. The line of credit expires July 3, 2027, 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, 2024 and 2023 was calculated based on the December 31, 2023 and 2022 value of the Funds, respectively.

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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>2024</u>	<u>2023</u>
Undesignated Spending Allowance at Beginning of Year	\$ 45,000	\$ 107,255
Allocation	45,000	45,000
Expenditures	(45,000)	(107,255)
Undesignated Spending Allowance at End of Year	<u>\$ 45,000</u>	<u>\$ 45,000</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>2024</u>	<u>2023</u>
Subject to Expenditure for Specified Purpose:		
Moeser Memorial	\$ 252,131	\$ 311,593
Program designated funds	166,312	281,776
Whitesell/Fox Scholarship Fund	109,461	108,056
Gigli Family Scholarship Fund	101,171	99,947
Young-Sharin Scholarship Fund	58,920	60,625
Pledges Receivable, Net	21,691	21,691
Inge Manes Memorial Fund	2,238	2,283
Kawashima Fund - Associate Concert Master	1,877	1,875
Spinner Yates Scholarship Fund	1,684	1,710
James Algert Scholarship Fund	1,676	1,710
Brooks First Assistant Chair	1,164	1,024
Blair and Georgia Sadler Fund - Scholarship	974	921
Alex Foss Steele - Megna Trumpet Scholarship	959	924
Francoise and Salim Shah Scholarship	858	571
A. Cohen Scholarship Fund	610	623
Elaine and Stanley Goff Fund - Scholarship	559	570
Chelsea King Scholarship - French Horn	466	476
Betty R. Hiller Scholarship Fund	397	398
Eleanor M. Young Scholarship Fund - Cello	380	387

(Continued)

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specified Purpose: (Continued)		
La Jolla Debutante Ball Committee - Violin	335	342
Petering Family Scholarship	299	-
Carson Kemp Memorial Fund - Nominated Scholarship	229	233
Julie E. Brewer Conductor's Achievement Award - Scholarship	223	228
M. Adler Lindberg Pre-K Fund	196	200
Bruno Bello Family Scholarship Fund	181	184
Clark Piano Fund	168	171
Marvin Levine Principal Viola Chair	56	57
Total Subject to Expenditure for Specified Purpose	<u>725,215</u>	<u>898,575</u>
Perpetual in Nature:		
Endowments (Note 13)	<u>1,566,484</u>	<u>1,479,604</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,291,699</u>	<u>\$ 2,378,179</u>

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>2024</u>	<u>2023</u>
Purpose Restrictions Fulfilled:		
Program designated funds	\$ 260,564	\$ 677,216
Moeser Memorial	65,519	20,000
Endowment earnings appropriated	26,471	22,200
Total Net Assets Released From Restrictions	<u>\$ 352,554</u>	<u>\$ 719,416</u>

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, 2024 AND 2023

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, 2024 and 2023.

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, 2024 AND 2023

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:

	2024			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Donor-Restricted Endowment Funds:				
San Diego Foundation - General	\$ -	\$ -	\$ 284,691	\$ 284,691
Charitable Remainder Unitrust	-	-	271,759	271,759
Joan Kroc Fund - General	-	-	125,000	125,000
R.P. Foundation - General	-	-	125,000	125,000
Inge Manes Memorial Fund	-	2,238	100,150	102,388
Kawashima Fund - Associate Concert Master	-	1,877	84,000	85,877
Spinner Yates Scholarship Fund	-	1,684	75,700	77,384
James Algert Scholarship Fund	-	1,676	75,000	76,676
Brooks First Assistant Chair	-	1,164	52,184	53,348
Francoise and Salim Shah Scholarship	-	858	50,035	50,893
Blair and Georgia Sadler Fund - Scholarship	-	974	44,725	45,699
Alex Foss Steele - Megna Trumpet Scholarship	-	959	43,181	44,140
Dorothy and Joel Sollender Fund - General	-	-	39,900	39,900
A. Cohen Scholarship Fund	-	610	27,313	27,923
Elaine and Stanley Goff Fund - Scholarship	-	559	25,000	25,559
Petering Family Scholarship	-	299	25,000	25,299
Chelsea King Scholarship - French Horn	-	466	20,867	21,333
Betty R. Hiller Scholarship Fund	-	397	17,886	18,283
Eleanor M. Young Scholarship Fund - Cello	-	380	17,000	17,380

(Continued)

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 13 - Endowment Net Assets: (Continued)

	2024			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
Donor-Restricted Endowment Funds: (Continued)				
La Jolla Debutante Ball Committee - Violin	\$ -	\$ 335	\$ 15,000	\$ 15,335
Carson Kemp Memorial Fund - Nominated Scholarship	-	229	10,229	10,458
Julie E. Brewer Conductor's Achievement Award Scholarship	-	223	10,000	10,223
M. Adler Lindberg Pre-K Fund	-	196	8,764	8,960
Bruno Bello Family Scholarship Fund	-	181	8,100	8,281
Clark Piano Fund	-	168	7,500	7,668
Marvin Levine Principal Viola Chair	-	56	2,500	2,556
Total Donor-Restricted Endowment Funds	-	15,529	1,566,484	1,582,013
Board-Designated Quasi-Endowment	677,727	-	-	677,727
Total Endowment Funds	<u>\$ 677,727</u>	<u>\$ 15,529</u>	<u>\$ 1,566,484</u>	<u>\$ 2,259,740</u>

	2023			
	Without Donor Restrictions	With Donor Restrictions	With Donor Restrictions - Perpetual	Total
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
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>

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 13 - Endowment Net Assets: (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, 2022	\$ 410,766	11,081	1,352,824	1,774,671
Investment income (loss)	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	518,608	\$ 14,887	\$ 1,479,604	\$ 2,013,099
Investment income	223,364	15,529	39,288	278,181
Contributions	-	-	59,176	59,176
Distribution of spending allowance	(45,000)	-	-	(45,000)
Distributions	(19,245)	(14,887)	(11,584)	(45,716)
Endowment Net Assets at June 30, 2024	<u>\$ 677,727</u>	<u>15,529</u>	<u>1,566,484</u>	<u>2,259,740</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 expired June 15, 2023. The lease was extended to June 15, 2025. The lease payments total \$3,581 per month, excluding common area maintenance costs. In May 2024 additional space was acquired for one year, ending June 15, 2025. Rent expense under these leases and common area maintenance costs totaled \$56,458 and \$53,318 for the years ended June 30, 2024 and 2023, 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 statements of financial position for the operating leases included in the measurement of lease liabilities at June 30:

	<u>2024</u>	<u>2023</u>
Operating lease right-of-use asset	\$ <u>57,475</u>	\$ <u>103,945</u>
Operating lease liabilities, current	45,514	45,964
Operating lease liabilities, noncurrent portion	<u>10,636</u>	<u>56,150</u>
Total operating lease liabilities	<u>\$ 56,150</u>	<u>\$ 102,114</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2024:

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

SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 14 - Commitments: (Continued)

Lease Obligations (Continued)

The following summarizes cash flow information related to leases for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Operating cash flows from operating leases	\$ <u>48,991</u>	\$ <u>48,887</u>

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

<u>Years Ended June 30</u>	
2025	\$ 48,887
2026	7,171
2027	<u>3,585</u>
Total Lease Payments	59,643
Less: Discount	<u>(3,493)</u>
Present Value of Lease Liabilities	<u>\$ 56,150</u>

