

Santa Rosa Symphony Association
(a California Not-for-Profit Corporation)

Financial Statements

For the Years Ended June 30, 2020 and 2019

Together with Independent Auditors' Report

Santa Rosa Symphony Association

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Independent Auditors' Report | 1 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities and Changes in Net Assets | 5 |
| Statements of Functional Expenses | 7 |
| Statements of Cash Flows | 9 |
| Notes to Financial Statements | 10 |



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Independent Auditors' Report

To the Board of Directors of
Santa Rosa Symphony Association
Santa Rosa, California

We have audited the accompanying financial statements of Santa Rosa Symphony Association, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Rosa Symphony Association as of June 30, 2020 and 2019, 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.

Dillwood Burkel & Millar, LLP

Santa Rosa, California
October 29, 2020

Santa Rosa Symphony Association

Statements of Financial Position

As of June 30, 2020 and 2019

| | 2020 | | | 2019 | | |
|---|---------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | Operations | Endowment | Total | Operations | Endowment | Total |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 3,721,281 | \$ 947,176 | \$ 4,668,457 | \$ 2,171,581 | \$ 473,614 | \$ 2,645,195 |
| Pledges receivable, net | 622,730 | - | 622,730 | 799,553 | - | 799,553 |
| Due to (from) endowment | 3,188 | (3,188) | - | 11,665 | (11,665) | - |
| Other receivables | 11,414 | - | 11,414 | 76,429 | - | 76,429 |
| Short-term investments | - | - | - | 1,004,471 | - | 1,004,471 |
| Prepaid expenses | 438,584 | - | 438,584 | 133,037 | - | 133,037 |
| Total current assets | <u>4,797,197</u> | <u>943,988</u> | <u>5,741,185</u> | <u>4,196,736</u> | <u>461,949</u> | <u>4,658,685</u> |
| Equipment and improvement, net | 15,426 | - | 15,426 | 24,801 | - | 24,801 |
| Investments | - | 12,940,001 | 12,940,001 | - | 13,430,525 | 13,430,525 |
| Noncurrent pledges receivable, net | 436,562 | - | 436,562 | 338,760 | - | 338,760 |
| Leasehold interest | 816,000 | - | 816,000 | 864,000 | - | 864,000 |
| Split-interest agreements | <u>240,766</u> | <u>-</u> | <u>240,766</u> | <u>263,051</u> | <u>-</u> | <u>263,051</u> |
| Total assets | <u>\$ 6,305,951</u> | <u>\$ 13,883,989</u> | <u>\$ 20,189,940</u> | <u>\$ 5,687,348</u> | <u>\$ 13,892,474</u> | <u>\$ 19,579,822</u> |

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Santa Rosa Symphony Association

Statements of Financial Position

As of June 30, 2020 and 2019

continued from previous page

| | 2020 | | | 2019 | | |
|---------------------------------------|--------------|---------------|---------------|--------------|---------------|---------------|
| | Operations | Endowment | Total | Operations | Endowment | Total |
| Current liabilities | | | | | | |
| Accounts payable and accrued expenses | \$ 150,773 | \$ - | \$ 150,773 | \$ 117,285 | \$ - | \$ 117,285 |
| Forgivable loan | 480,167 | - | 480,167 | - | - | - |
| Deferred revenue | 964,886 | - | 964,886 | 1,022,768 | - | 1,022,768 |
| Total current liabilities | 1,595,826 | - | 1,595,826 | 1,140,053 | - | 1,140,053 |
| Net assets | | | | | | |
| Net assets without donor restrictions | | | | | | |
| Undesignated | 1,403,958 | 2,338,988 | 3,742,946 | 1,186,506 | 2,800,116 | 3,986,622 |
| Board designated | 500,000 | 4,726,794 | 5,226,794 | 500,000 | 4,637,393 | 5,137,393 |
| | 1,903,958 | 7,065,782 | 8,969,740 | 1,686,506 | 7,437,509 | 9,124,015 |
| Net assets with donor restrictions | | | | | | |
| With temporary restrictions | 2,806,167 | 465,912 | 3,272,079 | 2,860,789 | 609,470 | 3,470,259 |
| With permanent restrictions | - | 6,352,295 | 6,352,295 | - | 5,845,495 | 5,845,495 |
| | 2,806,167 | 6,818,207 | 9,624,374 | 2,860,789 | 6,454,965 | 9,315,754 |
| Total net assets | 4,710,125 | 13,883,989 | 18,594,114 | 4,547,295 | 13,892,474 | 18,439,769 |
| Liabilities and net assets | \$ 6,305,951 | \$ 13,883,989 | \$ 20,189,940 | \$ 5,687,348 | \$ 13,892,474 | \$ 19,579,822 |

See accompanying Notes to Financial Statements

Santa Rosa Symphony Association

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2020

| | Net Assets Without Donor Restrictions | | Net Assets With Donor Restrictions | | Total |
|--|--|---------------------|---------------------------------------|---------------------|----------------------|
| | Operations | Endowment | Operations | Endowment | |
| Revenues, gains and other support | | | | | |
| Ticket sales | \$ 906,691 | \$ - | \$ - | \$ - | \$ 906,691 |
| Concert performance fees | 307,026 | - | - | - | 307,026 |
| Education revenue | 212,459 | - | - | - | 212,459 |
| Advertising and other | 138,849 | - | - | - | 138,849 |
| Investment income: | | | | | |
| Interest and dividends, net of fees | 42,212 | 236,130 | - | 66,783 | 345,125 |
| Net realized and unrealized gains (losses) | 745 | (460,857) | - | (130,341) | (590,453) |
| Special events, net | 24,971 | - | - | - | 24,971 |
| Grants | 204,750 | - | 103,500 | - | 308,250 |
| Contributions | 655,940 | 89,401 | 1,160,557 | 506,800 | 2,412,698 |
| Gain on sale of fixed assets | 7,000 | - | - | - | 7,000 |
| Net assets released from restrictions | 1,318,679 | - | (1,318,679) | - | - |
| Endowment draw utilized for operations | 311,714 | (231,714) | - | (80,000) | - |
| Total revenues, gains and other support | <u>4,131,036</u> | <u>(367,040)</u> | <u>(54,622)</u> | <u>363,242</u> | <u>4,072,616</u> |
| Expenses | | | | | |
| Artistic services | 2,460,741 | - | - | - | 2,460,741 |
| Education services | 625,385 | - | - | - | 625,385 |
| General and administrative | 498,559 | 4,687 | - | - | 503,246 |
| Development and fundraising | 328,899 | - | - | - | 328,899 |
| Total expenses | <u>3,913,584</u> | <u>4,687</u> | <u>-</u> | <u>-</u> | <u>3,918,271</u> |
| Changes in net assets | 217,452 | (371,727) | (54,622) | 363,242 | 154,345 |
| Net assets at beginning of year | <u>1,686,506</u> | <u>7,437,509</u> | <u>2,860,789</u> | <u>6,454,965</u> | <u>18,439,769</u> |
| Net assets at end of year | <u>\$ 1,903,958</u> | <u>\$ 7,065,782</u> | <u>\$ 2,806,167</u> | <u>\$ 6,818,207</u> | <u>\$ 18,594,114</u> |

See accompanying Notes to Financial Statements.

Santa Rosa Symphony Association

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2019

| | Net Assets Without Donor Restrictions | | Net Assets With Donor Restrictions | | Total |
|--|--|---------------------|---------------------------------------|---------------------|----------------------|
| | Operations | Endowment | Operations | Endowment | |
| Revenues, gains and other support | | | | | |
| Ticket sales | \$ 1,141,622 | \$ - | \$ - | \$ - | \$ 1,141,622 |
| Concert performance fees | 288,729 | - | - | - | 288,729 |
| Education revenue | 275,206 | - | - | - | 275,206 |
| Advertising and other | 137,593 | - | - | - | 137,593 |
| Investment income: | | | | | |
| Interest and dividends, net of fees | 36,769 | 164,267 | - | 46,414 | 247,450 |
| Net realized and unrealized gains (losses) | (58) | 259,927 | - | 73,442 | 333,311 |
| Special events, net | 641 | - | - | - | 641 |
| Grants | 168,200 | - | 365,400 | - | 533,600 |
| Contributions | 641,540 | 377,022 | 1,088,523 | 16,800 | 2,123,885 |
| Net assets released from restrictions | 1,478,778 | - | (1,478,778) | - | - |
| Endowment draw utilized for operations | 269,496 | (214,496) | - | (55,000) | - |
| Total revenues, gains and other support | <u>4,438,516</u> | <u>586,720</u> | <u>(24,855)</u> | <u>81,656</u> | <u>5,082,037</u> |
| Expenses | | | | | |
| Artistic services | 2,703,878 | - | - | - | 2,703,878 |
| Education services | 708,708 | - | - | - | 708,708 |
| General and administrative | 450,633 | 3,753 | - | - | 454,386 |
| Development and fundraising | 337,218 | 7,912 | - | - | 345,130 |
| Total expenses | <u>4,200,437</u> | <u>11,665</u> | <u>-</u> | <u>-</u> | <u>4,212,102</u> |
| Changes in net assets | 238,079 | 575,055 | (24,855) | 81,656 | 869,935 |
| Net assets at beginning of year | <u>1,448,427</u> | <u>6,862,454</u> | <u>2,885,644</u> | <u>6,373,309</u> | <u>17,569,834</u> |
| Net assets at end of year | <u>\$ 1,686,506</u> | <u>\$ 7,437,509</u> | <u>\$ 2,860,789</u> | <u>\$ 6,454,965</u> | <u>\$ 18,439,769</u> |

See accompanying Notes to Financial Statements

Santa Rosa Symphony Association

Statement of Functional Expenses For the Year Ended June 30, 2020

| | Program Services | | | Support Services | | Total |
|----------------------------------|---------------------|--------------------|---------------------|----------------------------|-----------------------------|---------------------|
| | Artistic Services | Education Services | Total | General and Administrative | Development and Fundraising | |
| Personnel | | | | | | |
| Salaries and wages | \$ 1,452,797 | \$ 394,423 | \$ 1,847,220 | \$ 328,823 | \$ 163,999 | \$ 2,340,042 |
| Payroll taxes | 88,182 | 19,888 | 108,070 | 21,189 | 11,499 | 140,758 |
| Employee benefits | 207,739 | 48,721 | 256,460 | 59,371 | 30,392 | 346,223 |
| | <u>1,748,718</u> | <u>463,032</u> | <u>2,211,750</u> | <u>409,383</u> | <u>205,890</u> | <u>2,827,023</u> |
| Operating | | | | | | |
| Marketing costs | 271,213 | 8,626 | 279,839 | - | 6,784 | 286,623 |
| Facility costs | 142,481 | 84,783 | 227,264 | 21,396 | 24,756 | 273,416 |
| Production costs | 215,857 | 22,695 | 238,552 | - | - | 238,552 |
| Business/donor cultivation | - | - | - | 6,399 | 80,674 | 87,073 |
| Professional/consultant fees | 6,409 | 2,137 | 8,546 | 41,268 | 1,068 | 50,882 |
| Bank charges, taxes and licenses | 28,833 | 8,239 | 37,072 | 798 | 4,125 | 41,995 |
| Supplies | 25,978 | 10,782 | 36,760 | 2,398 | 1,287 | 40,445 |
| Insurance | 8,672 | 4,335 | 13,007 | 3,468 | 867 | 17,342 |
| Financial aid | - | 15,804 | 15,804 | - | - | 15,804 |
| Information technology | - | - | - | 10,692 | - | 10,692 |
| Professional development | 4,379 | 2,784 | 7,163 | 1,705 | 194 | 9,062 |
| Other | 1,239 | - | 1,239 | 5,016 | 2,170 | 8,425 |
| | <u>705,061</u> | <u>160,185</u> | <u>865,246</u> | <u>93,140</u> | <u>121,925</u> | <u>1,080,311</u> |
| Depreciation | <u>6,962</u> | <u>2,168</u> | <u>9,130</u> | <u>723</u> | <u>1,084</u> | <u>10,937</u> |
| Total expenses | <u>\$ 2,460,741</u> | <u>\$ 625,385</u> | <u>\$ 3,086,126</u> | <u>\$ 503,246</u> | <u>\$ 328,899</u> | <u>\$ 3,918,271</u> |

See accompanying Notes to Financial Statements.

Santa Rosa Symphony Association

Statement of Functional Expenses

For the Year Ended June 30, 2019

| | Program Services | | | Support Services | | Total |
|----------------------------------|-------------------|--------------------|--------------|----------------------------|-----------------------------|--------------|
| | Artistic Services | Education Services | Total | General and Administrative | Development and Fundraising | |
| Personnel | | | | | | |
| Salaries and wages | \$ 1,612,035 | \$ 425,899 | \$ 2,037,934 | \$ 295,031 | \$ 159,138 | \$ 2,492,103 |
| Employee benefits | 202,935 | 51,966 | 254,901 | 53,994 | 28,392 | 337,287 |
| Payroll taxes | 100,834 | 19,166 | 120,000 | 19,673 | 10,983 | 150,656 |
| | 1,915,804 | 497,031 | 2,412,835 | 368,698 | 198,513 | 2,980,046 |
| Operating | | | | | | |
| Facility costs | 163,649 | 101,308 | 264,957 | 25,217 | 32,767 | 322,941 |
| Production costs | 257,863 | 44,132 | 301,995 | - | - | 301,995 |
| Marketing costs | 274,759 | 11,429 | 286,188 | - | 5,189 | 291,377 |
| Business/donor cultivation | - | - | - | 10,005 | 92,621 | 102,626 |
| Bank charges, taxes and licenses | 30,923 | 8,835 | 39,758 | 1,409 | 4,433 | 45,600 |
| Professional/consultant fees | 5,915 | 2,988 | 8,903 | 33,415 | 986 | 43,304 |
| Supplies | 28,449 | 8,757 | 37,206 | 2,545 | 2,219 | 41,970 |
| Financial aid | - | 20,141 | 20,141 | - | - | 20,141 |
| Insurance | 8,662 | 4,331 | 12,993 | 3,465 | 866 | 17,324 |
| Other | 5,333 | 48 | 5,381 | 4,570 | 2,783 | 12,734 |
| Professional development | 2,271 | 4,094 | 6,365 | 3,191 | 1,946 | 11,502 |
| Information technology | 3,816 | 3,816 | 7,632 | 1,272 | 1,908 | 10,812 |
| | 781,640 | 209,879 | 991,519 | 85,089 | 145,718 | 1,222,326 |
| Depreciation | 6,434 | 1,798 | 8,232 | 599 | 899 | 9,730 |
| Total expenses | \$ 2,703,878 | \$ 708,708 | \$ 3,412,586 | \$ 454,386 | \$ 345,130 | \$ 4,212,102 |

See accompanying Notes to Financial Statements.

Santa Rosa Symphony Association

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---|---------------------|
| | <i>Increase (decrease) in cash and cash equivalents</i> | |
| Cash flows from operating activities | | |
| Changes in net assets | \$ 154,345 | \$ 869,935 |
| Adjustments to reconcile changes in net assets to cash provided by operating activities: | | |
| Depreciation and amortization | 58,937 | 57,730 |
| Changes in value of split-interest agreements | 22,285 | (9,654) |
| Net realized and unrealized loss (gain) | 590,453 | (333,311) |
| Interest reinvested | - | (881) |
| Decrease (increase) in: | | |
| Other receivables | 65,015 | 11,303 |
| Pledges receivable, net | 79,021 | (263,406) |
| Prepaid expenses | (305,547) | (33,325) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 33,488 | 8,126 |
| Forgivable loan | 480,167 | - |
| Deferred revenue | (57,882) | 49,559 |
| Net cash provided by operating activities | <u>1,120,282</u> | <u>356,076</u> |
| Cash flows from investing activities | | |
| Proceeds on sales of marketable securities | 3,204,717 | 2,206,687 |
| Investment in marketable securities | (3,304,646) | (2,156,569) |
| Acquisition of equipment | (1,562) | (17,872) |
| Proceeds from certificates of deposit | 1,004,471 | - |
| Net cash provided by investing activities | <u>902,980</u> | <u>32,246</u> |
| Cash flows from financing activities | | |
| Payments on capital leases | - | (3,634) |
| Net cash used in financing activities | <u>-</u> | <u>(3,634)</u> |
| Net change in cash and cash equivalents | 2,023,262 | 384,688 |
| Balance at beginning of year | <u>2,645,195</u> | <u>2,260,507</u> |
| Balance at end of year | <u>\$ 4,668,457</u> | <u>\$ 2,645,195</u> |
| Supplementary cash flows information | | |
| Cash paid during the year for interest | <u>\$ -</u> | <u>\$ 87</u> |

See accompanying Notes to Financial Statements

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 1. Nature of Activities

Santa Rosa Symphony Association (the "Association") is a California not-for-profit corporation. The Association's mission is to inspire and engage the residents of Sonoma County and its environs with the finest musical performances and educational programs while maintaining its core values of organizational strength, innovative programming, fiscal responsibility and community service.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Without donor restrictions – Revenues without donor restrictions include unconditional promises to give by donors without any use or time restrictions. Investment earnings are recorded as unrestricted net assets for certain temporarily restricted funds and for certain endowment funds in accordance with donor stipulations. Net assets without donor restrictions are available for all operations conducted by the Association.

With donor restrictions – revenues include unconditional promises to give by donors that specify a specific use or the occurrence of a certain future event. When a restriction is met, net assets with donor restriction are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Revenues with donor restriction also include unconditional promises to give by donors that specify that the assets donated be maintained to provide a permanent source of income. If the donor does not restrict the allowed use of the income, the Association may determine the income's availability to the Association's operations.

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accompanying financial statements are presented in separate funds for operation and endowment. The restrictions on such funds are consistent with the classifications described above.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Use of 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 based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relate to the collectability of pledges and other receivables, and depreciable lives of property, equipment and improvements. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed, which limits the investment's use to long-term. Cash is held in demand accounts at banks, and cash balances may exceed the federally insured amounts during the year. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash and cash equivalents include only funds that are not restricted by the donor.

Liquidity and Availability of Financial Assets

The following reflects the Association's financial assets, reduced by amounts not available for general use because of contractual, donor imposed or board designated restrictions within one year of the balance sheet date, as of June 30,

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|-------------------|
| Cash | \$ 4,668,457 | \$ 2,645,195 |
| Short-term investments | - | 1,004,471 |
| Receivable, current portion | <u>634,144</u> | <u>875,982</u> |
| Total Financial assets, at year end | 5,302,601 | 4,525,648 |
| Less those unavailable for general expenditures | | |
| Within one year, due to: | | |
| Purpose and time restricted funds | (2,806,167) | (2,860,789) |
| Board designated funds | (500,000) | (500,00) |
| Restricted cash from endowment fund | <u>(947,176)</u> | <u>(473,614)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,049,258</u> | <u>\$ 691,245</u> |

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Liquidity and Availability of Financial Assets, *continued*

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization has adopted an Operating Reserves policy to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Operating Reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The target minimum Operating Reserve Fund is approximately 10% of annual operating expenses, or about two months of average operating costs. The Operating Reserve Fund is recorded in the financial records as Board-Designated Operating Reserve and is funded and available in cash or cash equivalent funds. The Board Designated Operating Reserve had the balance in the amount of \$500,000 as of June 30, 2020 and 2019, respectively.

Investments

Investments, which include equity securities, government securities, mutual funds and alternative investments, are carried at fair value. Unrealized gains and losses are included in the statement of activities and changes in net assets. Investment earnings restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the earnings are recognized.

Fair Value Measurements

Fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities that the Association has the ability to access.
- Level 2: Valuations based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.
- Level 3: Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Association's perceived risk of that investment.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Pledges Receivable

Verifiable pledges for contributions are recorded as pledges receivable. Pledges that are expected to be collected within one year are recorded at net realizable value, and reported as current pledges receivable. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, and reported as noncurrent pledges receivable. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are made. Amortization of the discount is included in contribution revenue. The Association uses the allowance method to reserve for uncollectible accounts. Management periodically evaluates the allowance.

Promises to give made by the Association are recorded as pledges payable. Pledges that are expected to be paid in future years are recorded in the period when the pledges are made at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are made. Amortization of the discount is included in interest expense.

Endowment Funds

Effective January 1, 2009, the State of California adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The board of directors has interpreted 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, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment, and (c) additions to the permanent endowment in accordance with donor directions. The remaining portion of donor-restricted endowment funds that are not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- 1) The duration and preservation of the fund
- 2) The purposes of the Association and the endowment funds
- 3) General economic conditions
- 4) The possible effects of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Association
- 7) The investment policies of the Association

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Endowment Funds, *continued*

The Association's endowment spending policy is designed so that earnings from donor-restricted funds available for distribution are calculated proportionately among the various donor-restricted funds based on the total annual net return. The principal of the endowment fund may only be used if the survival of the Association is at stake as determined by a unanimous vote of the executive committee of the board and a two-thirds majority vote of the board.

Investment policy – The Association's investment policy for endowment funds is designed to preserve principal while earning returns relative to the overall market consistent with a prudent level of risk.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. Net unrealized losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the fair value equals or exceeds book value.

Equipment and Improvements

Equipment and improvements are stated at cost. Depreciation is computed principally on the straight-line method over useful lives ranging from three to ten years. Donated property is recorded at the estimated fair value at the date of receipt. Such donations are reported as unrestricted support 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 temporarily restricted. It is the Association's policy to capitalize property and equipment over \$1,000.

Revenue Recognition and Deferred Revenue

Sales of concert event tickets are recorded as revenue in the period in which the events occur. Education revenue is recognized over the period covered by the tuition payments. Deferred revenue represents revenues from ticket sales for future events and tuitions paid for future education programs which are deferred and recognized in the period to which they relate.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Association reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction. Temporarily restricted contributions whose donor-imposed restrictions are fulfilled or expire within the same reporting period are reported as unrestricted contributions.

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received. Many individuals volunteer their time and perform a variety of tasks that assist the Association at programming events and fundraising activities; however, these donated services are not reflected in the financial statements as the services do not require specialized skills.

Concert Production Costs

Concert production costs are those expenses that are specifically allocable to a symphony production. There has been no allocation of fixed expenses to production costs.

Marketing Costs

The Association promotes its concerts to the public. General marketing costs are expensed when incurred. The costs of direct-response marketing associated with specific performances are capitalized when initially incurred, and expensed when the related revenues are recognized. Marketing costs amounted to \$286,623 and \$291,378 for the years ended June 30, 2020 and 2019, respectively.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Income Taxes

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

The Association determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2020, the Association has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Association's exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for California.

Functional Expense Allocation

The cost of providing various programs and activities has been summarized on a functional basis in the statements of activities and changes in net assets. Directly identifiable expenses are charged to programs and support services. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

Accounting Pronouncements Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improved current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU was adopted as of July 1, 2019. There was no material impact on the Association's previously reported changes in net assets or net assets balances upon adoption of the new standard.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Accounting Pronouncements Adopted, *continued*

In December 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): *Identifying Performance Obligations and Licensing*, which provide guidance for recognizing revenue from contracts with customers. The core principle of Topic 606 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. The ASU was adopted as of July 1, 2019. There was no material impact on the Association's previously reported changes in net assets or net assets balances upon adoption of the new standard.

Pronouncements Effective in the Future

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

Reclassification

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. The reclassifications had no effect on previously reported results of operations or net asset balances.

Note 3. Marketable Securities

Investments stated at fair value, as of June 30 include:

| | 2020 | | 2019 | |
|-------------------------|---------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Market Value | Cost | Fair Market Value |
| Equity securities | \$ 6,245,685 | \$ 7,717,463 | \$ 5,987,883 | \$ 7,518,710 |
| Government securities | 1,734,158 | 1,860,522 | 1,451,645 | 1,504,778 |
| Mutual funds | 1,928,397 | 1,690,603 | 2,096,809 | 1,555,596 |
| Certificate of deposit | - | - | 1,003,590 | 1,004,471 |
| Alternative investments | 1,673,222 | 1,671,413 | 2,150,000 | 2,851,441 |
| | <u>\$11,581,462</u> | <u>\$ 12,940,001</u> | <u>\$ 11,686,337</u> | <u>\$ 14,434,996</u> |

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 3. Marketable Securities, *continued*

Investment returns are comprised of the following for the years ended June 30:

| | <u>2020</u> | <u>2019</u> |
|------------------------|---------------------|-------------------|
| Dividends and interest | \$ 345,125 | \$ 247,450 |
| Net realized losses | (204,804) | 33,432 |
| Net unrealized losses | (385,649) | 299,879 |
| | <u>\$ (245,328)</u> | <u>\$ 580,761</u> |

Dividend and interest income earned is reported net of investment management fees of \$58,744 and \$58,583 for the years ended June 30, 2020 and 2019, respectively.

As described above, the Association invests in various investment securities. Investment securities are exposed to 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 fair value of the investment balance.

Note 4. Fair Value Measurement

The following table presents the Association's financial assets that are measured at fair value on a recurring basis as of June 30, 2020:

| | Quoted Prices (Level 1) | Significant Observable Inputs (Level 2) | Total |
|--|-------------------------------|--|--------------|
| <i>Assets:</i> | | | |
| Equity securities | \$ 7,717,463 | \$ - | \$ 7,717,463 |
| Government securities | 1,860,522 | - | 1,860,522 |
| Mutual funds | | 1,690,603 | 1,690,603 |
| Ownership in split-interest agreements | - | 240,766 | 240,766 |
| Alternative investments | - | 1,671,413 | 1,671,413 |

The following table presents the Association's financial assets that are measured at fair value on a recurring basis as of June 30, 2019:

| | Quoted Prices (Level 1) | Significant Observable Inputs (Level 2) | Total |
|--|-------------------------------|--|--------------|
| <i>Assets:</i> | | | |
| Equity securities | \$ 7,518,710 | \$ - | \$ 7,518,710 |
| Government securities | 1,504,778 | - | 1,504,778 |
| Certificate of deposit | 1,004,471 | - | 1,004,471 |
| Mutual funds | - | 1,555,596 | 1,555,596 |
| Ownership in split-interest agreements | - | 263,051 | 263,051 |
| Alternative investments | - | 2,851,441 | 2,851,441 |

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 4. Fair Value Measurement, *continued*

The value of most of the alternative investments is determined based on quotes in active markets on a monthly basis. For more illiquid securities that are not traded as actively, the value is determined by a third-party administrator on a monthly basis based on pricing inputs that are either directly or indirectly observable. The alternative investments have tiered liquidity ranges from monthly with 10 days' written notice, to no liquidity available with payouts of income and distributions over time.

Note 5. Prepaid Expenses

Due to the COVID pandemic described in Note 23, the Association had to postpone and re-schedule two out of the seven Classical Core performances, one of the three Family Series and one of the four Pop Series concerts. The concerts have been re-scheduled to take place in the fiscal year ending June 30, 2021. To alleviate the hardship associated with loss of wages of the artistic and concert production staff, they were paid an estimate of their regular fee for the dates that the performances were originally scheduled. The associated expenses, totaling \$328,940, were recorded as a prepaid expense as of June 30, 2020. The expenses will be recognized when the performances take place.

Note 6. Pledges Receivable

Pledges receivable consists of the following as of June 30:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Unrestricted | \$ 31,300 | \$ 186,433 |
| With donor restriction | <u>1,038,492</u> | <u>961,880</u> |
| Pledges receivable before allowance for uncollectible accounts | 1,069,792 | 1,148,313 |
| Less: allowance for uncollectible accounts | <u>(10,500)</u> | <u>(10,000)</u> |
| Net pledges receivable | <u>\$ 1,059,292</u> | <u>\$ 1,138,313</u> |

Pledges receivable as of June 30, 2020 are expected to be collected as follows in the years ending June 30,

| | |
|------|---------------------|
| 2021 | \$ 622,730 |
| 2022 | 202,358 |
| 2023 | 93,770 |
| 2024 | 73,684 |
| 2025 | <u>66,750</u> |
| | <u>\$ 1,059,292</u> |

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 7. Split-interest Agreements

Split-interest agreements consist of the following as of June 30:

| | <u>2020</u> | <u>2019</u> |
|----------------------------|-------------------|-------------------|
| Pooled income investments | \$ 99,503 | \$ 113,605 |
| Remainder trust receivable | <u>141,263</u> | <u>149,446</u> |
| | <u>\$ 240,766</u> | <u>\$ 263,051</u> |

The pooled income fund was originally established by the Association and is currently managed by an outside trustee. Donor contributions to the pooled income fund are irrevocable. Donors are assigned a specific number of units based on the proportion of their contribution's fair market value to the total fair market value of the fund. Donors receive the dividends and interest earned on those units. The contributed assets are invested in the fund until the donor's death, at which time the assets revert to the Association.

Pooled Income Investments

The recorded amount of the pooled income fund reflects the fair value of the pooled income investments, net of the present value of the estimated future payments based upon the donors' life expectancies. Pooled income investments consist primarily of fixed income funds.

Remainder Trust Receivable

The receivable consists of a remainder trust administered by an outside trustee who makes distributions totaling 7% of the fair market value of the trust to two beneficiaries. Upon the death of the last of the two income beneficiaries, the remaining funds will pass to the Association. The receivable is measured at the present value of the future distributions that the Association expects to receive.

Note 8. Equipment and Improvements

Equipment and improvements consist of the following as of June 30:

| | <u>2020</u> | <u>2019</u> |
|----------------------------|------------------|------------------|
| Equipment and improvements | \$ 286,556 | \$ 325,934 |
| Accumulated depreciation | <u>(271,130)</u> | <u>(301,133)</u> |
| | <u>\$ 15,426</u> | <u>\$ 24,801</u> |

Depreciation for the years ended June 30, 2020 and 2019 totaled \$10,937 and \$9,729, respectively.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 9. Leasehold Interest

A Joint Facilities Use Agreement (the "Agreement") was entered into between the Association and Sonoma State University (the "University") in April 2000. Per the agreement, upon completion of the Donald and Maureen Green Music Center, the University will provide the Association with a minimum 25-year rent free lease of the concert hall facility in exchange for a collaborative fundraising effort towards its construction. By 2012, the Association assisted the University raising over \$20,000,000 and fulfilled its fundraising commitments for the construction project.

The amount reported as leasehold interest represents the estimated present value of the future benefit and will be amortized annually over the life of the lease. The Association started its first performing season at the Green Music Center in September 2012. Annual amortization of the leasehold interest is \$48,000 per year through the year ending June 30, 2037.

Note 10. Deferred Revenue

The deferred revenue originates from collections received in a current year that are attributable to future activities beyond the current year-end. Deferred revenue consists of the following as of June 30:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------------|---------------------|
| Deferred revenue from: | | |
| Core ticket sales | \$ 869,904 | \$ 863,528 |
| Other ticket sales | 53,048 | 22,400 |
| Program advertising and other | 6,534 | 53,590 |
| Education and tuition | 35,400 | 83,250 |
| | <u>\$ 964,886</u> | <u>\$ 1,022,768</u> |

Due to the COVID pandemic as described in Note 23, the Association had to postpone and reschedule a number of its annual core performances. The events are rescheduled to take place in 2020/21 fiscal year. The deferred revenue associated with 2020 Concert season's rescheduled performances totaled \$267,277 as of June 30, 2020, is included in deferred core ticket sales.

Note 11. Forgivable Loan

In May 2020, the Association applied for and received a Paycheck Protection Program ("PPP") loan in the amount of \$480,167 through the Small Business Administration in relation to the coronavirus pandemic (See Note 23). The loan matures 2 years from its issuance date and payments are deferred for the first 6 months. If the Association meets certain criteria, the loan may be fully forgiven. The Association expects to meet all criteria subsequent to year-end and that the loan will be forgiven in the year ending June 30, 2021.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 12. Operating Leases

The Association has an operating lease agreement for office space through September 30, 2024. Future minimum payments under the lease as of June 30, 2020 are as follows for years ending June 30,

| | | |
|------|----|----------------|
| 2021 | \$ | 104,575 |
| 2022 | | 107,712 |
| 2023 | | 110,944 |
| 2024 | | 114,272 |
| 2025 | | <u>28,778</u> |
| | \$ | <u>467,281</u> |

Total rent expenses incurred for the years ended June 30, 2020 and 2019 were \$103,273 and \$105,910, respectively.

Note 13. Special Events

Income from special events represents ticket sales net of direct costs. Contributions received during special events are included in contributions revenue on the Statement of Activities and Changes in Net Assets. Such contributions totaled \$241,825 and \$248,043 for the years ended June 30, 2020 and 2019, respectively.

Income from special events consist of the following for the years ended June 30:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|------------------|-----------------|
| Special event ticket sales | \$ 58,800 | \$ 44,100 |
| Less: direct costs to special events | <u>(33,829)</u> | <u>(43,459)</u> |
| Special events income, net | <u>\$ 24,971</u> | <u>\$ 641</u> |

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 14. Net Assets

Net Assets without Donor Restrictions

All general operating revenues and expenses related to the program activities of the Association are included in the change in unrestricted net assets. From time to time unrestricted donations received are designated by the Association's board as board designated funds. The board designated funds consist of funds with no donor or legal restrictions but, through board resolutions, have been set aside for specific purposes. Board designated funds consist of the following as of June 30:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|---------------------|---------------------|
| Operational reserve | \$ 500,000 | \$ 500,000 |
| Board designated as endowment funds | <u>4,726,794</u> | <u>4,637,393</u> |
| | <u>\$ 5,226,794</u> | <u>\$ 5,137,393</u> |

Net Assets with Temporary Donor Restrictions

Net assets with donor restrictions are restricted for specific purposes or until specific events occur. Net assets are released from restrictions when expenses are incurred or specific events occur. Net assets released from time restrictions amounted to \$624,258 and \$852,478 for the years ended June 30, 2020 and 2019, respectively. Net assets released from program restrictions amounted to \$694,421 and \$626,300 for the years ended June 30, 2020 and 2019, respectively.

The following schedule summarizes net assets with temporary donor restrictions as of June 30:

| | <u>2020</u> | <u>2019</u> |
|----------------------|---------------------|---------------------|
| Time restrictions | \$ 1,590,005 | \$ 1,680,424 |
| Program restrictions | <u>1,216,162</u> | <u>1,789,836</u> |
| | <u>\$ 2,806,167</u> | <u>\$ 3,470,260</u> |

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 14. Net Assets, *continued*

Net Assets with Temporary Donor Restrictions, *continued*

Net assets with temporary donor restrictions are included on the statement of financial position at June 30 as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------|---------------------|---------------------|
| Marketable securities | \$ 711,281 | \$ 1,271,328 |
| Pledges receivable | 1,038,120 | 1,071,880 |
| Leasehold interest | 816,000 | 864,000 |
| Split interest agreements | <u>240,766</u> | <u>263,051</u> |
| | <u>\$ 2,806,167</u> | <u>\$ 3,470,260</u> |

Net Assets with Permanent Donor Restrictions

Net assets with permanent donor restrictions consist of endowment funds permanently restricted by donors. Permanently restricted net assets amounted to \$6,352,295 and \$5,845,495 as of June 30, 2020 and 2019, respectively, represented by marketable securities.

Note 15. Endowment Funds

Endowment funds were established to improve the financial stability of the Association. The endowment funds held by the Association include both donor-restricted endowment funds and funds designated by the board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 15. Endowment Funds, *continued*

The compositions of the Association's endowment funds as of June 30 are presented as the following:

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Endowment funds without donor restrictions, undesignated | \$ 2,338,988 | \$ 2,800,116 |
| Endowment funds without donor restrictions, board designated | 4,726,794 | 4,637,393 |
| Endowment funds with temporary donor restrictions | 465,912 | 609,470 |
| Endowment funds with permanent donor restrictions | <u>6,352,295</u> | <u>5,845,495</u> |
| | <u>\$ 13,883,989</u> | <u>\$ 13,892,474</u> |

The activities of the Association's endowment funds as of June 30, 2020 are presented as follows:

| | Without Donor Restrictions | With Temporary Restrictions | With Permanent Restrictions | Total Endowment Funds |
|--------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Beginning balance | \$ 7,437,509 | \$ 609,470 | \$ 5,845,495 | \$ 13,892,474 |
| Contributions | 89,401 | - | 506,800 | 596,201 |
| Interest and dividends, net of fees | 236,130 | 66,783 | - | 302,913 |
| Net realized and unrealized gains | (460,857) | (130,341) | - | (591,198) |
| Development and fundraising expenses | (4,687) | - | - | (4,687) |
| Transfers to operating funds | <u>(231,714)</u> | <u>(80,000)</u> | <u>-</u> | <u>(311,714)</u> |
| Ending balance | <u>\$ 7,065,782</u> | <u>\$ 465,912</u> | <u>\$ 6,352,295</u> | <u>\$ 13,883,989</u> |

The activities of the Association's endowment funds as of June 30, 2019 are presented as follows:

| | Without Donor Restrictions | With Temporary Restrictions | With Permanent Restrictions | Total Endowment Funds |
|--------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Beginning balance | \$ 6,862,454 | \$ 544,614 | \$ 5,828,695 | \$ 13,235,763 |
| Contributions | 377,022 | - | 16,800 | 393,822 |
| Interest and dividends, net of fees | 164,267 | 46,414 | - | 210,681 |
| Net realized and unrealized gains | 259,927 | 73,442 | - | 333,311 |
| General and administrative expenses | (3,753) | - | - | (3,753) |
| Development and fundraising expenses | (7,912) | - | - | (7,912) |
| Transfers to operating funds | <u>(214,496)</u> | <u>(55,000)</u> | <u>-</u> | <u>(269,496)</u> |
| Ending balance | <u>\$ 7,437,509</u> | <u>\$ 609,470</u> | <u>\$ 5,845,495</u> | <u>\$ 13,892,474</u> |

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 16. Operating Funds

The Association's operating funds are used to account for the Organization's general operations. The operating funds consist of funds without donor restrictions and funds with temporary donor restrictions. The compositions of the Association's operating funds as of June 30 are presented as the following:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Operating funds without donor restrictions, undesignated | \$ 1,403,958 | \$ 1,186,506 |
| Operating funds without donor restrictions, board designated | 500,000 | 500,000 |
| Operating funds with temporary donor restrictions | <u>2,806,167</u> | <u>2,860,789</u> |
| | <u>\$ 4,710,125</u> | <u>\$ 4,547,295</u> |

The activities of the Association's operating funds as of June 30, 2020 are presented as follows:

| | <u>Without Donor Restrictions</u> | <u>With Temporary Restrictions</u> | <u>Total Operating Funds</u> |
|---------------------------------------|---|--|--------------------------------------|
| Revenues, gains and other support | \$ 2,500,643 | \$ 1,264,057 | \$ 3,764,700 |
| Net assets released from restrictions | 1,318,679 | (1,318,679) | - |
| Endowment fund draws | 311,714 | - | 311,714 |
| Expenses | <u>(3,913,584)</u> | <u>-</u> | <u>(3,913,584)</u> |
| Changes in net assets | 217,452 | (54,622) | 162,830 |
| Beginning balance | <u>1,686,506</u> | <u>2,860,789</u> | <u>4,547,295</u> |
| Ending balance | <u>\$ 1,903,958</u> | <u>\$ 2,806,167</u> | <u>\$ 4,710,125</u> |

The activities of the Association's operating funds as of June 30, 2019 are presented as follows:

| | <u>Without Donor Restrictions</u> | <u>With Temporary Restrictions</u> | <u>Total Operating Funds</u> |
|---------------------------------------|---|--|--------------------------------------|
| Revenues, gains and other support | \$ 2,690,242 | \$ 1,453,923 | \$ 4,144,165 |
| Net assets released from restrictions | 1,478,778 | (1,478,778) | - |
| Endowment fund draws | 269,496 | - | 269,496 |
| Expenses | <u>(4,200,437)</u> | <u>-</u> | <u>(4,200,437)</u> |
| Changes in net assets | 238,079 | (24,855) | 213,224 |
| Beginning balance | <u>1,448,427</u> | <u>2,885,644</u> | <u>4,334,071</u> |
| Ending balance | <u>\$ 1,686,506</u> | <u>\$ 2,860,789</u> | <u>\$ 4,547,295</u> |

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 17. Santa Rosa Symphony League Transaction

The Association received contributions from Santa Rosa Symphony League (SRS League), a not-for-profit organization. The amounts of pledge and cash contributions received during the fiscal years are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|-----------------|
| Pledges receivable from SRS League at the beginning of the year | \$ - | \$ 16,300 |
| Current year pledges | 35,800 | 6,300 |
| Pledges fulfilled during current year | <u>(300)</u> | <u>(22,600)</u> |
| Pledges receivable from SRS League at the end of the year | <u>\$ 35,500</u> | <u>\$ -</u> |

Note 18. Board Contributions

The Association receives contributions from board members. The amounts of pledges and cash contributions received during the fiscal years are as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Pledges receivable from board members at the beginning of the year | \$ 437,558 | \$ 361,300 |
| Current year pledges | 639,636 | 568,143 |
| Pledges fulfilled during current year | <u>(525,694)</u> | <u>(491,885)</u> |
| Pledges receivable from board members at the end of the year | <u>\$ 551,500</u> | <u>\$ 437,558</u> |

Note 19. Concentration

At various times during the years ended June 30, 2020 and 2019, the Association had deposit amounts with a financial institution in excess of the \$250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Association had approximately \$2,492,000 and \$2,210,000 on deposit in excess of the FDIC insured amount At June 30, 2020 and 2019, respectively.

The Association also held money market funds at a financial institution, at times, in excess of the \$500,000 Securities Investor Protection Corporation ("SIPC") insurance limit. At June 30, 2020, the Association did not have funds on deposit in excess of the SIPC insured amount. At June 30, 2019, the Association had approximately \$92,000 on deposit in excess of the SIPC insured amount.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 20. Retirement Plan

The Association provides a 401(k) plan for employees meeting certain eligibility requirements. Employees at least 21 years of age are eligible to participate one year from the date of hire (with a minimum of 1,000 hours worked). The employer matching contribution is equal to 50% of each participant's deferral of annual wages up to 10%. Therefore, the maximum employer contribution is limited to 5% of each participant's eligible wages. The Association's contributions to the 401(k) plan for the years ended June 30, 2020 and 2019 were \$22,263 and \$24,937, respectively.

Note 21. Union Contracts

Substantially all of the Association's non-administrative employees are covered by collective bargaining agreements. The agreement with skilled technicians guarantees pay rates, minimum calls, and other conditions. The agreement with the musicians guarantees a minimum number of services (rehearsals and performances) to tenured and probationary musicians. Musicians who are offered fewer than the minimum number of services will be fully compensated. The Association does not anticipate utilization of less than the minimum requirements. The agreement with the skilled technicians covers through June 30, 2024.

Note 22. Unrelated Business Activities

The Association generates unrelated business income from the sales of advertisements printed on concert programs and tickets. The Association incurred a net operating loss related to its unrelated business income on such activities and, accordingly, no provision for income taxes was recorded. In addition, a valuation allowance has been recorded against the income tax benefit to reduce the deferred tax asset balance to zero, due to the uncertainty of the future realization of any of such deferred tax assets.

Losses from unrelated business activities resulted from the following for the years ended June 30,

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|--------------------|
| Advertising income | \$ 96,298 | \$ 87,531 |
| Related expenses | <u>(111,916)</u> | <u>(110,120)</u> |
| Net loss from unrelated business activities | <u>\$ (15,618)</u> | <u>\$ (22,589)</u> |

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 23. Contingencies

On March 11, 2020, The World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closing and shelter in place orders. It is at least reasonably possible that this matter will negatively impact the Association. However, the financial impact and duration cannot be reasonably estimated at this time.

Note 24. Subsequent Events

The Association evaluated subsequent events from July 1, 2020 through October 29, 2020, the date which the financial statements were available to be issued, and determined that other than the Association's expectation the PPP loan will be fully forgiven subsequent to year-end (Note 11), there are no material subsequent events that required recognition or additional disclosure in these financial statements.