



**Santa Barbara Symphony
Orchestra Association
and
Santa Barbara Symphony
Orchestra Endowment Trust**

**Combined Financial Statements
and Supplemental Information**

June 30, 2020



Santa Barbara Symphony Orchestra Association
and
Santa Barbara Symphony Orchestra Endowment Trust
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Santa Barbara Symphony Orchestra Association

Board of Trustees
Santa Barbara Symphony Orchestra Endowment Trust

I have audited the accompanying combined financial statements of the Santa Barbara Symphony Orchestra Association and the Santa Barbara Symphony Orchestra Endowment Trust (both California nonprofit organizations) (hereinafter collectively referred to as "the Symphony") which comprise the statements of financial position as of June 30, 2020, the related statements of activities and of cash flows for the year ended June 30, 2020, 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 (U.S. GAAP); 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entities 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 entities internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

The Symphony's combined financial statements do not disclose information pertinent to estimating the valuation of a charitable remainder trust. Management is unable to obtain needed information and believes it is not practicable to estimate the value of the charitable remainder trust. In my opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In my opinion, except for the omission of the information discussed in the Basis for Qualified Opinion paragraph, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Symphony as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – COVID -19

As discussed in Note 15, the Center for Disease Control guidance related to the COVID-19 pandemic impacted the Symphony's operations. My opinion is not modified with respect to this matter.

Other Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules presented on pages 20 - 21 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

I have previously audited the combined financial statements of the Symphony as of June 30, 2019, and expressed a qualified audit opinion on those audited financial in my report dated April 22, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Santa Barbara, California
April 21, 2021

THE SANTA BARBARA SYMPHONY
Combined Statement of Financial Position
June 30, 2020
With Summarized Comparative Totals as of June 30, 2019

	Assets	
	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and Cash Equivalents	\$ 341,356	\$ 87,891
Accounts Receivable	15,707	33,125
Pledges Receivable - Net (Note 2)	16,125	136,140
Bequest Receivable (Note 2)	-	35,000
Prepaid Expenses and Other Current Assets	<u>10,729</u>	<u>37,809</u>
Total Current Assets	<u>383,917</u>	<u>329,965</u>
Unemployment Reserve Account	29,653	32,480
Property and Equipment, Net (Note 3)	5,717	13,802
Investments (Note 4)	4,985,871	5,437,595
Interest in Charitable Remainder Trust (Note 5)	<u>681,603</u>	<u>661,306</u>
Total Assets	<u>\$ 6,086,761</u>	<u>\$ 6,475,148</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 90,436	\$ 49,903
Accrued Payroll and Related Expenses	59,973	51,668
Line of Credit (Note 7)	250,000	-
Deferred Income	<u>208,786</u>	<u>457,605</u>
Total Current Liabilities	<u>609,195</u>	<u>559,176</u>
Long-term Loan - Paycheck Protection Program (Note 15)	401,947	-
Total Liabilities	<u>1,011,142</u>	<u>559,176</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	(1,101,302)	(647,617)
Board Designated (Note 8)	<u>695,591</u>	<u>688,455</u>
Total Net Assets Without Donor Restrictions	(405,711)	40,838
With Donor Restrictions		
Restricted by Purpose or Time (Note 8)	1,314,201	1,723,005
Restricted in Perpetuity (Note 8)	<u>4,167,129</u>	<u>4,152,129</u>
Total Net Assets With Donor Restrictions	5,481,330	5,875,134
Total Net Assets	<u>5,075,619</u>	<u>5,915,972</u>
Total Liabilities and Net Assets	<u>\$ 6,086,761</u>	<u>\$ 6,475,148</u>

See accompanying notes

THE SANTA BARBARA SYMPHONY
Combined Statement of Activities
For The Year Ended June 30, 2020
With Summarized Comparative Totals for the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
<i>Operating Revenue</i>				
Revenue, Gains and Other Support				
Concert Income	\$ 729,311	\$ -	\$ 729,311	\$ 952,831
Program Book Revenue	32,325	-	32,325	32,875
Tuition	23,471	-	23,471	20,096
Contributions and Grants	980,971	347,023	1,327,994	1,527,767
Total before Fundraising Events	<u>1,766,078</u>	<u>347,023</u>	<u>2,113,101</u>	<u>2,533,569</u>
Gross Revenue from Fundraising Events	9,750	-	9,750	89,415
Less Costs of Direct Benefit to Donors	(9,267)	-	(9,267)	(234,348)
Net Income/(Loss) from Fundraising Events	483	-	483	(144,933)
Total Revenue, Gains and Other Support	<u>1,766,561</u>	<u>347,023</u>	<u>2,113,584</u>	<u>2,388,636</u>
Net Assets Released from Restriction	<u>831,706</u>	<u>(831,706)</u>	<u>-</u>	<u>-</u>
<i>Operating Expenses</i>				
Program Expenses				
Concert and Event Expenses	1,831,566	-	1,831,566	2,390,183
Music Education Center	452,063	-	452,063	536,350
Total Operating Program Expenses	<u>2,283,629</u>	<u>-</u>	<u>2,283,629</u>	<u>2,926,533</u>
Supporting Services				
Management and General	308,637	-	308,637	285,198
Fundraising	453,289	-	453,289	542,473
Total Supporting Services	<u>761,926</u>	<u>-</u>	<u>761,926</u>	<u>827,671</u>
Total Operating Expenses	<u>3,045,555</u>	<u>-</u>	<u>3,045,555</u>	<u>3,754,204</u>
Change in Net Assets from Operations	<u>(447,288)</u>	<u>(484,683)</u>	<u>(931,971)</u>	<u>(1,365,568)</u>
<i>Non-Operating Revenue and Expenses</i>				
Revenue				
Bequests	8,002	-	8,002	60,000
Permanently Restricted Contributions	-	15,000	15,000	15,000
Investment (Loss)/Income, net	(6,967)	124,993	118,026	104,088
Realized Gain on Sales of Investments	57,654	336,828	394,482	152,065
Unrealized Loss on Investments	(49,865)	(406,239)	(456,104)	(47,577)
Change in Value of Interest in Charitable Remainder Trust	-	20,297	20,297	(228)
Total Non-Operating Revenue	<u>8,824</u>	<u>90,879</u>	<u>99,703</u>	<u>283,348</u>
Expenses				
Depreciation Expense	8,085	-	8,085	12,770
Feasibility Study	-	-	-	15,941
Total Non-Operating Expenses	<u>8,085</u>	<u>-</u>	<u>8,085</u>	<u>28,711</u>
Change in Net Assets from Non-Operating Activities	<u>739</u>	<u>90,879</u>	<u>91,618</u>	<u>254,637</u>
Net Assets at Beginning of Year	40,838	5,875,134	5,915,972	7,026,903
Total Change in Net Assets	<u>(446,549)</u>	<u>(393,804)</u>	<u>(840,353)</u>	<u>(1,110,931)</u>
Net Assets at End of Year	<u>\$ (405,711)</u>	<u>\$ 5,481,330</u>	<u>\$ 5,075,619</u>	<u>\$ 5,915,972</u>

See accompanying notes

THE SANTA BARBARA SYMPHONY
Combined Statement of Cash Flows
For the Year Ended June 30, 2020
With Comparative Totals for the Year Ended June 30, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (840,353)	\$ (1,110,931)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	8,085	12,770
Unrealized Loss on Investments	406,104	47,577
Realized Gain on Investments	(336,828)	(152,065)
Change in Value of Charitable Remainder Trust	(20,297)	228
Contributions to Endowment	(15,000)	(15,000)
Changes in		
Accounts Receivable	17,418	9,367
Pledges Receivable	120,015	355,190
Bequest Receivable	35,000	121,883
Prepaid Expenses and Other Current Assets	27,080	13,036
Unemployment Reserve Account	2,827	(4,742)
Accounts Payable and Accrued Expenses	40,533	(2,834)
Accrued Payroll and Related Expenses	8,305	8,555
Deferred Income	(248,819)	73,150
Net Cash Used by Operating Activities	<u>(795,930)</u>	<u>(643,816)</u>
Cash Flows from Investing Activities		
Purchase of Investments	(1,381,708)	(414,201)
Proceeds from Sale of Investments	1,764,156	585,174
Net Cash Provided by Investing Activities	<u>382,448</u>	<u>170,973</u>
Cash Flows from Financing Activities		
Proceeds from Line of Credit	250,000	-
Proceeds from Paycheck Protection Program	401,947	-
Contributions to Endowment	15,000	15,000
Net Cash Provided by Financing Activities	<u>666,947</u>	<u>15,000</u>
Net Increase/(Decrease) in Cash	253,465	(457,843)
Cash and Cash Equivalents, Beginning of Year	<u>87,891</u>	<u>545,734</u>
Cash and Cash Equivalents, End of Year	<u>\$ 341,356</u>	<u>\$ 87,891</u>
Other disclosures		
Cash paid for interest	<u>\$ 5,128</u>	<u>\$ -</u>

Included in contributions and rent expense for the year ended June 30, 2020, is a non-cash contribution of rent for \$12,854.

See accompanying notes

THE SANTA BARBARA SYMPHONY
Schedule of Functional Expenses of the
Santa Barbara Symphony Orchestra Association
For The Year Ended June 30, 2020
With Summarized Comparative Totals for the Year Ended June 30, 2019

	<u>Program Services</u>		<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Expenses</u>	<u>2019 Expenses</u>
	<u>Concert</u>	<u>Education</u>					
Salaries	\$ 759,344	\$ 251,696	\$ 1,011,040	\$ 126,199	\$ 245,711	\$ 1,382,950	\$ 1,716,437
Payroll Taxes and Benefits	75,106	33,015	108,121	12,998	42,715	163,834	326,834
Total Salaries and Related Expenses	834,450	284,711	1,119,161	139,197	288,426	1,546,784	2,062,424
Accounting	-	-	-	58,049	-	58,049	85,910
Advertising and Public Relations	91,481	50	91,531	702	6,679	98,912	136,131
Musicians and Concert Personnel	473,584	32,077	505,661	-	-	505,661	617,745
Conferences, Meetings, and Training	26	1,526	1,552	5,769	4,694	12,015	11,228
Contract Services	120,226	29,953	150,179	42,905	78,248	271,332	178,548
Hospitality	12,220	1,577	13,797	2,983	21,785	38,565	82,683
Dues and Subscriptions	41,141	5,066	46,207	6,300	4,496	57,003	34,675
Facilities and Equipment Rental and Maintenance	129,435	18,766	148,201	-	-	148,201	34,446
Bad debt expense	-	-	-	7,185	-	7,185	-
Fees	13,293	4,028	17,321	20,080	6,245	43,646	67,824
Insurance	17,533	7,757	25,290	6,791	3,966	36,047	30,455
Office Expense	44,036	6,298	50,334	6,861	24,048	81,243	120,857
Rent	47,215	20,580	67,795	8,681	10,788	87,264	251,179
Supplies	298	3,924	4,222	11	1,043	5,276	21,892
Telecomm	6,628	2,915	9,543	3,109	1,527	14,179	11,743
Travel and Transportation	-	32,835	32,835	14	1,344	34,193	25,617
Depreciation Expense	-	2,264	2,264	5,821	-	8,085	12,770
Feasibility Study	-	-	-	-	-	-	15,941
Cost of Direct Benefit to Donors	-	-	-	-	9,267	9,267	234,348
Total Expenses by Function - June 30, 2020	1,831,566	454,327	2,285,893	314,458	462,556	3,062,907	4,036,416
Less expenses included with revenues on the Statement of Activities or Reported with Non-Operating Expenses							
Cost of Direct Benefit to Donors	-	-	-	-	(9,267)	(9,267)	(234,348)
Depreciation Expense	-	(2,264)	(2,264)	(5,821)	-	(8,085)	(12,770)
Feasibility Study	-	-	-	-	-	-	(15,941)
Total Expenses Reported As Operating Expenses on the Statement of Activities - 2020	<u>\$ 1,831,566</u>	<u>\$ 452,063</u>	<u>\$ 2,283,629</u>	<u>\$ 308,637</u>	<u>\$ 453,289</u>	<u>\$ 3,045,555</u>	
Total Expenses Reported As Operating Expenses on the Statement of Activities - 2019	<u>\$ 2,390,183</u>	<u>\$ 536,350</u>	<u>\$ 2,926,533</u>	<u>\$ 285,198</u>	<u>\$ 542,473</u>		<u>\$ 3,773,357</u>

See accompanying notes

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying financial statements comprise the Santa Barbara Symphony Orchestra Association, originally incorporated in 1954 as the Santa Barbara Orchestral Society, and the Santa Barbara Symphony Orchestra Endowment Trust, created in 1975, both California nonprofit organizations (hereinafter collectively referred to as "the Symphony"). The purpose of the former is to enrich our community by creating powerful musical experiences performed with passion and excellence, and by providing indispensable music education and community engagement; and of the latter, is to support the former in achieving its goals.

Basis of Presentation

The accompanying financial statements of the Symphony have been presented on an accrual basis of accounting in accordance with generally accepted accounting standards. All funds that are received free of any donor imposed restriction are recorded as net assets without donor restrictions.

Principles of Combination

The Santa Barbara Symphony Orchestra Endowment Trust (Endowment Trust) has elected to be presented as a supporting organization of the Santa Barbara Symphony Orchestra Association (Symphony Orchestra Association). Consequently, the Symphony has eliminated all material interorganizational transfers between the two organizations. (See Note 14)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Symphony to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses.

Significant estimates used in preparing these financial statements include:

- Collectability of pledges receivable
- Net present value of the charitable remainder trust
- Fair value of investments

It is at least reasonably possible that the significant estimates used will change within the next year.

Non-Operating Revenue and Expenses

The Symphony considers revenue and expenses associated with investments, endowments, planned gifts, bequests, and depreciation as non-operating revenue and expenses.

Cash and Cash Equivalents

The Symphony classifies its unrestricted short-term, highly liquid investments having original maturities of three months or less as cash equivalents, except for cash which is held by the investment portfolio manager until suitable long term investments are identified.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables are comprised of amounts due from granting organizations, pledges receivable, and bequests receivable.

Investments and Investment Income

Investments are carried at their fair market value. Investment income and gains and losses on investments are classified as unrestricted unless a donor or law temporarily or permanently restricts their use. Unrealized gains and losses are included in the change in net assets.

Financial Instruments and Credit Risk

The Symphony manages deposit concentration risk by placing cash and money market accounts with financial institutions that Management believes to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Symphony has not experienced any losses in any of these accounts. Credit risk associated with promises to give and bequest receivables is considered by Management to be limited due to high historical collection rates and because they are from donors supportive of the Symphony. Investments are made by a variety of investment managers whose performance is monitored by the Endowment Trust's Board of Trustees. Although the fair value of investments is subject to fluctuation on a year-to-year basis, Management and the Endowment Trust believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Property, Equipment and Depreciation

Property is recorded at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The Symphony's policy is to capitalize assets with a minimum value of \$5,000 that have a useful life of greater than one year.

Revenue and Revenue Recognition

Exchange Transactions and Deferred Revenue

Revenue from an exchange transaction is recognized when earned. The Symphony records deferred revenue when cash is received in advance for services to be performed in future periods such as season tickets and advertising income.

Contributions and Recognition of Donor Restrictions

Contributions are recorded at their fair value on the date of donation. The Symphony records all contributions as increases in unrestricted net assets unless the donor stipulates any restrictions. Donor restricted contributions are recorded as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)

Contributions and Recognition of Donor Restrictions (Continued)

Unconditional promises to give are recorded when made. Unconditional promises to give in future years are reported at the present value of their net realizable value, using risk free interest rates applicable to the year in which the promise is received. Conditional promises to give are recognized when the condition on which the promise depends is substantially met.

Contributed Services

A substantial number of people have donated their time to the Symphony as volunteers. In accordance with accounting standards, only those services provided by professionals have been valued and recorded in these financial statements. As this volunteer service does not meet the recognition requirements of generally accepted accounting principles, no amount has been recorded in these financial statements for such services.

Fund Accounting

The accompanying financial statements of the Symphony have been prepared on the accrual basis. Assets, liabilities and net assets of the Symphony are reported based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Symphony and changes therein are classified and reported as follows:

- Net Assets without Donor Restrictions:

Net Assets without Donor Restrictions are net assets available for use in general operations and not subject to donor restrictions. The Board of Trustees has designated certain net assets from net assets without donor restrictions for board designated endowments and various projects.

- Net Assets with Donor Restrictions:

Net Assets with Donor Restrictions are subject to donor-imposed stipulations that can be temporary in nature in that the restriction can be met either by actions of the Symphony or by the passage of time. In addition, the donor can stipulate that the net assets are permanently restricted in that the donor can specify the resources are to be invested in perpetuity with only the income from these investments used.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Symphony is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, and is not considered a private foundation. Contributions made to the Symphony are deductible by the donor for income tax purposes according to the provisions of the Internal Revenue Code and similar state provisions. The Symphony is unaware of any uncertain tax positions at June 30, 2019, or for any period for which the normal statute of limitations remains open.

Functional Expenses

The Symphony allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Any expenditures not directly chargeable, such as administration salaries, information technology, and depreciation, are allocated on the basis of their estimated benefit to the Symphony. These natural expenses attributable to more than one function are allocated using a variety of cost allocation techniques generally based on relative time spent.

Reclassifications

Certain reclassifications have been made to the June 30, 2019, balances as reported in the prior year financial statements to make them comparable to the balances reported for the year ended June 30, 2020.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 2: PLEDGES AND BEQUEST RECEIVABLES

Pledges and bequest receivables are carried at their estimated collectible amount. Management periodically evaluates these receivables and records an allowance for any amounts estimated to be uncollectible. The evaluation is based upon a review of historical collections, current economic conditions, and an assessment of subsequent conditions. If management determines that additional amounts are uncollectible, the expense will be charged to operations. Management has determined these receivables are considered 100% collectible; therefore, no provision for uncollectible receivables is needed for the years ended June 30, 2020 and 2019

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2020	2019
Office furniture and equipment	\$ 28,452	\$ 28,452
Software license	58,398	58,398
Instruments	50,488	50,488
Vehicles	38,114	38,114
Total	<u>175,452</u>	<u>175,452</u>
Less: Accumulated depreciation	<u>(169,735)</u>	<u>(161,650)</u>
Property and Equipment, Net	<u>\$ 5,717</u>	<u>\$ 13,802</u>

Depreciation expense for the years ended June 30, 2020 and 2019, was \$8,085 and \$12,771, respectively.

NOTE 4: INVESTMENTS

The Endowment Trust owns a portfolio of marketable securities, which has been both donated and purchased, and is intended to provide investment income to be used for the Symphony's programs and activities. The hedge fund's market value is derived from the brokerage firm that is managing the funds. The remaining investments are stated at fair value determined by active markets (See Note 15). Prior to 1996, the Symphony was the primary donor to the Endowment Trust and the majority of these investments are permanently restricted. Current additions to the endowment consist of contributions that are permanently restricted by the donor and funds that are designated by the Board of Directors to be added to the endowment. The Trustees of the Endowment Trust designate funds that can be withdrawn from the Endowment Trust. Currently, the Symphony Orchestra Association holds no investments outside of the Endowment Trust.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 5: CHARITABLE REMAINDER TRUST (Continued)

All changes in the present value of assets held under charitable remainder trust agreements or actual assets received upon distribution in subsequent years are recorded in the statement of activities as "change in the value of interest in charitable remainder trust."

As the donor has not restricted the proceeds of the assets held under this charitable remainder trust, the present value of assets held under this charitable remainder trust are classified as net assets with donor restrictions due to time in the financial statements.

NOTE 6: COMMITMENTS

The Symphony has a collective bargaining agreement with the American Federation of Musicians Local 308, which governs the employment agreements with orchestra members. The current agreement, renegotiated in 2019, expires on June 30, 2022.

The Symphony entered into a lease agreement to rent office space effective July 1, 2009, which expired June 30, 2019 with monthly rent of \$6,468. The Symphony entered into the first amendment to its lease agreement to rent office space in its current location effective October 1, 2019 and expiring September 30, 2026. Under the terms of the amended lease, the monthly rent is \$6,427 per month. Total rent expense under this lease for the years ended June 30, 2020 and 2019, was \$81,640 and \$80,663, respectively.

Minimum annual lease commitments under the current lease agreement are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2021	\$ 77,124
2022	77,124
2023	77,124
2024	77,124
2025	77,124

NOTE 7: LINE OF CREDIT

The Symphony Orchestra Association entered into a short-term line of credit with Montecito Bank and Trust effective November 5, 2019, due February 5, 2020, for \$250,000, with monthly interest payments commencing January 5, 2020, and all principal and unpaid and accrued interest due February 5, 2020. This line of credit is secured by the general accounts and assets and any proceeds from charitable remainder trust held by the Symphony Orchestra Association. This line was subsequently renewed with similar terms and is due August 5, 2021. (See Note 16).

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 8: NET ASSETS WITHOUT DONOR RESTRICTIONS AND WITH DONOR RESTRICTIONS

Net Assets without Donor Restrictions:

Included in net assets without donor restrictions include certain net assets designated by the Board of Directors or Trustees. As of June 30, 2020 and 2019, combined board designated net assets totaled \$0 and \$6,422, respectively, for the Symphony Orchestra Association's operating reserves and \$695,591 and \$688,455, respectively, held by the Endowment Trust.

Net Assets with Donor Restrictions:

Temporarily Restricted Net Assets:

Temporarily restricted net assets consist of the following amounts at June 30:

	2020	2019
Concert sponsorships	\$ 115,163	\$ 225,619
Pre-concert talks	45,544	32,500
Education	73,989	175,279
Hospitality	-	5,000
Unappropriated endowment trust earnings	381,777	605,801
Future periods	<u>16,125</u>	<u>17,500</u>
Total Temporarily Restricted Net Assets	<u>\$ 632,598</u>	<u>\$ 1,061,699</u>

Permanently Restricted Net Assets:

Permanently restricted net assets consist of funds invested into perpetuity for support of the Symphony's programs and activities.

NOTE 9: RETIREMENT PLAN

For musicians employed under the American Federation of Musicians Local 308 agreement, the Symphony contributes 16.35% of their salary to the American Federation of Musicians and Employers Pension Fund. The Symphony has a 403(b) retirement plan for all other employees who qualify, which is maintained by an outside broker. Employees may contribute a percentage of their salaries to the plan up to the maximum allowable under the Internal Revenue Code. The Symphony matches up to a 3% of participating employee's salary. For the years ended June 30, 2020 and 2019, the Symphony contributed \$91,439 and \$108,390, respectively, to both plans.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 10: CONCENTRATION OF RISK

The Federal Deposit Insurance Corporation (FDIC) only insures the first \$250,000 of funds on deposit with any one bank. The Symphony occasionally has more than \$250,000 on deposit with financial institutions. At June 30, 2019, the Symphony had no uninsured funds.

Certain of the Symphony's investments and cash and cash equivalents are held at a broker-dealer and are subject to the Securities Investor Protection Corporation (SIPC). Under SIPC, cash is insured up to \$250,000 per broker-dealer; the remaining cash equivalents and investments are insured up to \$500,000 as per the terms of SIPC.

NOTE 11: ENDOWMENTS

The Endowment Trust is a separate 501(c)(3) and was established to support the ongoing operations of the Symphony and holds the endowments other than the charitable remainder trust. The endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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.

The Boards of the Symphony have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Symphony in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Symphony's investment policies.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 11: DONOR RESTRICTED AND BOARD DESIGNATED ENDOWMENTS (Continued)

Investment Return Objectives, Risk Parameters and Strategies

The Symphony has adopted investment and spending policies for the endowment assets and these policies have been approved by the Boards. The objective of the investment policy is to provide adequate returns to meet the spending needs of the Symphony while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return which exceeds the annual distribution with acceptable levels of risk. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, commodities and hedge funds.

Spending Policy

The Symphony has established a spending policy that includes the annual distributions, as well as the cost of managing the funds. The Symphony has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value at year end for each of the prior three years preceding the year in which the distribution is planned. In establishing this policy, the Symphony considered the funding needs of the Symphony as well as the goal of protecting the purchasing power of endowment assets over the long-term.

The Symphony expects the current spending policy to allow its endowment funds to grow at a rate that is at least at the rate of inflation. This is consistent with the Symphony's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

From time to time, the fair value of assets associated with donor-restricted funds may fall below the level that current law requires the Symphony to retain for a fund of perpetual duration. These deficiencies would be reported in the combined financial statements as a reduction in net assets with donor restrictions. As of June 30, 2020, the Symphony had no fund deficiencies.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 11: ENDOWMENTS (Continued)

Changes in the Symphony's endowment net assets are as follows as of June 30, 2020:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Trust</u>
Endowment Trust Net				
Assets June 30, 2019	\$ 688,456	\$ 605,800	\$ 4,813,435	\$ 6,107,691
Contributions	-	-	15,000	15,000
Investment income	18,086	124,993	-	143,079
Appreciation (realized and unrealized)	(7,789)	(53,833)	-	(61,622)
Professional fees	(3,160)	(21,840)	-	(25,000)
Change in charitable trust	-	-	20,297	20,297
Amounts appropriated for expenditure	-	(273,345)	-	(273,345)
Total Funds	<u>\$ 695,591</u>	<u>\$ 381,777</u>	<u>\$ 4,848,732</u>	<u>\$ 5,926,100</u>

As of June 30, 2019, are as follows:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Trust</u>
Endowment Trust Net				
Assets June 30, 2018	\$ 663,656	\$ 736,587	\$ 4,798,663	\$ 6,198,906
Contributions	-	-	15,000	15,000
Investment income	16,012	117,589	-	133,601
Appreciation (realized and unrealized)	12,523	91,965	-	104,488
Professional fees	(3,735)	(27,435)	-	(31,170)
Change in charitable trust	-	-	(228)	(228)
Amounts appropriated for expenditure	-	(312,906)	-	(312,906)
Total Funds	<u>\$ 688,456</u>	<u>\$ 605,800</u>	<u>\$ 4,813,435</u>	<u>\$ 6,107,691</u>

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 12: FAIR VALUE MEASUREMENT

The Symphony has adopted a framework for measuring and disclosing the fair value of assets and liabilities. Accounting principles define fair value as the price that would be received by the Symphony to sell an asset or be paid by the Symphony to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. A fair value hierarchy has been established that prioritizes valuation inputs into three broad levels to ensure consistency and comparability. The valuation hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The standard describes three levels of inputs that may be used to measure fair value as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; discounted cash flows; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; including general partner estimates and recent third-party appraisals.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statements of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then Level 2 fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Fair market valuation of Level 3 assets is based on other market factors to determine if the carrying value of these investments should be adjusted.

In accordance with ASU No. 2009-12, Investment in Certain Entities that Calculate Net Asset Value Per Share, the NAV per share or its equivalent is used to fair value investments that follow the American Institute of Certified Public Accountants Guide in arriving at their reported NAV.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 12: FAIR VALUE MEASUREMENT (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis at June 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2020</u>			
Money market	\$ 11,625	\$ -	\$ -
Certificate of deposit	-	-	-
Mutual funds			
Bond funds	844,224	-	-
Equity funds	3,157,580	-	-
Hedge fund	-	984,067	-
Charitable Remainder Trust	-	<u>681,603</u>	-
Totals	<u>\$ 4,013,429</u>	<u>\$ 1,665,670</u>	<u>\$ -</u>
<u>2019</u>			
Money market	\$ 8,789	\$ -	\$ -
Certificate of deposit	-	-	-
Mutual funds			
Bond funds	824,761	-	-
Equity funds	2,836,814	-	-
Marketable securities	841,216	-	-
Hedge fund	-	934,804	-
Charitable Remainder Trust	-	<u>661,306</u>	-
Totals	<u>\$ 4,511,580</u>	<u>\$ 1,596,110</u>	<u>\$ -</u>

The following is a description of the general classification of such instruments pursuant to the valuation hierarchy:

Money Market – Funds held in highly liquid money market accounts with daily pricing where net asset value equals \$1.

Certificate of deposit – Funds held in certificates of deposit are valued at initial deposit plus earned interest to approximate daily pricing due to relatively short term nature of the holding.

Bond Funds – Investment in domestic and international bonds held as separate ownership shares in the form of mutual funds with daily pricing.

Equity Funds – Investment in domestic and international equities of varying market capitalizations. Equities are held as separate ownership shares of a specific company or in the form of mutual funds. All assets have daily pricing.

Marketable Securities- Investments in marketable securities are valued at the closing price reported on the active market on which the individual securities are traded.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 12: FAIR VALUE MEASUREMENT (Continued)

Fixed Income – Investment in domestic and international fixed income positions held in the investment portfolio through either individual bond holdings (treasuries, corporate, government, mortgage, etc.) or through fixed income mutual funds. All assets have daily pricing.

Charitable Remainder Trust – The present value of the estimated future value to be received by the Symphony is calculated using the IRS annuity tables and a discount rate of 4%, based on the Symphony's historic risk free rate of return.

Hedge Fund – Investments in the hedge fund are valued based on the Net Asset Value (NAV) per the most recent audited financial statements and interim information provided by the fund manager.

NOTE 13 LIQUIDITY

As a part of its liquidity management, the Symphony structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Financial assets and resources available for general expenditure, that is, without donor restrictions limiting their use, within one year of the date of the statement of financial position comprise the following:

Cash and cash equivalents	\$ 329,730
Receivables	31,832
Prepaid expenses and deposits	<u>10,729</u>
Total financial assets available within one year	<u>\$ 372,291</u>

The Symphony anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. In addition, the Symphony has access to a line of credit (Notes 7 and 15) and expects to obtain additional funds through the offering of unsecured promissory notes. Further, the Symphony receives a draw from its endowment assets as described in Note 11.

NOTE 14: RELATED PARTY

A Board member is the CEO of the bank the Symphony uses to maintain a savings account and its line of credit.

A Board member is a senior vice president of project management at a financial institution where the Symphony maintains an account.

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 14: RELATED PARTY (Continued)

On December 30, 2019, the Symphony Orchestra Association entered into a Promissory Note with the Endowment Trust for \$250,000, bearing interest of 1.61% per annum, with all unpaid principal and unpaid and accrued interest due June 30, 2020. While no monthly payments are due, unrestricted bequests received by the Symphony Orchestra Association shall first be applied to the outstanding balance due the Endowment Trust. Should the Symphony Orchestra be unable to pay the liability in full at June 30, 2020, the Endowment Trust will reduce the annual draw for the fiscal year ending June 30, 2021, by the amount due that is remaining. At June 30, 2020, the two parties amended the Promissory Note whereby now the balance is due June 30, 2021, and any unpaid liability at that time will reduce the annual draw for the fiscal year ending June 30, 2022.

At June 30, 2020, the Symphony Orchestra Association owes the Endowment Trust \$247,000. The Promissory Note Payable to and Receivable by the Endowment Trust has been eliminated in the Statement of Financial Position.

NOTE 15: CONTINGENCIES

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus known as COVID-19 a pandemic. As a result, economic uncertainties have arisen which are likely to impact net income negatively. Possible effects may include the disruption of revenue streams related to admissions, rentals, fundraising events, and foundation grants. Other financial impacts could occur though such potential impact is unknown at the time.

In consideration of the Center for Disease Control guidance related to the COVID-19 pandemic the Symphony cancelled all scheduled performances for March and April of 2020. The Symphony will continue to follow the guidance of health professionals and government agencies with respect to future scheduled performances, but at this point cannot predict when live performances will be permitted.

In response to the requirement to cancel concerts, management redirected its efforts to an online platform, creating many virtual concerts. Management continues to monitor state and local guidance related to operations and to adapt its programming to meet the changes.

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Symphony applied for and received a Paycheck Protection Program (PPP) Loan in the amount of \$401,948 on April 15, 2020. Under the terms of the loan, the Symphony can expend minimally 60% of the funds for payroll and certain related expenses and 40% for rent and utilities initially over eight weeks and currently twenty-four weeks. If the lender approves all the expenditures, then the full amount of proceeds of the loan may be forgiven. Any amount not forgiven will have an annual interest rate of 1% and principal and interest will be payable over five years. The Symphony analyzed its expenditures and anticipates the lender will forgive the full amount of the PPP loan. (See Note 16)

THE SANTA BARBARA SYMPHONY
Notes to Combined Financial Statements

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 21, 2021, which is the date the financial statements were available to be issued. Management has determined the following subsequent events requiring disclosure are:

Line of Credit

Subsequent to year end, the Symphony has repaid its line of credit balance and has renewed its line of credit with the bank for one year, expiring August 5, 2021, with an initial interest rate of 5.250%.

Payroll Protection Program Loan

On February 2, 2021, the Symphony received a second loan in the amount of \$331,360 under the Small Business Administration Payroll Protection Program. Loans received under this program are eligible for forgiveness as documented in the regulations. Any amounts not forgiven will have an annual interest rate of 1% and principal and interest will be due two years from the date of the loan.

Supplemental Schedules

THE SANTA BARBARA SYMPHONY
Combining Statement of Financial Position
June 30, 2020
With Summarized Comparative Totals for June 30, 2019

	Assets			
	Symphony Orchestra Association	Endowment Trust	2020	2019
Current Assets:				
Cash and Cash Equivalents	\$ 329,730	\$ 11,626	\$ 341,356	\$ 87,891
Accounts Receivable	15,707	-	15,707	33,125
Pledges Receivable	16,125	-	16,125	136,140
Promissory Note Receivable from the Symphony Orchestra Association	-	247,000	247,000	-
Bequest Receivable	-	-	-	35,000
Prepaid Expenses and Other Current Assets	10,729	-	10,729	37,809
Total Current Assets	372,291	258,626	630,917	329,965
Unemployment Reserve Account	29,653	-	29,653	32,480
Property and Equipment:				
Automobiles	38,114	-	38,114	38,114
Office Equipment and Furniture	137,338	-	137,338	137,338
Less: Accumulated Depreciation	(169,735)	-	(169,735)	(161,650)
Net Property and Equipment	5,717	-	5,717	13,802
Investments	-	4,985,871	4,985,871	5,437,595
Interest in Charitable Remainder Trust	681,603	-	681,603	661,306
Total Assets	\$ 1,089,264	\$ 5,244,497	\$ 6,333,761	\$ 6,475,148
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable and Accrued Expenses	\$ 90,436	\$ -	\$ 90,436	\$ 49,903
Accrued Payroll and Related Expenses	59,973	-	59,973	51,668
Promissory Note Payable to Endowment Trust	247,000	-	247,000	-
Line of Credit	250,000	-	250,000	-
Deferred Income	208,786	-	208,786	457,605
Total Current Liabilities	856,195	-	856,195	559,176
Long-term Loan - Paycheck Protection Program	401,947	-	401,947	-
Total Liabilities	1,258,142	-	1,258,142	559,176
Net Assets:				
Without Donor Restrictions:				
Undesignated	(1,101,302)	-	(1,101,302)	(647,617)
Board Designated	-	695,591	695,591	688,455
Total Net Assets Without Donor Restrictions	(1,101,302)	695,591	(405,711)	40,838
With Donor Restrictions:				
Restricted by Purpose or Time	932,424	381,777	1,314,201	1,723,005
Restricted in Perpetuity	-	4,167,129	4,167,129	4,152,129
Total Net Assets With Donor Restrictions	932,424	4,548,906	5,481,330	5,875,134
Total Net Assets	(168,878)	5,244,497	5,075,619	5,915,972
Total Liabilities and Net Assets	\$ 1,089,264	\$ 5,244,497	\$ 6,333,761	\$ 6,475,148

See accompanying notes

THE SANTA BARBARA SYMPHONY
Combining Statement of Activities
For The Year Ended June 30, 2020
With Summarized Comparative Totals for the Year Ended June 30, 2019

	Symphony Orchestra Association	Endowment Trust	2020	2019
<i>Operating Revenue</i>				
Revenue, Gains and Other Support				
Concert Income	\$ 729,311	\$ -	\$ 729,311	\$ 952,831
Program Book Revenue	32,325	-	32,325	32,875
Tuition	23,471	-	23,471	20,096
Contributions and Grants	1,327,994	-	1,327,994	1,527,767
Operational Draw	273,345	(273,345)	-	-
Total before Fundraising Events	2,386,446	(273,345)	2,113,101	2,533,569
Revenue from Fundraising Events	9,750	-	9,750	89,415
Less Costs of Direct Benefit to Donors	(9,267)	-	(9,267)	(234,348)
Net Income/(Loss) from Fundraising Events	483	-	483	(144,933)
Total Revenue, Gains and Other Support	2,386,929	(273,345)	2,113,584	2,388,636
<i>Operating Expenses</i>				
Program Expenses				
Concert and Event Expenses	1,831,566	-	1,831,566	2,390,183
Music Education Center	452,063	-	452,063	536,350
Total Operating Program Expenses	2,283,629	-	2,283,629	2,926,533
Supporting Services				
Management and General	308,637	-	308,637	285,198
Fundraising	453,289	-	453,289	542,473
Total Supporting Services	761,926	-	761,926	827,671
Total Operating Expenses	3,045,555	-	3,045,555	3,754,204
Change in Net Assets from Operations	(658,626)	(273,345)	(931,971)	(1,365,568)
<i>Non-Operating Revenue and Expenses</i>				
Revenue				
Bequests	8,002	-	8,002	60,000
Permanently Restricted Contributions	-	15,000	15,000	15,000
Investment Income, Net	(53)	118,079	118,026	104,088
Realized Gain on Sales of Investments	-	394,482	394,482	152,065
Unrealized Loss on Investments	-	(456,104)	(456,104)	(47,577)
Change in Value of Interest in Charitable Remainder Trust	20,297	-	20,297	(228)
Total Non-Operating Revenue	28,246	71,457	99,703	283,348
Expenses				
Depreciation Expense	8,085	-	8,085	12,770
Feasibility Study	-	-	-	15,941
Total Non-Operating Expenses	8,085	-	8,085	28,711
Change in Net Assets from Non-Operating Activities	20,161	71,457	91,618	254,637
Total Change in Net Assets	(638,465)	(201,888)	(840,353)	(1,110,931)
Net Assets at Beginning of Year	469,587	5,446,385	5,915,972	7,026,903
Net Assets at End of Year	\$ (168,878)	\$ 5,244,497	\$ 5,075,619	\$ 5,915,972

See accompanying notes