Symphony San Jose

Financial Statements

June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Symphony San Jose
San Jose, California

Opinion

We have audited the accompanying financial statements of Symphony San Jose (the "Symphony"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Symphony San Jose as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Symphony San Jose 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 these 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 Symphony San Jose's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Symphony San Jose'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 Symphony San Jose'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.

Armanino LLP

ArmaninoLLP
San Jose, California

May 10, 2024

Symphony San Jose
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 208,290	$ 544,234
Investments	427,796	-
Accounts receivable	51,151	13,462
Contributions receivable	10,140	523,666
Prepaid expenses	24,218	28,651
Total current assets	721,595	1,110,013
Property and equipment, net	132,893	158,291
Other assets		
Board designated endowment investments	500,000	897,545
Donor restricted endowment investments	2,041,200	1,961,948
Operating lease right-of-use asset	111,781	-
Total other assets	2,652,981	2,859,493
Total assets	$ 3,507,469	$ 4,127,797
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 215,555	$ 32,506
Accrued expenses	26,086	77,304
Deferred revenue	327,099	300,680
Deferred rent	-	8,433
Current portion of operating lease liability	55,004	-
Total current liabilities	623,744	418,923
Operating lease liability, net of current portion	60,093	-
Total liabilities	683,837	418,923
Net assets		
Without donor restrictions		
Undesignated	266,432	831,381
Board designated endowment	500,000	897,545
Total without donor restrictions	766,432	1,728,926
With donor restrictions		
Donor restricted for a specified purpose	16,000	18,000
Donor restricted endowment	2,041,200	1,961,948
Total with donor restrictions	2,057,200	1,979,948
Total net assets	2,823,632	3,708,874
Total liabilities and net assets	$ 3,507,469	$ 4,127,797

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

Symphony San Jose
Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023 Without Donor Restrictions	2023 With Donor Restrictions	2023 Total	2022 Without Donor Restrictions	2022 With Donor Restrictions	2022 Total
Support and revenue						
Support						
Contributions - individuals	$ 582,945	$ -	$ 582,945	$ 1,203,010	$ 10,000	$ 1,213,010
Contributions - government	401,629	-	401,629	1,281,001	-	1,281,001
Contributions - foundations	122,953	-	122,953	198,947	-	198,947
Contributions - corporations	55,241	-	55,241	77,500	-	77,500
Contributions - in-kind	26,847	-	26,847	12,735	-	12,735
Total support	1,189,615	-	1,189,615	2,773,193	10,000	2,783,193
Revenue						
Performance fees	339,286	-	339,286	176,895	-	176,895
Subscription ticket sales	381,522	-	381,522	415,357	-	415,357
Single ticket sales	466,697	-	466,697	353,917	-	353,917
Other income	-	-	-	38,090	-	38,090
Investment income (losses), net	84,592	184,911	269,503	(91,736)	(210,745)	(302,481)
Total revenue	1,272,097	184,911	1,457,008	892,523	(210,745)	681,778
Total support and revenue	2,461,712	184,911	2,646,623	3,665,716	(200,745)	3,464,971
Net assets released from restriction	107,659	(107,659)	-	112,000	(112,000)	-
Total support, revenue, and net assets released from restriction	2,569,371	77,252	2,646,623	3,777,716	(312,745)	3,464,971
Functional expenses						
Program services	3,093,506	-	3,093,506	2,812,156	-	2,812,156
Support services						
Management and general	333,549	-	333,549	432,936	-	432,936
Fundraising	104,810	-	104,810	83,671	-	83,671
Total support services	438,359	-	438,359	516,607	-	516,607
Total functional expenses	3,531,865	-	3,531,865	3,328,763	-	3,328,763
Change in net assets	(962,494)	77,252	(885,242)	448,953	(312,745)	136,208
Net assets, beginning of year	1,728,926	1,979,948	3,708,874	1,279,973	2,292,693	3,572,666
Net assets, end of year	$ 766,432	$ 2,057,200	$ 2,823,632	$ 1,728,926	$ 1,979,948	$ 3,708,874

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

Symphony San Jose
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services	Support Services: Management and General	Support Services: Fundraising	Support Services: Total Support Services	Total
Salaries and related expenses					
Salaries	$ 1,697,467	$ 13,707	$ 74,931	$ 88,638	$ 1,786,105
Payroll taxes	190,232	7,042	5,635	12,677	202,909
Benefits	139,962	7,526	2,414	9,940	149,902
Worker's compensation	19,250	255	204	459	19,709
Total salaries and related expenses	2,046,911	28,530	83,184	111,714	2,158,625
Production expense	338,209	40,197	-	40,197	378,406
Marketing/advertising	262,016	1,608	1,020	2,628	264,644
Contract labor	185,180	-	-	-	185,180
Occupancy	75,014	81,951	-	81,951	156,965
Professional fees	25,295	94,314	-	94,314	119,609
Office expense	8,855	52,241	-	52,241	61,096
Box office expense	54,953	284	-	284	55,237
Donor cultivation/recognition	25,351	-	20,606	20,606	45,957
Insurance	10,089	28,422	-	28,422	38,511
Depreciation	33,968	2,196	-	2,196	36,164
Travel	27,665	2,663	-	2,663	30,328
Interest	-	750	-	750	750
Miscellaneous	-	393	-	393	393
	$ 3,093,506	$ 333,549	$ 104,810	$ 438,359	$ 3,531,865

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

Symphony San Jose
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services	Support Services: Management and General	Support Services: Fundraising	Support Services: Total Support Services	Total
Salaries and related expenses					
Salaries	$ 1,496,068	$ 119,019	$ 60,781	$ 179,800	$ 1,675,868
Payroll taxes	182,425	9,025	5,038	14,063	196,488
Benefits	126,864	9,753	1,257	11,010	137,874
Worker's compensation	17,065	158	255	413	17,478
Total salaries and related expenses	1,822,422	137,955	67,331	205,286	2,027,708
Production expense	445,852	263	150	413	446,265
Marketing/advertising	161,486	-	-	-	161,486
Contract labor	150,500	-	-	-	150,500
Occupancy	67,354	83,428	-	83,428	150,782
Professional fees	17,396	145,300	-	145,300	162,696
Office expense	78	38,658	846	39,504	39,582
Box office expense	56,131	-	-	-	56,131
Donor cultivation/recognition	22,000	-	15,344	15,344	37,344
Insurance	7,202	22,083	-	22,083	29,285
Depreciation	33,720	3,699	-	3,699	37,419
Travel	28,015	800	-	800	28,815
Interest	-	750	-	750	750
	$ 2,812,156	$ 432,936	$ 83,671	$ 516,607	$ 3,328,763

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

Symphony San Jose
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (885,242)	$ 136,208
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	36,164	37,419
Amortization of operating lease right-of-use asset	53,567	-
Net realized and unrealized (gains) losses on investments	(208,310)	393,203
Increase in accrued investment income	(3,872)	(2,030)
Changes in operating assets and liabilities		
Accounts receivable	(37,689)	3,610
Contributions receivable	513,526	(523,666)
Prepaid expenses	4,433	30,285
Accounts payable	183,049	26,656
Accrued liabilities	(51,218)	45,050
Deferred revenue	26,419	(63,330)
Deferred rent	(8,433)	8,433
Operating lease liability	(50,251)	-
Net cash provided by (used in) operating activities	(427,857)	91,838
Cash flows from investing activities		
Net proceeds of endowment investments cash equivalents	52,204	38,442
Proceeds from sale of investments	558,459	398,972
Purchase of investments	(507,984)	(426,107)
Purchase of property and equipment	(10,766)	(146,352)
Net cash provided by (used in) investing activities	91,913	(135,045)
Net decrease in cash and cash equivalents	(335,944)	(43,207)
Cash and cash equivalents, beginning of year	544,234	587,441
Cash and cash equivalents, end of year	$ 208,290	$ 544,234

Supplemental disclosure of cash flow information

	2023	2022
Cash paid during the year for interest	$ 750	$ 750

Supplemental schedule of noncash investing and financing activities

	2023	2022
Operating lease right-of-use assets obtained in exchange for lease liabilities	$ 165,348	$ -

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

1. NATURE OF OPERATIONS

Symphony San Jose (formerly known as Symphony Silicon Valley; 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 superbly performed, accessible orchestral programs that address the diversity of their interests. Initially founded 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 masterworks of the classical canon, lesser known gems, contemporary creations, pops, film scores, or education programs, the Symphony is widely recognized as the South Bay’s premier orchestra.

The Symphony’s innovative operating model is based on high artistic quality and low operating overhead. Unlike other symphony orchestras that utilize a bifurcated leadership model having an executive director and a music director, Symphony San Jose is helmed by a single executive artistic director. The Executive Artistic Director then selects a roster of internationally renowned conductors to lead each program. This practice 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 diverse listeners. Both the musicians and audiences are enthusiastic about the variety and standard of musical leadership.

Seventy-four nationally recruited professional musicians make up its permanent core orchestra, which to date has performed for well over a million listeners of all ages. 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 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.

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.”

Seasons typically run from early fall through late spring. Classics programs mix traditional orchestral repertoire embraced by dedicated classical audiences with unexpected and edgier works. Many seasons include one or more commissioned works or premieres.

1. NATURE OF OPERATIONS (continued)

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 school 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 organizations 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.

2. PROGRAM SERVICES

The 2022-23 season was the second season back post-pandemic and the last season programmed by the founding General Director. The Symphony presented seven pairs of concerts on its Classics Series, three Films with Orchestra, Carols in the California featuring the Symphony Chorale, a spring choral concert, and the Symphony's flagship education program, ArtSPARK, returned after a four-year hiatus.

The Classics Series featured nine world-class solo artists, classical masterpieces, and lesser-known works. Films ranged from cinematic classics, family friendly titles, and even a program featuring music from popular video games. The spring choral concert became one of the Symphony's first presentations in its new Music Without Borders Series, that features Symphony musicians giving performances outside of the California Theatre at venues across the community.

3. FINANCIAL OPERATIONS

The impact of the pandemic and 19-month hiatus had a significant impact on financial operations. Subscription sales for the 2022-23 season were down 15% from the prior year as subscribers were still reluctant to return to live events (2021-22 season subscriptions included orders carried over from the cancelled 2019-20 season). While the Symphony presented three films during the year ended June 30, 2023, historic film audiences didn't return, resulting in two events with six-figure losses. With no significant bequests received and with COVID relief funding nearing a close, contributed revenue was just 43% of what was received during the year ended June 30, 2022. Despite the disappointing revenue results, one positive note was that Classics Series single ticket sales during the year ended June 30, 2023, increased 22% over the year ended June 30, 2022.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets without donor restrictions* - assets over which the Board of Directors (the "Board") 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.

Adoption of accounting standards update

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Symphony adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022, with certain practical expedients available. Lease disclosures are made under prior lease guidance in FASB ASC 840 for the year ended June 30, 2022.

The Symphony elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Symphony recognized on July 1, 2022, an initial lease liability of $165,348, which represents the present value of the remaining operating lease payments of $172,495 discounted using a risk free rate of 2.85%, and a right-of-use asset of $165,348.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of accounting standards update (continued)

The standard did not have a material impact to the Symphony's statement of financial position as of June 30, 2023, or the Symphony's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of a right-of-use asset and lease liability for an operating lease on the statement of financial position as of June 30, 2023.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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.

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 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 were designated to the Symphony's endowment at June 30, 2023 and 2022.

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, 2023. 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.

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.

Leases

The Symphony leases office space and office equipment under operating leases. The Symphony determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets and operating lease liabilities on the statements of financial position. Finance leases, if any, are included in property and equipment and other long-term liabilities on the statements of financial position. The Symphony does not currently have any finance leases.

Right-of-use assets represent the Symphony's right to use an underlying asset for the lease term and lease liabilities represent the Symphony's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Symphony's lease does not provide an implicit rate, the Symphony uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Symphony's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Symphony has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. The Symphony does not have any short-term leases.

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, 2023 and 2022 , and is included in "accrued expenses" in the statements of financial position. The accrued vacation balance was $23,542 and $36,710 as of June 30, 2023 and 2022, respectively.

Revenue recognition

The Symphony follows the following steps to determine revenue recognition:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- 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.

At June 30, 2023, deferred revenue consisted of revenue from:

1) Pre-sold subscription tickets for the scheduled 2023-24 Classics series ($317,820); 2) gift certificates purchased for a value applicable to a future ticket purchase ($9,279). Some purchasers were willing to donate the value of canceled concerts to the Symphony. The Symphony recognized $17,720 from deferred revenue as donated ticket contributions.

At June 30, 2022, deferred revenue consisted of revenue from:

1) Pre-sold subscription tickets for the scheduled 2022-23 Classics series ($287,038); 2) gift certificates purchased for a value applicable to a future ticket purchase ($13,642). Some purchasers were willing to donate the value of the canceled concerts to the Symphony. The Symphony recognized $10,042 from the deferred revenue as donated ticket contributions.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 were $264,644 and $161,486 for the years ended June 30, 2023 and 2022, 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).

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, 2020 and beyond remain subject to possible examination by the Internal Revenue Service. The Symphony's California returns for the tax years ended June 30, 2019 and beyond remain subject to possible examination by the Franchise Tax Board.

Subsequent events

The Symphony has evaluated subsequent events through May 10, 2024, the date the financial statements were available to be issued.

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	2023	2022
Furniture and equipment	$ 365,091	$ 427,979
Less: accumulated depreciation	(232,198)	(269,688)
	$ 132,893	$ 158,291

Depreciation expense was $36,164 and $37,419 for the years ended June 30, 2023 and 2022, respectively.

6. INVESTMENTS

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

Investments consisted of the following:

	2023	2022
Cash and money market investments	$ 77,887	$ 126,219
Equity investments	1,722,105	1,797,081
Fixed income investments	1,169,004	936,193
	$ 2,968,996	$ 2,859,493

Investment earnings (losses) during the year consisted of the following:

	2023	2022
Interest and dividends	$ 90,561	$ 123,296
Net realized and unrealized gains (losses)	208,310	(393,203)
Investment fees	(29,368)	(32,574)
	$ 269,503	$ (302,481)

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 Symphony's investment accounts (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).

7. LINE OF CREDIT (continued)

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, 2023 and 2022. Total interest expense related to line of credit was $750 for each of the years ended June 30, 2023 and 2022.

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.

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 was 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 was a two-year loan with a maturity date of April 25, 2022. The loan bore an annual interest rate of 1%. Payments of principal and interest were deferred for the first ten months of the loan.

Under the terms of the CARES Act, PPP loan recipients could 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 recorded loan proceeds of $521,000 as a government grant in the statements of activities as it believed it had incurred qualifying expenditures that meet the forgiveness criteria and as such had 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 received the forgiveness notice for the First Draw PPP during the year ended June 30, 2022. The Symphony received the forgiveness notice for the Second Draw PPP in September 2022.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2023	2022
Perpetual endowment	$ 2,041,116	$ 2,041,116
Unappropriated earnings (accumulated losses) on perpetual endowment	84	(79,168)
Donor restricted net assets for free public performance	16,000	18,000
	$ 2,057,200	$ 1,979,948

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

	2023	2022
Appropriated earnings on perpetual endowment	$ 105,659	$ 100,000
Donor restricted net assets for free public performance	2,000	12,000
	$ 107,659	$ 112,000

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).

10. ENDOWMENT (continued)

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 the Symphony 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.

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 Directors.

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 U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

10. ENDOWMENT (continued)

Interpretation of relevant law

The Symphony's Board of Directors 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.

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 was a deficiency in the amount of $79,168 as of June 30, 2022.

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.

10. ENDOWMENT (continued)

Return objectives and risk parameters (continued)

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.

- *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 ten percent (10%) of the aggregate market value of the portfolio.

10. ENDOWMENT (continued)

Strategies employed for achieving objectives (continued)

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.

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 Directors.

10. ENDOWMENT (continued)

Endowment composition

Endowment net asset composition by type of fund is as follows as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment	$ 500,000	$ -	$ 500,000
Accumulated earnings on perpetual endowment	-	84	84
Perpetual endowment	-	2,041,116	2,041,116
	$ 500,000	$ 2,041,200	$ 2,541,200

Endowment net asset composition by type of fund is as follows as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment	$ 897,545	$ -	$ 897,545
Accumulated losses on perpetual endowment	-	(79,168)	(79,168)
Perpetual endowment	-	2,041,116	2,041,116
	$ 897,545	$ 1,961,948	$ 2,859,493

10. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets is as follows for the fiscal year ended June 30, 2023:

	Board Designated Endowment	Unappropriated Earnings (Accumulated Losses) on Perpetual Endowment	Perpetual Endowment	Total
Balance at June 30, 2022	$ 897,545	$ (79,168)	$ 2,041,116	$ 2,859,493
Net investment income	84,592	184,911	-	269,503
Amounts appropriated for expenditure	(54,341)	(105,659)	-	(160,000)
Distribution from board-designated endowment pursuant to board resolution	(427,796)	-	-	(427,796)
Balance at June 30, 2023	$ 500,000	$ 84	$ 2,041,116	$ 2,541,200

Changes in endowment net assets is as follows for the fiscal year ended June 30, 2022:

	Board Designated Endowment	Unappropriated Earnings (Accumulated Losses) on Perpetual Endowment	Perpetual Endowment	Total
Balance at June 30, 2021	$ 989,281	$ 231,577	$ 2,041,116	$ 3,261,974
Net investment loss	(91,736)	(210,745)	-	(302,481)
Amounts appropriated for expenditure	-	(100,000)	-	(100,000)
Balance at June 30, 2022	$ 897,545	$ (79,168)	$ 2,041,116	$ 2,859,493

11. RELATED PARTY TRANSACTIONS

Members of the Symphony's Board gave $39,860 and $50,570 in personal donations to the Symphony during the years ended June 30, 2023 and 2022, respectively.

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 expired on August 31, 2023. The Symphony's contract with IATSE Local B-32 expired on August 31, 2021 and was renewed to cover September 1, 2021 through August 31, 2024; its contract with IATSE Local 134 Stagehands expired on June 30, 2023, and the Symphony is currently in the process of negotiating a new contract with the union.

13. PERCENTAGE SALARY ALLOCATION

For the year ended June 30, 2023, 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
- General Manager: 20% program services, 40% management and general, 40% fundraising
- Operations: 100% program services, 0% management and general, 0% fundraising
- Development Director: 0% program services, 0% management and general, 100% fundraising
- Finance Manager/Payroll: 30% program services, 70% management and general, 0% fundraising
- Box Office: 80% program services, 10% management and general, 10% 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, 2022, the salaries for the Symphony's office personnel are allocated based on these percentage categories between program services, management and general, and fundraising:

- President: 68% program services, 23% management and general, 9% fundraising
- General Manager: 20% program services, 40% management and general, 40% fundraising
- Operations: 100% program services, 0% management and general, 0% fundraising
- Finance Manager/Payroll: 30% program services, 70% management and general, 0% fundraising
- Box Office: 80% program services, 10% management and general, 10% fundraising

13. PERCENTAGE SALARY ALLOCATION (continued)

- 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

14. LEASES

The Symphony rents 2,148 square feet of office space under a lease agreement which expires June 30, 2025. The monthly rent payment was $4,515 and $4,260 for the years ended June 30, 2023 and 2022, respectively. On July 1, 2021, the Symphony leased another location with a rent payment ranging from $1,500 to $3,000 through April 30, 2023.

Rental expense was $81,951 and $83,428 for the years ended June 30, 2023 and 2022, respectively.

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

Year ending June 30,	
2024	$ 57,433
2025	60,880
	118,313
Less: imputed interest	(3,216)
	$ 115,097

Additional information related to leases is as follows:

Cash flows from operating leases	$50,251
Operating lease costs	$57,498
Operating lease right-of-use assets obtained in exchange for lease obligations	$165,348
Weighted average discount rate	2.85%
Weighted average remaining lease term	2.00 years

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 Directors 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.

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 obligations come due.

Accounts and contributions receivable consist of amounts expected to be received within one year from June 30, 2023.

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, $165,000 of appropriations from the endowment investments will be available within the next 12 months.

16. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The following is a quantitative disclosure which describes assets that are available or expected to be available to fund general expenditures and other obligations as they become due within one year of June 30, 2023:

Financial assets		
Cash and cash equivalents	$	208,290
Investments		427,796
Accounts receivable		51,151
Contributions receivable		10,140
Board designated endowment investments		500,000
Accumulated earnings on perpetual endowment investments		84
Donor restricted perpetual endowment investments		2,041,116
		3,238,577
Less: amounts unavailable for general expenditure within one year		
Board designated endowment investments		(500,000)
Donor restricted net assets for free public performance		(16,000)
Accumulated earnings on perpetual endowment investments		(84)
Donor restricted perpetual endowment investments		(2,041,116)
Add: Expected endowment appropriation for the year ending June 30, 2024		165,000
		(2,392,200)
	$	846,377

The board designated endowment investments totaling $500,000 as of June 30, 2023, 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, 2023 (see Note 7).

17. RISKS AND UNCERTAINTIES

The Symphony saw the end of all COVID-19 restrictions during the year ended June 30, 2023; however, the recovery of ticket sales and annual contributions for performing art organizations has been glacially slow.

Added to this is the current state of the economy. The annual inflation rate for the United States was 9.1% for the 12 months ended July 31, 2023.

Meanwhile, the median total U.S. salary increase has been about 3% for the past 10 years and it is expected to stay the same in 2024. The combination of high inflation and stagnant salary is likely to result in cautious discretionary spending.

17. RISKS AND UNCERTAINTIES (continued)

Recession risk in the U.S. is high. Slow growth, rising interest rates, high inflation and a sundry list of other risk factors threaten to push the U.S. economy into recession in the near future. Some economists are predicting a substantial recession in 2024. During the Great Recession more than a decade ago, the Symphony had three deficit years. The next recession is likely to affect the Symphony very negatively.

18. CONTINUING OPERATIONS

The 2022-23 season was the first under a new executive artistic director. Under his leadership, the Symphony added a new marketing director and development director to invest their time in both ticket sales and public support for the Symphony. In addition, the Symphony continues to build upon their past success while embracing new initiatives which broaden and diversify product offerings, expand audiences, improve efficiencies, and maximize resources.

In order to thrive in this post-pandemic environment, the Symphony is implementing the following core strategies:

Creative Modifications to Subscription Programming: Several subscription concerts will be programmed to only require two or three rehearsals, as opposed to the traditional four. This will reduce expenses while not jeopardizing ticket sales revenue.

Diversified Events: The Symphony will launch new programs to broaden and diversify the audience for symphonic music. These initiatives include classical and popular crossover programming to appeal to wider audiences and collaborative partnerships with other performing arts organizations and venues to tap into their patron base.

Fundraising: Contributed revenue remains an opportunity area, with particular emphasis on nurturing low-level donors into the Baton Society as recognition for the Symphony's most significant ongoing donors. Acquiring new donors through special events, identifying new grant opportunities, and strengthening institutional giving will also improve the results of fundraising efforts.

Education and Community Engagement: A key reason donors give is to support the Symphony’s educational programs. The Symphony will identify high impact, fundable initiatives to enhance services to the community while itself becoming a funding stream. Most of these services are conducted by small chamber ensembles, which are much less expensive than utilizing the full orchestra.

19. EMPLOYER RETENTION CREDIT

Under the provisions of the CARES Act signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for a refundable Employee Retention Credit ("ERC") subject to certain criteria. Two critical tests for eligibility exist - a partial or total government-ordered shutdown, or a decline in gross receipts. The decline in gross receipts test is based on a "significant" decline in gross receipts in quarters of 2020 (more than 50%) and 2021 (more than 20%) compared with the same quarters in 2019. The ERC is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. The ERC is equal to 70% of qualified wages paid to employees during calendar 2021 for a maximum credit of $7,000 per employee for each calendar quarter through September 30, 2021.

During the year ended June 30, 2022, the Symphony applied for the ERC and calculated a total credit of approximately $189,000 for the wages paid during the period (April 1, 2020 through June 30, 2021). As the Symphony believed it had “substantially met” the program’s eligibility conditions, the Symphony recognized contribution income for the ERC payment received during the year ended June 30, 2022.

The ERC program is subject to inspection and audit by the IRS. The purpose of such audits is to determine whether entities met eligibility requirements under the program and that funds were used in accordance with guidelines and regulations. While management believes the Symphony met the ERC requirements, it is possible that ERC funds recognized could ultimately be disallowed. The ultimate liability, if any, which may result from a governmental audit cannot be reasonably estimated and, accordingly, no provision for the possible disallowance of ERC funds has been recorded on the Symphony’s financial statements.