

Symphony Silicon Valley

Financial Statements

June 30, 2021 and 2020



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 32



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Symphony Silicon Valley
San Jose, California

We have audited the accompanying financial statements of Symphony Silicon Valley (a California nonprofit benefit corporation) (the "Symphony"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, 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.

Auditor's 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 auditor's 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 Symphony Silicon Valley 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.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 4 to the financial statements, the Symphony has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As described in Note 17 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommend containment and mitigation measures worldwide. The ultimate impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified to that matter.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Jose, California

February 2, 2022

Symphony Silicon Valley
Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 587,441	\$ 48,019
Accounts receivable	17,072	38,860
Prepaid expenses	58,935	54,823
Total current assets	663,448	141,702
Property and equipment, net	49,358	79,767
Other assets		
Board designated endowment investments	989,281	860,377
Donor restricted endowment investments	2,272,693	1,589,165
Total other assets	3,261,974	2,449,542
Total assets	\$ 3,974,780	\$ 2,671,011
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 5,850	\$ 1,936
Accrued liabilities	32,254	34,542
Deferred revenue	364,010	379,052
Total current liabilities	402,114	415,530
Net assets		
Without donor restrictions		
Undesignated	290,692	(194,061)
Board designated endowment	989,281	860,377
Total without donor restrictions	1,279,973	666,316
With donor restrictions		
Donor restricted for a specified purpose	20,000	-
Donor restricted endowment	2,272,693	1,589,165
Total with donor restrictions	2,292,693	1,589,165
Total net assets	3,572,666	2,255,481
Total liabilities and net assets	\$ 3,974,780	\$ 2,671,011

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

Symphony Silicon Valley
Statements of Activities
For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Support						
Contributions - individuals	\$ 700,957	\$ 20,000	\$ 720,957	\$ 698,471	\$ -	\$ 698,471
Contributions - endowments	-	450,000	450,000	-	-	-
Contributions - government	361,300	-	361,300	531,000	-	531,000
Contributions - city	192,618	-	192,618	310,010	-	310,010
Contributions - corporations	56,085	-	56,085	57,360	-	57,360
Contributions - foundations	53,572	-	53,572	165,964	-	165,964
Contributions - other	-	-	-	800	-	800
Total support	<u>1,364,532</u>	<u>470,000</u>	<u>1,834,532</u>	<u>1,763,605</u>	<u>-</u>	<u>1,763,605</u>
Revenue						
Performance fees	1,968	-	1,968	262,953	-	262,953
Subscription ticket sales	-	-	-	273,207	-	273,207
Single ticket sales	-	-	-	510,950	-	510,950
Investment income, net	151,904	330,528	482,432	32,456	60,676	93,132
Other income	1,678	-	1,678	36,861	-	36,861
Losses on disposal of property and equipment	(10,477)	-	(10,477)	-	-	-
Total revenue	<u>145,073</u>	<u>330,528</u>	<u>475,601</u>	<u>1,116,427</u>	<u>60,676</u>	<u>1,177,103</u>
Total support and revenue	<u>1,509,605</u>	<u>800,528</u>	<u>2,310,133</u>	<u>2,880,032</u>	<u>60,676</u>	<u>2,940,708</u>
Net assets released from restriction	<u>97,000</u>	<u>(97,000)</u>	<u>-</u>	<u>84,900</u>	<u>(84,900)</u>	<u>-</u>
Total support, revenue, and net assets released from restriction	<u>1,606,605</u>	<u>703,528</u>	<u>2,310,133</u>	<u>2,964,932</u>	<u>(24,224)</u>	<u>2,940,708</u>
Functional expenses						
Program services	<u>630,189</u>	<u>-</u>	<u>630,189</u>	<u>2,482,114</u>	<u>-</u>	<u>2,482,114</u>
Support services						
Management and general	264,997	-	264,997	253,571	-	253,571
Fundraising	<u>97,762</u>	<u>-</u>	<u>97,762</u>	<u>99,370</u>	<u>-</u>	<u>99,370</u>
Total support services	<u>362,759</u>	<u>-</u>	<u>362,759</u>	<u>352,941</u>	<u>-</u>	<u>352,941</u>
Total functional expenses	<u>992,948</u>	<u>-</u>	<u>992,948</u>	<u>2,835,055</u>	<u>-</u>	<u>2,835,055</u>
Change in net assets	613,657	703,528	1,317,185	129,877	(24,224)	105,653
Net assets, beginning of year	<u>666,316</u>	<u>1,589,165</u>	<u>2,255,481</u>	<u>536,439</u>	<u>1,613,389</u>	<u>2,149,828</u>
Net assets, end of year	<u>\$ 1,279,973</u>	<u>\$ 2,292,693</u>	<u>\$ 3,572,666</u>	<u>\$ 666,316</u>	<u>\$ 1,589,165</u>	<u>\$ 2,255,481</u>

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

Symphony Silicon Valley
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services	Support Services			Total
		Management and General	Fundraising	Total Support Services	
Salaries and related expenses					
Salaries	\$ 447,147	\$ 115,657	\$ 81,576	\$ 197,233	\$ 644,380
Payroll taxes	52,214	9,340	6,588	15,928	68,142
Benefits	31,711	7,381	5,206	12,587	44,298
Worker's compensation	2,698	339	239	578	3,276
Total salaries and related expenses	<u>533,770</u>	<u>132,717</u>	<u>93,609</u>	<u>226,326</u>	<u>760,096</u>
Professional fees	1,041	52,707	-	52,707	53,748
Occupancy	15	51,102	-	51,102	51,117
Marketing/advertising	35,516	-	-	-	35,516
Insurance	9,686	20,628	-	20,628	30,314
Box office expense	26,085	-	-	-	26,085
Depreciation	16,372	1,780	1,780	3,560	19,932
Production expense	7,704	-	-	-	7,704
Office expense	-	5,117	-	5,117	5,117
Donor cultivation/recognition	-	-	2,373	2,373	2,373
Interest	-	946	-	946	946
	<u>\$ 630,189</u>	<u>\$ 264,997</u>	<u>\$ 97,762</u>	<u>\$ 362,759</u>	<u>\$ 992,948</u>

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

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

	Program Services	Support Services		Total Support Services	Total
		Management and General	Fundraising		
Salaries and related expenses					
Salaries	\$ 1,389,571	\$ 86,476	\$ 67,259	\$ 153,735	\$ 1,543,306
Payroll taxes	159,839	6,936	5,394	12,330	172,169
Benefits	120,861	3,485	498	3,983	124,844
Worker's compensation	19,785	214	167	381	20,166
Total salaries and related expenses	<u>1,690,056</u>	<u>97,111</u>	<u>73,318</u>	<u>170,429</u>	<u>1,860,485</u>
Professional fees	9,455	41,408	-	41,408	50,863
Occupancy	49,233	39,758	-	39,758	88,991
Marketing/advertising	240,192	-	-	-	240,192
Insurance	6,130	23,420	-	23,420	29,550
Box office expense	50,868	-	-	-	50,868
Depreciation	29,205	3,129	-	3,129	32,334
Production expense	236,186	-	-	-	236,186
Office expense	-	33,599	-	33,599	33,599
Donor cultivation/recognition	-	-	26,052	26,052	26,052
Interest	-	6,891	-	6,891	6,891
Contract labor	143,026	-	-	-	143,026
Travel	27,763	-	-	-	27,763
Bad debt expense	-	8,255	-	8,255	8,255
	<u>\$ 2,482,114</u>	<u>\$ 253,571</u>	<u>\$ 99,370</u>	<u>\$ 352,941</u>	<u>\$ 2,835,055</u>

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

Symphony Silicon Valley
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 1,317,185	\$ 105,653
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	19,932	32,334
Losses on disposal of property and equipment	10,477	-
Contribution restricted for long-term purpose	(450,000)	-
Net realized and unrealized gains on investments	(439,725)	(37,752)
(Increase) decrease in accrued investment income	(1,022)	2,157
Changes in operating assets and liabilities		
Accounts receivable	21,788	(8,169)
Grants and contributions receivable	-	30,599
Prepaid expenses	(4,114)	(2,578)
Accounts payable	3,915	(19,373)
Accrued liabilities	(2,288)	3,873
Deferred revenue	(15,042)	(179,138)
Net cash provided by (used in) operating activities	461,106	(72,394)
Cash flows from investing activities		
Net proceeds (purchases) of endowment investments cash equivalents	9,966	(119,926)
Proceeds from sale of investments	368,238	438,910
Purchase of investments	(749,888)	(256,521)
Purchase of property and equipment	-	(20,361)
Net cash provided by (used in) investing activities	(371,684)	42,102
Cash flows from financing activities		
Contribution restricted for long-term purpose	450,000	-
Proceeds from line of credit	-	680,000
Payments on line of credit	-	(680,000)
Net cash provided by financing activities	450,000	-
Net increase (decrease) in cash and cash equivalents	539,422	(30,292)
Cash and cash equivalents, beginning of year	48,019	78,311
Cash and cash equivalents, end of year	\$ 587,441	\$ 48,019

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 946	\$ 6,891
--	--------	----------

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

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

1. NATURE OF OPERATIONS

Symphony Silicon Valley (now Symphony San Jose; also "Symphony") was incorporated on July 1, 2003, as an independent California nonprofit public benefit corporation, following its first performance season under the umbrella of Ballet San Jose Silicon Valley (2002-2003).

The Symphony's mission is to enrich the lives of San Jose and South Bay residents through superior, accessible orchestral programs that address the diversity of their interests. Incorporated in June 2003 to fill a specific gap in San Jose's cultural offerings and support a body of outstanding professional musicians, the Symphony now serves a spectrum of South Bay constituencies as their first-line resource for large ensemble, high quality musical performances. Whether presenting the classics or new works, pops, various national traditions, film scores or education programs, the Symphony is widely recognized as the South Bay's premiere orchestra.

The Symphony's innovative operating model is based on high artistic quality and low operating overhead. Its roster of distinguished guest conductors from around the world, many of whom return regularly, takes the place of a resident music director. This policy allows the Symphony to attract a range of superior artists and to program to their specific strengths while remaining attuned to the profiles and preferences of its local audiences. Musicians and audiences are enthusiastic about the variety and standard of musical leadership.

Seventy-four nationally recruited, locally resident professional musicians make up its permanent core orchestra. Through their artistic committee, orchestra members are active partners in the Symphony's artistic choices. Their pay rate is highly competitive and, along with prominent guest artists, they are regularly featured with the orchestra as concert soloists. The number of annual services offered the Symphony musicians is among the highest in the greater Bay Area, outside of the three San Francisco giants.

Seasons typically open in the early fall with the initial concerts of the Symphony's nine-month Classics series, often following free outdoor summer concerts. Classics programs mix traditional orchestral repertory embraced by dedicated classical audiences with unexpected and edgier works. Many seasons include one or more commissioned works or premieres; the orchestra celebrated its return to the stage for the 2021-22 season, for example, with the world premiere of a flute concerto by Mexican composer Gabriela Ortiz.

Additional major Symphony programs are directed toward other segments of the community, including students, families, young adults, and culturally specific audiences. Among these, the Symphony has a special commitment to ArtSPARK, its free and lively introduction to the orchestra and its music for thousands of Santa Clara County elementary grade students. The Symphony's Films-In-Concert series continues to introduce young, diverse, exuberant audiences to an orchestra that is playing their music for them, rather prescribing the unfamiliar. Every season, a dozen or more community or visiting arts producers request the Symphony's production assistance – access to the theater, stagehands hired on the mandatory union contracts, the orchestra shell – or collaborations with the musicians or Chorale members.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

1. NATURE OF OPERATIONS (continued)

San Francisco Classical Voice praises the Symphony as "what perhaps only the most fortunate metropolises have: an orchestra that serves its public brilliantly, by presenting it with engaging, memorable musical experiences;" while the Mercury News calls it "a surprising organization with its enterprising and even innovative programs, its unusual business model, and its overall tenacity and loyal audiences."

2. PROGRAM SERVICES

During 2020-21, with the pandemic and ensuing restrictions in full swing, the Symphony produced no concerts or other musical activities with the brief exception of online discussions. The 2020-21 season had been programmed and announced the previous spring – music selected, conductors and soloists committed, brochures mailed – in preparation for COVID 19's hoped-for subsidence. Renewals continued to arrive until extension of the shut-down became clear and the season was canceled.

2020-21 was then focused on several priorities:

1. Keeping in close touch with the Symphony's laid off musicians (74 plus regular substitutes) and four staff members. Although some musicians retired, most remained closely connected. Negotiations with both the ushers' and the stagehands' unions produced full new contracts, while the musicians' union agreed to a year's contract extension.

2. Applying for, managing, and reporting on a range of relief grants (federal, state, and local) that allowed the Symphony to put the musicians, plus a few staff and theater workers, intermittently back on payroll.

3. Communicating with subscribers, major donors, the Board of Trustees (the "Board"), and the symphony field. The Symphony did not mount virtual orchestra concerts in 2020-21 since County venue limits precluded the assembling of mid-size performing ensembles. Many Symphony musicians however performed virtually, either solo or in small groups. The Symphony also secured sponsors for two late summer concert sets, advancing the next season's opening date. Relationships essential to a new season and beyond remained intact.

4. Renewing and updating plans and commitments for the next (2021-22) season of performances and reshaping some, particularly in response to the growing recognition of structural racism. The original season was designed for impact: Beethoven's birthday, out-scale chorale works, a jazz-based program, famed soloists, and more. Much was retained, pleasing the hundreds who had bought the tickets for concerts never yet performed.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

2. PROGRAM SERVICES (continued)

5. Pivoting the season opening and closing programs, however, in new directions. The year's first concerts would now feature with the world premiere mentioned above, by noted Mexican composer Gabriela Ortiz on the theme of El Camino Real, the link between Mexican and Colonial/American California. To conduct, Maestra Joanne Falletta would make her third appearance with Symphony Silicon Valley. Beethoven's Seventh would still conclude Symphony's season. The three works framing it, however, were shifted to feature a piano concerto by Florence Price, first African American woman recognized as a symphony composer; a work by gifted young African American artist Quinn Mason; and a 17th century harpsichord classic orchestrated by Mexican conductor/composer Cesar Chavez.

6. For years, the Symphony has observed its younger audience members' absorbed response to highly visual Film with Orchestra programs. In 2020-21 the Symphony took advantage of the prolonged break to research, design and install a sophisticated IMAG (image magnifier) system in the California Theatre, in part to increase appeal to these listeners. Close-up images of the musicians as they perform will project on two screens on the sides of the hall, enabling listeners to choose their preferred mix of traditional and multi-source audio-visual experience. The screens will be introduced in Fall 2021. Symphony Silicon Valley's also replaced the orchestra's 30-year-old music chairs and stands with badly needed new equipment, ready for a new launch in 2021-22.

In summary, the Symphony's 2020-21 program services shifted their emphasis to assisting its unemployed musicians and theater workers, attending to laid-off staff, maintaining contact with customers and donors, shaping a new 2021-22 season plan and resecuring its conductors and guest soloists, developing a promising in-theater innovation, submitting substantial government-grant applications, administering and reporting on the results, and overall, like so many, working to maintain an institutional future in the face of evolving challenges.

3. FINANCIAL OPERATIONS

A Symphony Board and management priority for 2020-21 was to secure the Symphony's capacity to resume operations when appropriate while dealing with future unknowns. With the assets and support noted below, the Symphony was indeed able to close 2020-21 with an operating surplus, a substantial cash balance, and plans in place for a full 2021-22 performance season.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

3. FINANCIAL OPERATIONS (continued)

The Symphony's business model emphasizes earned (primarily ticket) over contributed revenue. With the major exceptions of grants from the City of San Jose and some ongoing institutional donors, its revenue comes primarily from ticket sales and the committed generosity of its ticket buyers. Total loss of earned revenue in 2020-21 (except for endowment earnings) therefore posed a major challenge. However, in the mid-term at least, four sources helped compensate for that loss. First, the Symphony's expenses are heavily production-related, dominated by theater payroll; and without performances Symphony's expenses were kept almost 70% lower than its most recent completed season total (2018-19). Second, the Symphony benefited from strong Board leadership; and although their numbers fell, many individual donors continued and even increased their support. Third, through new endowment gifts and strong earnings, both Symphony's unrestricted and restricted investment funds grew significantly. Fourth, the Symphony applied for, administered, and is greatly beholden to the emergency grant programs offered by Federal, State of California, and City of San Jose government agencies.

A top Board and management priority for this unprecedented year was to conserve the resources to address future unknowns, including prospective audience confidence. With the assets and support noted above, the Symphony was able to close 2020-21 with an operating surplus and a substantial cash balance.

Earned (Deferred) Revenue:

1. Because of the cancellation of the 2020-21 season, the Symphony recognized no ticket revenue in 2020-21.

2. At the close of 2019-20, Symphony's balance sheet showed \$379,000 in deferred ticket revenue. This included \$95,000 in single tickets sold for a future film-in-concert, \$12,000 in ticket vouchers, and \$139,000 in subscriptions for the planned 2020-21 season. The final \$133,000 was the remaining balance of deferred revenue for 2019-20's cancelled Classics concerts, after five months of refunds, exchanges, and ticket donations. Refunds for 2019-20 tickets continued to be charged to this reserve account throughout 2020-21.

3. At the end of 2020-21, after refunds the film-in-concert deferred revenue stood at \$85,000. Subscription sales for the 2020-21 performance season reached over \$255,000 before its cancellation in October 2020. When the season was canceled, the Symphony announced that all 2020-21 purchases and seat requests would be honored for 2021-22. Although refunds were readily available, refund requests were minimal, and the deferred subscription revenue for 2020-21 was moved forward to 2021-22.

4. Finally, during 2020-21 the reserve account set aside in 2019-20 had processed less than \$10,000 in additional refunds. After contacting ticketholders, in June 2021 most of the remaining reserve was recognized as '2019-20 Contributions – Donated Tickets.' \$10,000 was held in deferred reserve to cover any future refund requests.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

3. FINANCIAL OPERATIONS (continued)

Grants and Contributions:

1. Most categories of contribution remained comparable to previous years. In some cases, a decline in the number of gifts was offset by one or more special donations. Government grants were the exception.
2. In early 2019-20, the Symphony's standard annual grant from the City of San Jose was slightly over \$305,000. The City grant for 2020-21 fell to \$85,000, reflecting the sharp drop in its major source, the hotel occupancy tax. (The City supplemented both years with smaller emergency grants.).
3. Also in 2019-20, the Symphony received a federal Payroll Protection Program (PPP) grant of \$521,000, which allowed it to pay its orchestra musicians for all that season's cancelled services. In 2020-21 the Symphony received a second PPP grant for \$361,300 along with an Employee Retention Tax Credit and a Small Business Association Relief grant, again primarily applied to payroll.
4. Together these grants helped the Symphony end 2020-21 with a surplus that will be used to support 2021-22's full season of performances produced for audiences predictably slow to return.

Other Revenue:

The Symphony's endowment portfolio performed strongly during the year with net earnings of over \$480,000, supporting the release of \$120,000 from earnings into operations by the Board of Trustees. The endowment principal was also increased by a permanently restricted endowment gift of \$450,000.

Expense:

With no programs produced in 2020-21, expenses for the year totaled approximately \$1 million, down from \$3.2 million in 2018-19, the most recent full season of activity. With the help of the PPP and other grants, direct payroll for laid-off musicians and theater employees made up 34% of the year's total outlay. Pre-cancellation marketing and production expenses for the 2020-21 season plus annual production items such as instrument insurance added another 9%. The remaining expenses consisted primarily of direct administrative payroll (i.e., before functional allocations by area of responsibility), including 2 to 3 on-site employees and intermittent paid assignments for laid-off staff, plus ongoing operational costs such as insurance, audit, payroll, and social media fees, and office rent. Laid-off staff returned to full on-site employment for the final months of the fiscal year to prepare for the 2021-22 season. The new season went on sale in July 2021.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

3. FINANCIAL OPERATIONS (continued)

Line of Credit/Investment Reserve:

1. The Symphony did not borrow from its \$600,000 First Republic Bank Line of Credit during 2020-21. The line continues in place and the Symphony and First Republic are in the process of renewing it before its expiration in January 2022.

2. The Symphony closed 2020-21 with its Enterprise Trust & Investment Company restricted investment reserve intact.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Symphony have been prepared on the accrual basis of accounting. In accordance with accounting principles generally accepted in the United States of America, the Symphony reports its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - assets over which the Board of Trustees has discretionary control in carrying out the operations of the Symphony. Under this category, the Symphony maintains an operating fund plus any net assets designated by the Board for specific purposes. The Symphony has elected to report as an increase in net assets without donor restrictions any restricted support received in the current period for which the restrictions have been met in the current period.
- *Net assets with donor restrictions* - assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period, as well as assets held in perpetuity. Net assets held in perpetuity include those assets which are subject to a non-expiring donor restriction, such as endowments.

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Symphony adopted ASU 2014-09 with a date of the initial application of July 1, 2020, using the full retrospective method. The adoption of ASU 2014-09 did not have a significant impact on the Symphony's financial position, result of operations, or cash flows. No changes were required to previously reported revenue as a result of the adoption of this standard.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

4. 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 that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with an original maturity of three months or less, and exclude amounts restricted and/or designated for long-term purposes. The Symphony maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Symphony has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Accounts receivable

The Symphony considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Grants and contributions receivable

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period received. All unconditional promises to give are receivable in less than one year. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Symphony considers all grants and contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Board designated net assets

Board designated net assets include net assets that are not subject to donor-imposed restrictions that have been designated by the Board for a specific purpose. These funds may be disbursed at the discretion of the Board. All board designated net assets at June 30, 2021 and 2020 were designated to the Symphony's endowment.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$500 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which are 5 to 15 years for all assets recorded as of June 30, 2021. The only assets depreciated over a period of other than 5 years are a nine-foot Steinway grand piano purchased during the year ended June 30, 2009 for concert use and a seven-foot Steinway B grand piano donated during the year ended June 30, 2013, which are depreciated over 15 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Symphony. Unobservable inputs reflect the Symphony's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Symphony's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Accrued vacation

Vacation pay is accrued for full-time employees at the rate of 6.66 hours per month or as negotiated. The maximum vacation time that can be accrued and carried over to the next year is 80 to 160 hours, dependent on length of service. Accrued vacation represents vacation earned, but not taken as of June 30, 2021 and 2020, and is included in "accrued liabilities" in the statements of financial position. The accrued vacation balance as of June 30, 2021 and 2020 was \$27,765 and \$27,145, respectively.

Revenue recognition

The Symphony adopted ASU 2014-09, and thus the revenue recognition is under Accounting Standard Codification 606. The Symphony follows the following steps to determine revenue recognition:

- Identifying the contract(s) with a customer,
- Identifying the performance obligations in the contract(s),
- Determining the transaction price,
- Allocating the transaction price to the performance obligations in the contract(s), and
- Recognizing revenue when, or as, the Symphony satisfies a performance obligation.

The Symphony recognizes support and revenue on the accrual basis of accounting. Program fees are recognized as revenue in the period in which the service is provided. Pre-sold ticket revenue for any event that has not yet occurred is shown as deferred until the event takes place.

Total deferred revenue at June 30, 2021 consists of revenue from:

1) Pre-sold subscription tickets for the scheduled 2021-22 Classics series (\$255,902); 2) pre-sold single tickets for a film with orchestra originally scheduled for 2020-21 but postponed by COVID-19 (\$85,869); 3) pre-sold single tickets for other performances (\$286); 4) gift certificates purchased for a value applicable to a future ticket purchase (\$4,931); 5) vouchers issued on request for the value of tickets held for performances cancelled by COVID-19 (\$6,671); 6) Ongoing refunds will be charged against the balance of deferred ticket revenue (\$10,351 on June 30, 2021) remaining from 2019-20's and 2020-21's COVID-19-related cancellations. Some purchasers were willing to donate the value of the canceled concerts to the Symphony. The Symphony recognized \$116,273 from the deferred revenue as donated ticket contributions.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Total deferred revenue at June 30, 2020 consists of revenue from:

1) Pre-sold subscription tickets for the scheduled 2020-21 Classics series (\$138,608); 2) pre-sold single tickets for a film with orchestra originally scheduled for 2019-20 but postponed by COVID-19 (\$94,955); 3) gift certificates purchased for a value applicable to a future ticket purchase (\$5,074); 4) vouchers issued on request for the value of tickets held for performances cancelled by COVID-19 (\$7,050). 5) Ongoing refunds will be charged against the balance of deferred ticket revenue (\$133,365 on June 30, 2020) remaining from 2019-20's COVID-19-related cancellations.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions are recorded as with or without donor restrictions depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal period. Restricted contributions are reported as increases in net assets without donor restrictions if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in net assets with donor restrictions. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification from net assets with donor restrictions to net assets without donor restrictions.

Contributions in-kind

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Symphony would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered.

Marketing/advertising

Marketing/advertising costs are charged to operations when incurred. Marketing/advertising expenses for the years ended June 30, 2021 and 2020 were \$35,516 and \$240,192, respectively.

Allocation of indirect functional expenses

Indirect functional expenses are allocated to program and support services based on an analysis of personnel time spent on each function (see Note 13).

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Symphony is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Symphony qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Uncertainty in income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Symphony in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination.

The Symphony files information returns in the U.S. federal jurisdiction and state of California. The Symphony's federal returns for the tax years ended June 30, 2018 and beyond remain subject to possible examination by the Internal Revenue Service. The Symphony's California returns for the tax years ended June 30, 2017 and beyond remain subject to possible examination by the Franchise Tax Board.

Subsequent events

The Symphony has evaluated subsequent events through February 2, 2022, the date the financial statements were available to be issued (see Note 19).

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	2021	2020
Furniture and equipment	\$ 285,525	\$ 311,055
Less: accumulated depreciation	(236,167)	(231,288)
	\$ 49,358	\$ 79,767

Depreciation expense for the years ended June 30, 2021 and 2020 was \$19,932 and \$32,334, respectively.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

6. ENDOWMENT INVESTMENTS

All of the following investments are classified as Level 1 investments (see Note 4).

Endowment investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and money market investments	\$ 166,784	\$ 176,780
Equity investments	1,999,133	1,086,999
Fixed income	<u>1,096,057</u>	<u>1,185,763</u>
	<u>\$ 3,261,974</u>	<u>\$ 2,449,542</u>

Investment earnings during the year consisted of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 71,096	\$ 79,964
Net realized and unrealized gains	439,725	37,752
Investment fees	<u>(28,389)</u>	<u>(24,584)</u>
	<u>\$ 482,432</u>	<u>\$ 93,132</u>

7. LINE OF CREDIT

During the year ended June 30, 2012, the Symphony established a revolving line of credit with First Republic Bank to meet its short-term borrowing needs. The rate of interest on outstanding funds is equal to the U.S. "prime rate" per annum rounded upward to the nearest 1/8th of one percentage point (0.125%). The line of credit is secured by the endowment investment account (see Note 6). The donor of the \$1 million endowment contribution has approved the use of the endowment contribution as collateral for the line of credit (see Note 10).

In December 2020, the Symphony extended the maturity date of the line to January 1, 2022. The maximum principal balance available is \$600,000. During the term of this line of credit, the Symphony is to maintain the endowment investment account equal to two times the commitment amount (\$1,200,000), verified quarterly and measured as of the last day of the Symphony's quarter-end.

There was no balance outstanding on the line of credit as of June 30, 2021 and 2020. Total interest expense related to line of credit for the years ended June 30, 2021 and 2020 was \$946 and \$6,891, respectively.

Annually the Symphony extends the maturity date of the line of credit to January 1 of the subsequent year. The Symphony is in the process of applying for its annual renewal as of the date of the independent auditor's report.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

8. PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into Law in the United States of America. The Paycheck Protection Program ("PPP") was established under the CARES Act and is administered by the U.S. Small Business Administration. On April 25, 2020, the Symphony received loan proceeds totaling \$521,000 from a promissory note with a financial institution under the PPP. The loan is a two-year loan with a maturity date of April 25, 2022. The loan bears an annual interest rate of 1%. Payments of principal and interest are deferred for the first ten months of the loan.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan proceeds for payroll, benefits, rent, utilities, covered operations expenditures, covered property damage, covered supplier costs, covered worker protection expenditures and the maintenance of workforce and compensation levels within certain limitations. As of June 30, 2020, the Symphony had recorded loan proceeds of \$521,000 as a government grant in the Statements of Activities as it believes it has incurred qualifying expenditures that meet the forgiveness criteria and as such have substantially met the conditions of the contribution.

On March 3, 2021, the Symphony received a Second Draw PPP ("Second PPP") loan in the amount of \$361,300. The Symphony accounted for the entirety of the Second PPP as a government grant in the Statements of Activities as it believes it has incurred qualifying expenditures that meet the forgiveness criteria and as such have substantially met the conditions of the contribution.

The Symphony has applied for forgiveness of the First Draw PPP and is intending to apply for forgiveness of the Second Draw PPP during the year ending June 30, 2022.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2021	2020
Perpetual endowment	\$ 2,041,116	\$ 1,591,116
Unappropriated earnings (loss) on perpetual endowment	231,577	(1,951)
Donor restricted net assets for free public performance	20,000	-
	\$ 2,292,693	\$ 1,589,165

Net assets with donor restrictions released from restriction during the year were as follows:

	2021	2020
Appropriated earnings on perpetual endowment	\$ 97,000	\$ 84,900

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

10. ENDOWMENT

Support for the Symphony comes in many forms, from volunteers' gifts of time to listeners' contributions toward the cost of a concert season.

In June 2005, the Symphony received an extraordinary gift made specifically with the future in mind: a \$1 million contribution to establish a permanent endowment fund. The purpose of the endowment gift is to provide unrestricted operating support to the Symphony on an annual basis. The donor has directed that every year a sum of not less than 5% of the value be drawn from the fund and incorporated in the operating fund of the Symphony. In accordance with the specific terms of the gift, the endowment principal is permanently restricted except as noted above or as follows: "If in the future the Symphony faces a life-threatening financial crisis and the endowment principal is deemed the only way to avoid sending the Symphony into bankruptcy/insolvency, then principal may be invaded to avoid that outcome on the following terms: the need to invade the principal needs to be defended with a Board developed plan to correct the financial path of the Symphony and that plan along with the specifics of how much of the endowment can be utilized for that purpose must be approved by 100% of both the sitting Board and the outside investment committee members. It should be the objective of the Board to return the "invaded funds" when the crisis has passed." In addition, the donor has approved the use of the endowment contribution as collateral for the Symphony's line of credit (see Note 7).

The same donor continued to make endowment gifts during his lifetime netting to a total of \$1,084,700 (total endowment contributions of \$1,334,700 less a release from restriction of \$250,000 in response to the stock market downturn loss during the year ended June 30, 2009). It is the policy of Symphony Silicon Valley to treat all of these funds in the same manner as those stipulated in his original commitment letter and subsequent written instruction regarding using it for loan collateral.

The purpose of the endowment is to create an institution that will serve the Silicon Valley for generations to come by providing secure unrestricted operating support to the Symphony on an annual basis. Except as stated above, income from the fund may be reinvested or utilized for current expenses, as determined by the Symphony's Endowment Committee; but the permanently restricted principal remains intact, conservatively invested for a balance between growth and security.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

10. ENDOWMENT (continued)

The Symphony needs the liquidity to be able to draw approximately 5% of the principal annually to supplement the operating budget. The goal of the spending policy is to apply a disciplined and reasoned approach to moving money from the endowment fund to its beneficiary on a predictable, consistent basis. There are two components of the spending policy. By donor directive 5% of the sum of \$1,084,700 and its accumulated appreciation will be distributed to the operating account of the Symphony based on December 31st balances each year. The balance of the fund shall use a spending policy based on the payout rate multiplied by the average market value of the Fund over the previous 12 quarters. A 2%-7% range will be in place to allow for Board discretion during particularly volatile periods. Notwithstanding these spending parameters, the original corpus shall not be invaded except as provided within the specific donor terms for the \$1 million gift as described above. Any changes to the endowment's spending policy shall be recommended by the Investment Committee and/or Investment Advisors, with the ultimate approval by the Board of Trustees.

The Symphony has also established a partnership with experienced planned giving professionals to assist donors who want to include the Symphony's endowment in their financial and estate plans. With the establishment of an endowment and the resources in place to augment it, the Symphony has taken a giant step toward becoming a secure, long-term resource for the community.

The Symphony's endowment consists of several individual funds established for a variety of purposes. Its endowment includes donor restricted and board designated endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Symphony's Board of Trustees has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (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 Symphony classifies as "net assets with donor restrictions - perpetual endowment" (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The portion of the donor restricted endowment fund that is not classified as "net assets with donor restrictions - perpetual endowment" is classified as "net assets with donor restrictions - unappropriated earnings on perpetual endowment" until is appropriated for expenditure by the Symphony in a manner consistent with the standard of prudence prescribed by UPMIFA.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

10. ENDOWMENT (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the Symphony 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 Symphony and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Symphony
- (7) The investment policies of the Symphony

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the balance of net assets held in perpetuity. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are required to be reported in net assets with donor restrictions. There were \$0 and \$1,951 deficiencies as of June 30, 2021 and 2020, respectively.

Return objectives and risk parameters

The investment portfolio held for the Symphony endowment will be managed using a "balanced" objective to provide stability, income and growth exclusively for the Symphony endowment. All assets acquired by the portfolio will be managed in accordance with "Prudent Investor" standards by incorporating the Modern Portfolio Theory, which focuses on the overall asset allocation and quality of the portfolio rather than just the individual securities. Diversification across various asset classes should help reduce the volatility of the total portfolio.

The appropriate allocation of capital among asset classes will have the greatest influence on the success of the portfolio. Therefore, the fiduciary manager shall be responsible for the ongoing portfolio management within the agreed upon risk parameters and allocation ranges.

- *Diversification/preservation of capital*

The portfolio should be managed in a prudent manner, with care, skill, and diligence. The composition of investment securities shall be suitably diversified and structured in a manner to avoid undue risk to capital. A low to moderate fluctuation in principal value is desired.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

10. ENDOWMENT (continued)

Return objectives and risk parameters (continued)

- *Income/liquidity*

The income derived from securities will provide support and stability to the portfolio. Therefore, an equally important component of the portfolio shall be the payment of interest or dividends. The fiduciary manager shall maintain sufficient liquidity to provide adequate and timely working funds.

- *Growth*

The long-term horizon of the portfolio necessitates the use of equity securities in order to provide the opportunity for positive real rates of return and growth of capital over time.

Strategies employed for achieving objectives

Strategic ranges are established to define the long-term asset allocation parameters for the portfolio. Enterprise Trust & Investment Company, serving in a fiduciary capacity as investment manager, will tactically manage the portfolio within the established ranges as current economic conditions and market opportunities warrant.

The long-term strategic asset allocation ranges for the investment portfolio are as follows:

- *Cash equivalents and short-term investments*

The portfolio may invest cash equivalent investments within a range of zero to ten percent (0-10%) of the portfolio's aggregate market value.

- *Fixed income investments*

The portfolio may be invested in such securities with a range of thirty to sixty percent (30-60%) of the portfolio's aggregate market value.

a. Diversification: With the exception of U.S. Treasury securities and U.S. Government Agency Obligations all other debt securities shall be limited to an amount per issuer not to exceed 10% of the aggregate market value of the portfolio.

b. Credit Quality: Upon initial purchase, the security must be of investment grade as rated by Moody's and/or Standard and Poor's rating services. Should any bond rating subsequently be reduced below investment grade the Adviser shall review to determine if investment considerations warrant it being discharged. High yield fixed income securities are permitted if held in fund format.

c. Maturity Structure: In order to control interest rate risk, the maximum maturity of an individual bond shall not exceed ten years and the average maturity shall not exceed seven years.

- *Equity investments*

The portfolio may be invested in individual equity securities or mutual funds with a range of forty to seventy percent (40-70%) of the portfolio's aggregate market value.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

10. ENDOWMENT (continued)

Strategies employed for achieving objectives (continued)

- a. Security Diversification: Individual equity purchases shall not exceed five percent (5%) of the portfolio's aggregate market value.
- b. Sector Diversification: The maximum allowed overweight of any economic sector classification shall be limited to 2 times the weighting within the Standard and Poor's 500 Index.
- c. Overall Portfolio Quality: The overall equity portfolio shall maintain an average equivalent securities rating of B or better as rated by Moody's and/or Standard and Poor's rating services.

Spending policy and how the investment objectives relate to spending policy

The Symphony needs the liquidity to be able to draw not less than 5% of the principal annually to supplement the operating budget.

The goal of the spending policy is to apply a disciplined and reasoned approach to moving money from the endowment fund to its beneficiary in a predictable, consistent basis. There are two components of the spending policy. By donor directive, 5% of the sum of \$1,084,700 and its accumulated appreciation will be distributed to the Operating Account of the Symphony based on December 31st balances each year. The balance of the fund shall use a spending policy based on the payout rate multiplied by the average market value of the Fund over the previous 12 quarters. A 2%-7% range will be in place to allow for Board discretion during particularly volatile periods. Notwithstanding these spending parameters, the original corpus shall not be invaded except as provided within the specific donor terms for the \$1 million gift as described above.

Any changes to the endowment's spending policy shall be recommended by the Investment Committee and/or Investment Advisors, with ultimate approval by the Board of Trustees.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment	\$ 989,281	\$ -	\$ 989,281
Unappropriated earnings on perpetual endowment	-	231,577	231,577
Perpetual endowment	<u>-</u>	<u>2,041,116</u>	<u>2,041,116</u>
	<u>\$ 989,281</u>	<u>\$ 2,272,693</u>	<u>\$ 3,261,974</u>

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

10. ENDOWMENT (continued)

Endowment composition (continued)

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment	\$ 860,377	\$ -	\$ 860,377
Unappropriated loss on perpetual endowment	-	(1,951)	(1,951)
Perpetual endowment	<u>-</u>	<u>1,591,116</u>	<u>1,591,116</u>
	<u>\$ 860,377</u>	<u>\$ 1,589,165</u>	<u>\$ 2,449,542</u>

Changes in endowment net assets for the fiscal year ended June 30, 2021 is as follows:

	<u>Board Designated Endowment</u>	<u>Unappropriated Earnings (Loss) on Perpetual Endowment</u>	<u>Perpetual Endowment</u>	<u>Total</u>
Balance at June 30, 2020	\$ 860,377	\$ (1,951)	\$ 1,591,116	\$ 2,449,542
Net investment income	151,904	330,528	-	482,432
Contributions	-	-	450,000	450,000
Amounts appropriated for expenditure	<u>(23,000)</u>	<u>(97,000)</u>	<u>-</u>	<u>(120,000)</u>
Balance at June 30, 2021	<u>\$ 989,281</u>	<u>\$ 231,577</u>	<u>\$ 2,041,116</u>	<u>\$ 3,261,974</u>

Changes in endowment net assets for the fiscal year ended June 30, 2020 is as follows:

	<u>Board Designated Endowment</u>	<u>Unappropriated Earnings (Loss) on Perpetual Endowment</u>	<u>Perpetual Endowment</u>	<u>Total</u>
Balance at June 30, 2019	\$ 863,021	\$ 22,273	\$ 1,591,116	\$ 2,476,410
Net investment income	32,456	60,676	-	93,132
Amounts appropriated for expenditure	<u>(35,100)</u>	<u>(84,900)</u>	<u>-</u>	<u>(120,000)</u>
Balance at June 30, 2020	<u>\$ 860,377</u>	<u>\$ (1,951)</u>	<u>\$ 1,591,116</u>	<u>\$ 2,449,542</u>

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

11. RELATED PARTY TRANSACTIONS

Members of the Symphony Silicon Valley Board gave \$225,404 in personal donations to the Symphony during the year ended June 30, 2021. \$200,000 of that amount was a bequest from the estate of a long-time director who was an active Board member until his death in May 2020. In addition, two law firms employing Board members gave a total of \$7,500 to the Symphony in support of their memberships, which were recorded as corporate donations.

During the year ended June 30, 2020, members of the Board gave \$91,627 directly. In addition, the same law firm supported the same Board director's membership with a \$5,000 donation, also recorded as a corporate donation.

12. CONCENTRATION OF LABOR

The Symphony's musicians, ushers, and stagehands, are members of the following labor unions respectively: American Federation of Musicians (AFM) Local 6, International Alliance of Theatrical Stage Employees (IATSE) Local B-32, and IATSE Local 134 Stagehands. The Symphony's contract with AFM Local 6 expires on August 31, 2022. The Symphony's contract with IATSE Local B-32 expires on August 31, 2021; its contract with IATSE Local 134 Stagehands expired on June 30, 2021 (see Note 19).

13. PERCENTAGE SALARY ALLOCATION

For the year ended June 30, 2021, the salaries for the Symphony's office personnel are allocated based on these percentage categories between program services, management and general, and fundraising:

- President: 45% program services, 20% management and general, 35% fundraising
- General Manager: 15% program services, 60% management and general, 25% fundraising
- Operations: 100% program services, 0% management and general, 0% fundraising
- Box Office/Payroll: 15% program services, 85% management and general, 0% fundraising
- Box Office: 90% program services, 5% management and general, 5% fundraising
- Chorale Admin: 100% program services, 0% management and general, 0% fundraising
- Marketing: 100% program services, 0% management and general, 0% fundraising
- Education/Public Relations: 100% program services, 0% management and general, 0% fundraising

For the year ended June 30, 2020, the salaries for the Symphony's office personnel are allocated based on these percentage categories between program services, management and general, and fundraising:

- President: 75% program services, 15% management and general, 10% fundraising

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

13. PERCENTAGE SALARY ALLOCATION (continued)

- General Manager: 20% program services, 40% management and general, 40% fundraising
- Operations: 100% program services, 0% management and general, 0% fundraising
- Box Office/Payroll: 60% program services, 40% management and general, 0% fundraising
- Box Office: 85% program services, 10% management and general, 5% fundraising
- Devo Long Term Planning: 0% program services, 0% management and general, 100% fundraising
- Marketing: 100% program services, 0% management and general, 0% fundraising
- Education/Public Relations: 100% program services, 0% management and general, 0% fundraising

14. OPERATING LEASE COMMITMENTS

The Symphony rents 2,148 square feet of office space under a lease agreement. The lease expired on June 30, 2020. The lease was extended on July 1, 2020 through June 30, 2025. The monthly rent payment was \$4,019 and \$4,141 for the years ended June 30, 2021 and 2020, respectively. Rental expense for the years ended June 30, 2021 and 2020 was \$51,102 and \$49,698 respectively.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2022	\$ 51,115
2023	54,182
2024	57,433
2025	<u>60,879</u>
	<u>\$ 223,609</u>

The Symphony rents the California Theatre from Team San Jose for its performance space.

15. CONFLICT OF INTEREST POLICY

Included among the Symphony's Board of Trustees and Officers are volunteers from the community who provide valuable assistance to the Symphony in the development of policies and programs and in the evaluation of business transactions. The Symphony has adopted a conflict of interest policy whereby Board members are disqualified from participation in the final decisions regarding any action affecting their related company or agency.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

16. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Symphony's liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligation come due.

Accounts receivable consist of amounts expected to be received within one year from June 30, 2021.

Endowment investments consist of donor restricted endowment funds and a board designated endowment fund. As described in Note 10, by donor directive 5% of the sum of \$1,084,700 and its accumulated appreciation will be distributed to the Operating Account of the Symphony based on December 31st balances each year. The balance of the donor restricted endowment fund uses a spending policy based on a payout rate multiplied by the average market value of the Fund over the previous 12 quarters. A 2%-7% range is in place to allow for Board discretion during particularly volatile periods. Accordingly, \$160,000 of appropriations from the endowment investments will be available within the next 12 months.

The following is a quantitative disclosure which describes assets that are available or expected to be available within one year of June 30, 2021 to fund general expenditures and other obligations as they become due.

Financial assets	
Cash and cash equivalents	\$ 587,441
Accounts receivable	17,072
Board designated endowment investments	989,281
Unappropriated earnings on perpetual endowment investments	231,577
Donor restricted perpetual endowment investments	<u>2,041,116</u>
	<u>3,866,487</u>
Less: amounts unavailable for general expenditure within one year	
Board designated endowment investments	(989,281)
Unappropriated earnings on perpetual endowment investments	(231,577)
Donor restricted perpetual endowment investments	(2,041,116)
Add: Endowment appropriation for the year ending June 30, 2022	<u>160,000</u>
	<u>(3,101,974)</u>
	<u>\$ 764,513</u>

The board designated endowment investments totaling \$989,281 as of June 30, 2021 could be made available in their entirety if needed. Also, \$1,084,700 of the donor restricted perpetual endowment investments could be made available in the event of "a life-threatening financial crisis" (see Note 10).

In addition, the Symphony has a line of credit with a balance available amount of \$600,000 as of June 30, 2021 (see Note 7).

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

17. RISKS AND UNCERTAINTIES

COVID-19 Pandemic

In December 2019, a novel strain of coronavirus ("COVID-19") was detected and has since spread around the world. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The State of California joined many others in declaring a state of emergency; and State, County and City authorities have subsequently issued a several generations of guidelines and mandates to help control the pandemic's spread.

In March 2020, Santa Clara County closed all theaters and other indoor venues, and Symphony San Jose canceled the remainder of its season. That spring the Symphony began to renew subscribers for a 2020-21 season, but as the public health crisis continued, that hoped-for season was canceled as well. In total, following public health mandates and advisories, the Symphony did not perform for 18 months. During this period, it also canceled all in-person meetings and events; only its core three-person staff worked together, separated by glass barriers.

In 2019-20 the U.S. government enacted the Coronavirus Aid Relief and Economic Security ("CARES") Act, which includes provisions to aid affected organizations. The Symphony received an initial PPP provisional grant in April 2020 and a second in March 2021, along with Employee Retention Credits, which enabled it to bring laid-off musicians and staff intermittently back on payroll.

By mid-2021 vaccination rates were rising, local venues began to reopen, and mandates were partially relaxed. Proof of vaccination verified by City staff is required for entry to all City-owned theaters, and masks must be worn in public venues. In July 2021, the Symphony presented a 2021-22 performance season to its subscribers; about 2/3rds of the typical number responded. Through December 2021; the Symphony produced twelve of the concerts scheduled for the season. Sixteen more (plus four children's education programs if permitted) are scheduled through June 30, 2022.

Covid variants are emerging and spreading rapidly; more may be expected. Their impact is not yet fully known. Covid's longer-term economic effects, both local and world-wide, are still unfolding but have the potential to be severe, further affecting discretionary activities and expenditure. The effect on the Symphony's operations could be another postponement or cancellation of performance-related activities, based on Symphony concern for patron and performer health, State and County measures, and access to venues.

For the Symphony's experience with COVID-19 through 2021 and its preparations for the future, see Notes 3 and 18.

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

18. CONTINUING OPERATIONS

As the scale of the challenges posed by the Covid pandemic became apparent, government at every level began to move to buffer its impact. The Federal Paycheck Protection Program provided the first major national wave of support. The Symphony's PPP grants benefited its laid-off orchestra musicians by providing intermittent wages and enhanced unemployment during an extended period without performances.

A second major federal stimulus plan, the Shuttered Venues program, has focused on providing operating resources to institutions. Despite the loss of ticket revenue in 2020-21 and its unclear prospects thereafter, the Symphony's Shuttered Venues grant added to its other earned and contributed resources are permitting it to resume performances with a full 2021-22 season.

The Symphony has two main objectives for the coming season. First, while recognizing that earned revenue will recover slowly, it must provide full-scale appealing programs to draw audiences back over time, recreating the habit of attending with regular seasonal programming. Second and equally important: it must continue to create performance conditions that prioritize personal safety for all present. The Symphony must build a bond of trust between audience and artists by ensuring that it is safe as well as satisfying for them to return to the concert hall.

In support of the first goal, during the shutdown the Symphony installed IMAG screens in the theater that allow each audience member to connect more closely to the performers and their music as it is made. For the 2021-22 performance season launched in October, the Symphony has programmed music full of immediate appeal to welcome back listeners. It is also strictly and publicly applying vaccination and masking requirements onstage, backstage, and in the auditorium, in close communication with its musicians and medical authorities, and is following evolving precautions closely as they develop.

Although the pandemic continues to present uncertainties, the Symphony is in a positive position to address them. The 2020-21 fiscal year closed in a strong position, with an operating surplus, substantial operating cash and investments without donor restrictions, no vendor debt, and access to a generous line of credit if needed. In addition to the stimulus grants noted above, the Symphony's donors continued to be engaged and supportive. December year end donations are typically generous; in 2021 they surpassed the total received in any of the five previous years. The Symphony donor-restricted endowment's continued growth reflects the determination of both Board directors and audience members to ensure Symphony Silicon Valley's long-term future.

19. SUBSEQUENT EVENTS

Amendment of Articles of Incorporation - On July 30, 2021, the Symphony filed a Certificate of Amendment of Articles of Incorporation with the California Secretary of State, changing its legal name to Symphony San Jose (from Symphony Silicon Valley).

Symphony Silicon Valley
Notes to Financial Statements
June 30, 2021 and 2020

19. SUBSEQUENT EVENTS (continued)

Union Contract Renewal - The Symphony's contract with IATSE B32 Ushers was expired on August 31, 2021 and was renewed to cover September 1, 2021 through August 31, 2024. Symphony's contract with IATSE 134 Stagehands expired on July 31, 2021 and was renewed for the period from August 1, 2021 to June 30, 2022, plus an optional extension of 60 days. OSSJ's contract with AFM Local 6 Musicians was extended by a side letter through August 31, 2023, and includes temporary COVID-19-related policy changes.

Government Grants - During the first four months of 2021-22, the Symphony received a federal Small Business Administration Shuttered Venue Operators Grant in the amount of \$817,782 and additional Employee Retention Tax Credit payments.