

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

Financial Statements

For the Years Ended June 30, 2021 and 2020

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

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Santa Rosa Symphony Association, which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Santa Rosa Symphony Association as of June 30, 2021 and 2020, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santa Rosa Symphony Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Santa Rosa Symphony Association's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 GAAS 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 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 GAAS, 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 Santa Rosa Symphony Association'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 Santa Rosa Symphony Association'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.

Dillwood Burkell & Millar, LLP

Santa Rosa, California
November 4, 2021

Santa Rosa Symphony Association

Statements of Financial Position

As of June 30, 2021 and 2020

	2021			2020		
	Operations	Endowment	Total	Operations	Endowment	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 3,389,948	\$ 232,914	\$ 3,622,862	\$ 3,721,281	\$ 947,176	\$ 4,668,457
Pledges receivable, net	721,997	-	721,997	622,730	-	622,730
Due to (from) endowment	8,454	(8,454)	-	8,241	(8,241)	-
Other receivables	30,489	-	30,489	11,414	-	11,414
Prepaid expenses	105,729	-	105,729	438,584	-	438,584
Total current assets	<u>4,256,617</u>	<u>224,460</u>	<u>4,481,077</u>	<u>4,802,250</u>	<u>938,935</u>	<u>5,741,185</u>
Equipment and improvement, net	17,323	-	17,323	15,426	-	15,426
Investments	499,976	17,375,596	17,875,572	-	12,940,001	12,940,001
Noncurrent pledges receivable, net	76,750	-	76,750	436,562	-	436,562
Leasehold interest	768,000	-	768,000	816,000	-	816,000
Split-interest agreements	<u>222,609</u>	<u>-</u>	<u>222,609</u>	<u>240,766</u>	<u>-</u>	<u>240,766</u>
Total assets	<u>\$ 5,841,275</u>	<u>\$ 17,600,056</u>	<u>\$ 23,441,331</u>	<u>\$ 6,311,004</u>	<u>\$ 13,878,936</u>	<u>\$ 20,189,940</u>

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Santa Rosa Symphony Association

Statements of Financial Position

As of June 30, 2021 and 2020

continued from previous page

	2021			2020		
	Operations	Endowment	Total	Operations	Endowment	Total
Current liabilities						
Accounts payable and accrued expenses	\$ 123,998	\$ -	\$ 123,998	\$ 150,773	\$ -	\$ 150,773
Forgivable loan	466,259	-	466,259	480,167	-	480,167
Deferred revenue	246,215	-	246,215	964,886	-	964,886
Total current liabilities	836,472	-	836,472	1,595,826	-	1,595,826
Net assets						
Net assets without donor restrictions						
Undesignated	2,236,266	5,141,689	7,377,955	1,409,011	2,333,935	3,742,946
Board designated	500,000	4,863,642	5,363,642	500,000	4,726,794	5,226,794
	2,736,266	10,005,331	12,741,597	1,909,011	7,060,729	8,969,740
Net assets with donor restrictions						
With temporary restrictions	2,268,537	1,233,208	3,501,745	2,806,167	465,912	3,272,079
With permanent restrictions	-	6,361,517	6,361,517	-	6,352,295	6,352,295
	2,268,537	7,594,725	9,863,262	2,806,167	6,818,207	9,624,374
Total net assets	5,004,803	17,600,056	22,604,859	4,715,178	13,878,936	18,594,114
Liabilities and net assets	\$ 5,841,275	\$ 17,600,056	\$ 23,441,331	\$ 6,311,004	\$ 13,878,936	\$ 20,189,940

See accompanying Notes to Financial Statements

Santa Rosa Symphony Association

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

	Without		With		Total
	Operations	Endowment	Operations	Endowment	
Revenues, gains and other support					
Ticket sales	\$ 776,869	\$ -	\$ -	\$ -	\$ 776,869
Education revenue	107,532	-	-	-	107,532
Advertising and other	61,753	-	-	-	61,753
Investment income:					
Interest and dividends, net of fees	5,138	184,575	-	65,664	255,377
Net realized and unrealized gains (losses)	(1,152)	2,759,252	-	781,632	3,539,732
Special events, net	19,817	-	-	-	19,817
Foundation grants	173,600	-	113,100	-	286,700
Government grants	531,667	-	20,000	-	551,667
Contributions	758,010	136,847	726,146	9,222	1,630,225
Net assets released from restrictions	1,396,876	-	(1,396,876)	-	-
Endowment draw utilized for operations	209,923	(129,923)	-	(80,000)	-
Total revenues, gains and other support	<u>4,040,033</u>	<u>2,950,751</u>	<u>(537,630)</u>	<u>776,518</u>	<u>7,229,672</u>
Expenses					
Artistic services	1,953,663	-	-	-	1,953,663
Education services	525,795	-	-	-	525,795
General and administrative	489,857	4,127	-	-	493,984
Development and fundraising	243,463	2,022	-	-	245,485
Total expenses	<u>3,212,778</u>	<u>6,149</u>	<u>-</u>	<u>-</u>	<u>3,218,927</u>
Changes in net assets	827,255	2,944,602	(537,630)	776,518	4,010,745
Net assets at beginning of year	<u>1,909,011</u>	<u>7,060,729</u>	<u>2,806,167</u>	<u>6,818,207</u>	<u>18,594,114</u>
Net assets at end of year	<u>\$ 2,736,266</u>	<u>\$ 10,005,331</u>	<u>\$ 2,268,537</u>	<u>\$ 7,594,725</u>	<u>\$ 22,604,859</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, 2020

	Without		With		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
Foundation grants	154,000	-	50,500	-	204,500
Government grants	50,750	-	53,000	-	103,750
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	4,131,036	(367,040)	(54,622)	363,242	4,072,616
Expenses					
Artistic services	2,460,741	-	-	-	2,460,741
Education services	625,385	-	-	-	625,385
General and administrative	499,070	4,176	-	-	503,246
Development and fundraising	323,335	5,564	-	-	328,899
Total expenses	3,908,531	9,740	-	-	3,918,271
Changes in net assets	222,505	(376,780)	(54,622)	363,242	154,345
Net assets at beginning of year	1,686,506	7,437,509	2,860,789	6,454,965	18,439,769
Net assets at end of year	\$ 1,909,011	\$ 7,060,729	\$ 2,806,167	\$ 6,818,207	\$ 18,594,114

See accompanying Notes to Financial Statements

Santa Rosa Symphony Association

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services			Support Services		Total
	Artistic Services	Education Services	Total	General and Administrative	Development and Fundraising	
Personnel						
Salaries and wages	\$ 1,059,732	\$ 323,400	\$ 1,383,132	\$ 324,948	\$ 163,312	\$ 1,871,392
Payroll taxes	69,190	18,205	87,395	20,791	11,441	119,627
Employee benefits	244,057	59,842	303,899	62,912	32,072	398,883
	1,372,979	401,447	1,774,426	408,651	206,825	2,389,902
Operating						
Facility costs	151,977	65,696	217,673	18,021	26,229	261,923
Marketing costs	240,228	3,666	243,894	-	1,476	245,370
Production costs	158,258	10,798	169,056	-	-	169,056
Professional/consultant fees	5,092	1,757	6,849	37,438	849	45,136
Insurance	8,711	4,355	13,066	3,484	871	17,421
Bank charges, taxes and licenses	10,433	2,981	13,414	760	1,492	15,666
Information technology	-	-	-	13,569	-	13,569
Business/donor cultivation	-	-	-	5,265	6,524	11,789
Financial aid	-	9,304	9,304	-	-	9,304
Supplies	4,704	1,915	6,619	593	593	7,805
Other	105	-	105	5,589	-	5,694
Professional development	215	335	550	295	145	990
	579,723	100,807	680,530	85,014	38,179	803,723
Depreciation	961	23,541	24,502	319	481	25,302
Total expenses	\$ 1,953,663	\$ 525,795	\$ 2,479,458	\$ 493,984	\$ 245,485	\$ 3,218,927

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
Employee benefits	88,182	19,888	108,070	21,189	11,499	140,758
Payroll taxes	207,739	48,721	256,460	59,371	30,392	346,223
	1,748,718	463,032	2,211,750	409,383	205,890	2,827,023
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
	705,061	160,185	865,246	93,140	121,925	1,080,311
Depreciation	6,962	2,168	9,130	723	1,084	10,937
Total expenses	\$ 2,460,741	\$ 625,385	\$ 3,086,126	\$ 503,246	\$ 328,899	\$ 3,918,271

See accompanying Notes to Financial Statements.

Santa Rosa Symphony Association

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
	<i>Increase (decrease) in cash and cash equivalents</i>	
Cash flows from operating activities		
Changes in net assets	\$ 4,010,745	\$ 154,345
Adjustments to reconcile changes in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	73,302	58,937
Changes in value of split-interest agreements	18,157	22,285
Net realized and unrealized loss (gain)	(3,539,732)	590,453
In-kind donations of stock	(85,787)	-
Government loan forgiveness	(480,167)	-
Decrease (increase) in:		
Other receivables	(19,075)	65,015
Pledges receivable, net	260,545	79,021
Prepaid expenses	332,855	(305,547)
Increase (decrease) in:		
Accounts payable and accrued expenses	(26,775)	33,488
Deferred revenue	(718,671)	(57,882)
Net cash provided by (used in) operating activities	<u>(174,603)</u>	<u>640,115</u>
Cash flows from investing activities		
Proceeds on sales of marketable securities	2,019,893	3,204,717
Investment in marketable securities	(3,329,945)	(3,304,646)
Acquisition of equipment	(27,199)	(1,562)
Proceeds from certificates of deposit	-	1,004,471
Net cash provided by (used in) investing activities	<u>(1,337,251)</u>	<u>902,980</u>
Cash flows from financing activities		
Proceeds from forgivable government loan	466,259	480,167
Net cash provided by financing activities	<u>466,259</u>	<u>480,167</u>
Net change in cash and cash equivalents	(1,045,595)	2,023,262
Balance at beginning of year	<u>4,668,457</u>	<u>2,645,195</u>
Balance at end of year	<u>\$ 3,622,862</u>	<u>\$ 4,668,457</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, 2021 and 2020

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 and Changes in Net Assets 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.

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.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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

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: Valuation based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.
- Level 3: Valuation 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.

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 uncollectable accounts. Management periodically evaluates the allowance.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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

Endowment Funds

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

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.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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

Endowment Funds, *continued*

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.

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.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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

Contributions, *continued*

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 \$245,370 and \$286,623 for the years ended June 30, 2021 and 2020, respectively.

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, 2021, 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.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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.

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.

Pronouncements Effective in the Future

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (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 the Association beginning July 1, 2022. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), to improve financial reporting by providing new presentation and disclosure requirement about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. The adoption of ASU 2020-07 is effective for the Association beginning July 1, 2021. The Association is currently evaluating the impact of the provisions of ASU 2020-07 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.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 3. 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>2021</u>	<u>2020</u>
Cash	\$ 3,622,862	\$ 4,668,457
Investments	17,875,572	12,940,001
Pledges receivable	798,747	1,059,292
Other receivables	<u>30,489</u>	<u>11,414</u>
Total financial assets, at year end	22,327,670	18,679,164
Less those unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	(493,078)	(711,281)
Board designated operating reserve	(500,000)	(500,000)
Endowment net assets	<u>(17,600,056)</u>	<u>(13,878,936)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,734,536</u>	<u>\$ 3,588,947</u>

As part of the Association'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 Association has adopted an Operating Reserves policy to ensure the stability of the mission, programs, employment, and ongoing operations of the Association. 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, 2021 and 2020, respectively.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 4. Marketable Securities

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

	2021		2020	
	Cost	Fair Market Value	Cost	Fair Market Value
Equity securities	\$ 6,135,240	\$ 10,203,973	\$ 6,245,685	\$ 7,717,463
Government securities	-	-	1,734,158	1,806,522
Mutual funds	4,531,076	4,601,365	1,928,369	1,690,603
Alternative investments	2,631,664	3,070,234	1,673,222	1,671,413
	<u>\$ 13,297,980</u>	<u>\$ 17,875,572</u>	<u>\$ 11,581,434</u>	<u>\$ 12,940,001</u>

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

	2021	2020
Dividends and interest	\$ 255,377	\$ 345,125
Net realized gains (losses)	322,917	(204,804)
Net unrealized gains (losses)	<u>3,216,815</u>	<u>(385,649)</u>
	<u>\$ 3,795,109</u>	<u>\$ (245,328)</u>

Dividend and interest income earned is reported net of investment management fees of \$64,190 and \$58,744 for the years ended June 30, 2021 and 2020, 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 5. 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, 2021:

	Level 1	Level 2	Total
<i>Assets:</i>			
Equity securities	\$ 10,203,973	\$ -	\$ 10,203,973
Mutual funds	4,601,365	-	4,601,365
Ownership in split-interest agreements	-	222,609	222,609
Alternative investments	-	3,070,234	3,070,234

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 5. Fair Value Measurement, *continued*

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

	Level 1	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 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 written notice 10 days in advance, to no liquidity available with payouts of income and distributions over time.

Note 6. Pledges Receivable

Pledges receivable consist of the following as of June 30:

	2021	2020
Without donor restriction	\$ 23,897	\$ 31,300
With donor restriction	784,850	1,038,492
Pledges receivable before allowance for uncollectable accounts	808,747	1,069,792
Less: allowance for uncollectable accounts	(10,000)	(10,500)
Net pledges receivable	\$ 798,747	\$ 1,059,292

Pledges receivable as of June 30, 2021 are expected to be collected as follows in the years ending June 30,

2022	\$ 731,997
2023	41,750
2024	15,000
Thereafter	20,000
	<u>\$ 798,747</u>

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 7. Split-interest Agreements

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

	<u>2021</u>	<u>2020</u>
Pooled income investments	\$ 58,287	\$ 99,503
Remainder trust receivable	<u>164,322</u>	<u>141,263</u>
	<u>\$ 222,609</u>	<u>\$ 240,766</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>2021</u>	<u>2020</u>
Equipment and improvements	\$ 313,756	\$ 286,556
Accumulated depreciation	<u>(296,433)</u>	<u>(271,130)</u>
	<u>\$ 17,323</u>	<u>\$ 15,426</u>

Depreciation for the years ended June 30, 2021 and 2020 totaled \$25,302 and \$10,937, respectively.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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. In accordance with the Agreement, the Association assisted the University raising over \$20 million 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 sales of tickets and other program activities 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>2021</u>	<u>2020</u>
Deferred revenue from:		
Core ticket sales	\$ 135,364	\$ 869,904
Other ticket sales	16,290	53,048
Program advertising and other	33,580	6,534
Education and tuition	60,981	35,400
	<u>\$ 246,215</u>	<u>\$ 964,886</u>

Note 11. Government Forgivable Loan and Grant Revenue

In April 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 bears annual interest of 1% and matures 2 years from issuance with payments deferred for the first 10 months. The loan is a forgivable loan if certain criteria are met. In November 2020 the loan was forgiven in full. The Association included the \$480,167 in the government grants revenue on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2021.

In February 2021, the Association applied for and received a second PPP loan in the amount of \$466,259. In September 2021, subsequent to year end, the Association received full forgiveness for this loan.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 12. Operating Leases

The Association has an operating lease agreement for office space through September 30, 2024. The Association also has an operating lease agreement for office equipment through April 30, 2025.

Future minimum payments under these leases as of June 30, 2021 are as follows for years ending June 30,

2022	\$	110,720
2023		113,952
2024		117,280
2025		<u>31,285</u>
	\$	<u>373,237</u>

Total rent expenses incurred for the years ended June 30, 2021 and 2020 were \$113,368 and \$103,273, 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 \$214,488 and \$241,825 for the years ended June 30, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Special event ticket sales	\$ 24,850	\$ 58,800
Less: direct costs to special events	<u>(5,033)</u>	<u>(33,829)</u>
Special events income, net	<u>\$ 19,817</u>	<u>\$ 24,971</u>

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.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 14. Net Assets, *continued*

Net Assets without Donor Restrictions, *continued*

Board designated funds consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Operational reserve	\$ 500,000	\$ 500,000
Board designated as endowment funds	4,863,642	4,726,794
	<u>\$ 5,363,642</u>	<u>\$ 5,226,794</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 \$667,459 and \$624,258 for the years ended June 30, 2021 and 2020, respectively. Net assets released from program restrictions amounted to \$729,417 and \$694,421 for the years ended June 30, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Time restrictions	\$ 1,172,435	\$ 1,590,005
Program restrictions	1,096,102	1,216,162
Endowment funds	1,233,208	465,912
	<u>\$ 3,501,745</u>	<u>\$ 3,272,079</u>

Net assets with temporary donor restrictions are included on the Statements of Financial Position at June 30 as follows:

	<u>2021</u>	<u>2020</u>
Investments	\$ 1,726,286	\$ 1,177,193
Pledges receivable	784,850	1,038,120
Leasehold interest	768,000	816,000
Split-interest agreements	222,609	240,766
	<u>\$ 3,501,745</u>	<u>\$ 3,272,079</u>

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 14. Net Assets, *continued*

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 \$6,361,517 and \$6,352,295 as of June 30, 2021 and 2020, 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.

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

	<u>2021</u>	<u>2020</u>
Endowment funds without donor restrictions, undesignated	\$ 5,141,689	\$ 2,333,935
Endowment funds without donor restrictions, board designated	4,863,642	4,726,794
Endowment funds with temporary donor restrictions	1,233,208	465,912
Endowment funds with permanent donor restrictions	6,361,517	6,352,295
	<u>\$ 17,600,056</u>	<u>\$ 13,878,936</u>

The activities of the Association's endowment funds as of June 30, 2021 are presented as follows:

	<u>Without Donor Restrictions</u>	<u>With Temporary Restrictions</u>	<u>With Permanent Restrictions</u>	<u>Total Endowment Funds</u>
Beginning balance	\$ 7,060,729	\$ 465,912	\$ 6,352,295	\$ 13,878,936
Contributions	136,847	-	9,222	146,069
Interest and dividends, net of fees	184,575	65,664	-	250,239
Net realized and unrealized gains	2,759,252	781,632	-	3,540,884
General and administrative expenses	(4,127)	-	-	(4,127)
Development and fundraising expenses	(2,022)	-	-	(2,022)
Transfers to operating funds	(129,923)	(80,000)	-	(209,923)
Ending balance	<u>\$ 10,005,331</u>	<u>\$ 1,233,208</u>	<u>\$ 6,361,517</u>	<u>\$ 17,600,056</u>

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 15. Endowment Funds, *continued*

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 losses	(460,857)	(130,341)	-	(591,198)
General and administrative expenses	(4,176)	-	-	(4,176)
Development and fundraising expenses	(5,564)	-	-	(5,564)
Transfers to operating funds	(231,714)	(80,000)	-	(311,714)
Ending balance	<u>\$ 7,060,729</u>	<u>\$ 465,912</u>	<u>\$ 6,352,295</u>	<u>\$ 13,878,936</u>

Note 16. Operating Funds

The Association's operating funds are used to account for the its 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:

	2021	2020
Operating funds without donor restrictions, undesignated	\$ 2,236,266	\$ 1,409,011
Operating funds without donor restrictions, board designated	500,000	500,000
Operating funds with temporary donor restrictions	<u>2,268,537</u>	<u>2,806,167</u>
	<u>\$ 5,004,803</u>	<u>\$ 4,715,178</u>

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 16. Operating Funds, *continued*

The activities of the Association's operating funds as of June 30, 2021 are presented as follows:

	Without Donor Restrictions	With Temporary Restrictions	Total Operating Funds
Revenues, gains and other support	\$ 2,433,234	\$ 859,246	\$ 3,292,480
Net assets released from restrictions	1,396,876	(1,396,876)	-
Endowment fund draws	209,923	-	209,923
Operating expenses	<u>(3,212,778)</u>	<u>-</u>	<u>(3,212,778)</u>
Changes in net assets	827,255	(537,630)	289,625
Beginning balance	<u>1,909,011</u>	<u>2,806,167</u>	<u>4,715,178</u>
Ending balance	<u>\$ 2,736,266</u>	<u>\$ 2,268,537</u>	<u>\$ 5,004,803</u>

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

	Without Donor Restrictions	With Temporary Restrictions	Total Operating Funds
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
Operating expenses	<u>(3,908,531)</u>	<u>-</u>	<u>(3,908,531)</u>
Changes in net assets	222,505	(54,622)	167,883
Beginning balance	<u>1,686,506</u>	<u>2,860,789</u>	<u>4,547,295</u>
Ending balance	<u>\$ 1,909,011</u>	<u>\$ 2,806,167</u>	<u>\$ 4,715,178</u>

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Pledges receivable from SRS League at the beginning of the year	\$ 35,500	\$ -
Current year pledges	25,450	35,800
Pledges fulfilled during current year	<u>(35,950)</u>	<u>(300)</u>
Pledges receivable from SRS League at the end of the year	<u>\$ 25,000</u>	<u>\$ 35,500</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>2021</u>	<u>2020</u>
Pledges receivable from board members at the beginning of the year	\$ 551,500	\$ 437,558
Current year pledges	425,099	639,636
Pledges fulfilled during current year	<u>(588,599)</u>	<u>(525,694)</u>
Pledges receivable from board members at the end of the year	<u>\$ 388,000</u>	<u>\$ 551,500</u>

Note 19. Concentration

At various times during the years ended June 30, 2021 and 2020, 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 \$2,570,000 and \$2,492,000 on deposit in excess of the FDIC insured amount at June 30, 2021 and 2020, respectively.

The Association also held money market funds at a financial institution, at times, in excess of the \$250,000 Securities Investor Protection Corporation ("SIPC") insurance limit for cash. At June 30, 2021, the Association had approximately \$25,000 on deposit in excess of the SIPC insured cash limit. At June 30, 2020, the Association did not have funds on deposit in excess of the SIPC insured amount.

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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, 2021 and 2020 were \$22,976 and \$22,263, 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 is effective 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>2021</u>	<u>2020</u>
Advertising income	\$ 51,937	\$ 96,298
Related expenses	<u>(69,446)</u>	<u>(111,916)</u>
Net loss from unrelated business activities	<u>\$ (17,509)</u>	<u>\$ (15,618)</u>

Santa Rosa Symphony Association

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

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.

Although not directly impacted through June 30, 2021, operations and business results of the Association could be materially adversely affected in the future, including a reduction in grant and contribution revenues, or an impact to the timing of cash flows. Further, some significant estimates, such as the fair value of investments may be materially adversely impacted by national, state and local events necessary to contain the coronavirus. Throughout the pandemic, the Association has implemented safety measures to protect employees and will continue to review them as needed. The Association also actively explores opportunities to obtain government and foundation grants to assist in sustaining its operations.

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 01, 2021 through November 4, 2021, the date which the financial statements were available to be issued, and determined that other than the Association's receipt of forgiveness for the PPP loan subsequent to year-end (Note 11), there are no material subsequent events that required recognition or additional disclosure in these financial statements.