



Report of Independent Auditors and
Combined Financial Statements with
Supplementary Information

**The San Diego Symphony Orchestra Association and
San Diego Symphony Foundation**

June 30, 2024



MOSSADAMS

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Report of Independent Auditors

The Boards of Directors
The San Diego Symphony Orchestra Association and
San Diego Symphony Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the combined financial statements of The San Diego Symphony Orchestra Association and San Diego Symphony Foundation, which comprise the combined statement of financial position as of June 30, 2024, and the related combined statements of activities, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of The San Diego Symphony Orchestra Association and San Diego Symphony Foundation as of June 30, 2024, and their changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 The San Diego Symphony Orchestra Association and San Diego Symphony Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The San Diego Symphony Orchestra Association and San Diego Symphony Foundation's ability to continue as a going concern within one year after the date that the combined 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 combined 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 The San Diego Symphony Orchestra Association and San Diego Symphony Foundation'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The San Diego Symphony Orchestra Association and San Diego Symphony Foundation'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 5, 6, 7, and 33 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, changes in net assets, and cash flows for the individual organizations, and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Matters***Prior Period Summarized Comparative Financial Information***

We have previously audited the June 30, 2023, combined financial statements, and our report, dated January 5, 2024, expressed an unmodified audit opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

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

San Diego, California

December 11, 2024

Combined Financial Statements

**The San Diego Symphony Orchestra Association and
San Diego Symphony Foundation
Combined Statement of Financial Position
June 30, 2024 (with Prior Year Summary Information)**

	June 30, 2024			June 30, 2023
	SAN DIEGO SYMPHONY ORCHESTRA ASSOCIATION	SAN DIEGO SYMPHONY FOUNDATION	COMBINED	COMBINED
ASSETS				
Cash and cash equivalents	\$ 11,557,114	\$ 87,576	\$ 11,644,690	\$ 10,559,574
Cash for construction project	4,722,667	-	4,722,667	8,156,959
Accounts receivable, net	5,532,992	-	5,532,992	3,439,996
Unconditional promises to give, net of allowance	23,971,184	3,023,835	26,995,019	32,011,795
Prepaid season expenses and other assets	2,866,475	-	2,866,475	2,153,378
Fixed assets, net of accumulated depreciation	105,376,920	-	105,376,920	109,788,749
Right-of-use lease assets, net of amortization	17,544,283	-	17,544,283	17,728,511
Construction in progress	145,082,838	-	145,082,838	76,899,997
Music library	97,301	-	97,301	97,301
Investments	-	1,688,689	1,688,689	1,555,024
Beneficial interest held at community foundations	935,344	110,952,872	111,888,216	106,815,702
Total assets	<u>\$ 317,687,118</u>	<u>\$ 115,752,972</u>	<u>433,440,090</u>	<u>\$ 369,206,986</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 24,780,980	\$ -	\$ 24,780,980	\$ 19,357,086
Deferred revenue	13,533,234	-	13,533,234	9,311,871
Right-of-use lease liability	18,860,403	-	18,860,403	18,388,603
Debt	27,303,059	-	27,303,059	23,437,396
Tenant improvement payable	1,750,000	-	1,750,000	2,000,000
Pension liability	1,493,284	-	1,493,284	3,085,744
Total liabilities	<u>87,720,960</u>	<u>-</u>	<u>87,720,960</u>	<u>75,580,700</u>
COMMITMENTS AND CONTINGENCIES (Note 11)				
Net Assets				
Without donor restrictions				
Accumulated expenses in excess of revenue	(42,761,730)	-	(42,761,730)	(41,856,202)
Designated for fixed assets and construction in progress	111,666,607	-	111,666,607	116,078,436
Net assets without donor restrictions	<u>68,904,877</u>	<u>-</u>	<u>68,904,877</u>	<u>74,222,234</u>
With donor restrictions	<u>161,061,281</u>	<u>115,752,972</u>	<u>276,814,253</u>	<u>219,404,052</u>
Total net assets	<u>229,966,158</u>	<u>115,752,972</u>	<u>345,719,130</u>	<u>293,626,286</u>
Total liabilities and net assets	<u>\$ 317,687,118</u>	<u>\$ 115,752,972</u>	<u>\$ 433,440,090</u>	<u>\$ 369,206,986</u>

See accompanying notes.

**The San Diego Symphony Orchestra Association and
San Diego Symphony Foundation
Combined Statement of Activities, with Supplemental Information
Year Ended June 30, 2024**

	Year Ended June 30, 2024							
	San Diego Symphony Orchestra Association			San Diego Symphony Foundation			Elimination	Combined
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
REVENUE FROM OPERATIONS								
Concert ticket revenues	\$ 16,429,593	\$ -	\$ 16,429,593	\$ -	\$ -	\$ -	\$ -	\$ 16,429,593
Contract performance revenues-Opera	1,000,000	-	1,000,000	-	-	-	-	1,000,000
Venue rental income	6,630,932	-	6,630,932	-	-	-	-	6,630,932
Contract performance revenues	1,302,619	-	1,302,619	-	-	-	-	1,302,619
Concession, gift shop, and other revenues	2,050,619	-	2,050,619	-	-	-	-	2,050,619
Total revenue from operations	27,413,763	-	27,413,763	-	-	-	-	27,413,763
EXPENSES FROM OPERATIONS								
Concerts	27,009,081	-	27,009,081	-	-	-	-	27,009,081
General and administrative	4,979,157	-	4,979,157	-	-	-	-	4,979,157
Promotion and box office	4,015,454	-	4,015,454	-	-	-	-	4,015,454
Facility	7,261,120	-	7,261,120	-	-	-	-	7,261,120
Education & Outreach	583,342	-	583,342	-	-	-	-	583,342
Total expenses from operations	43,848,154	-	43,848,154	-	-	-	-	43,848,154
Excess of expenses over revenue from operations	(16,434,391)	-	(16,434,391)	-	-	-	-	(16,434,391)
SUPPORT FROM FUNDRAISING								
Contributions	8,515,311	53,350,619	61,865,930	-	-	-	-	61,865,930
Contributions to endowment	-	-	-	-	1,270,000	1,270,000	-	1,270,000
Government grants	452,543	-	452,543	-	-	-	-	452,543
Special event revenue	112,890	444,550	557,440	-	-	-	-	557,440
Special event expense	(117,563)	-	(117,563)	-	-	-	-	(117,563)
Net assets released from restriction	2,071,074	(2,071,074)	-	-	-	-	-	-
Total revenue from fundraising	11,034,255	51,724,095	62,758,350	-	1,270,000	1,270,000	-	64,028,350
OTHER REVENUE								
Endowment contribution from SDSF	5,895,400	-	5,895,400	-	-	-	(5,895,400)	-
Endowment distribution	-	-	-	-	(5,931,400)	(5,931,400)	5,895,400	(36,000)
Rental income	219,498	-	219,498	-	-	-	-	219,498
Interest income	181,754	-	181,754	-	-	-	-	181,754
Gain/(loss) on sale of stock	(1,954)	-	(1,954)	-	-	-	-	(1,954)
Total other revenue	6,294,698	-	6,294,698	-	(5,931,400)	(5,931,400)	-	363,298
Less development expenses	2,148,346	-	2,148,346	-	-	-	-	2,148,346
Net support and other revenue	15,180,607	51,724,095	66,904,702	-	(4,661,400)	(4,661,400)	-	62,243,302
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(1,253,784)	51,724,095	50,470,311	-	(4,661,400)	(4,661,400)	-	45,808,911
Depreciation	(5,079,432)	-	(5,079,432)	-	-	-	-	(5,079,432)
Change in value of restricted split-interest agreements	-	-	-	-	426,934	426,934	-	426,934
Other comprehensive pension expenses	1,592,460	-	1,592,460	-	-	-	-	1,592,460
Amortization of right-of-use assets	(656,028)	-	(656,028)	-	-	-	-	(656,028)
Gain/(loss) on investment, net of investment expense of \$321,000	79,427	-	79,427	-	9,920,572	9,920,572	-	9,999,999
CHANGE IN NET ASSETS	(5,317,357)	51,724,095	46,406,738	-	5,686,106	5,686,106	-	52,092,844
NET ASSETS								
Beginning of year	74,222,234	109,337,186	183,559,420	-	110,066,866	110,066,866	-	293,626,286
End of year	\$ 68,904,877	\$ 161,061,281	\$ 229,966,158	\$ -	\$ 115,752,972	\$ 115,752,972	\$ -	\$ 345,719,130

See accompanying notes.

**The San Diego Symphony Orchestra Association and
San Diego Symphony Foundation
Combined Statement of Activities, with Supplemental Information
Year Ended June 30, 2023**

	Year Ended June 30, 2023							
	San Diego Symphony Orchestra Association			San Diego Symphony Foundation			Elimination	Combined
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
REVENUE FROM OPERATIONS								
Concert ticket revenues	\$ 16,412,837	\$ -	\$ 16,412,837	\$ -	\$ -	\$ -	\$ -	\$ 16,412,837
Contract performance revenues-Opera	1,501,942	-	1,501,942	-	-	-	-	1,501,942
Venue rental income	5,176,104	-	5,176,104	-	-	-	-	5,176,104
Contract performance revenues	761,589	1,200	762,789	-	-	-	-	762,789
Concession, gift shop, and other revenues	1,910,985	-	1,910,985	-	-	-	-	1,910,985
Total revenue from operations	25,763,457	1,200	25,764,657	-	-	-	-	25,764,657
EXPENSES FROM OPERATIONS								
Concerts	27,046,062	-	27,046,062	-	-	-	-	27,046,062
General and administrative	4,940,643	-	4,940,643	-	-	-	-	4,940,643
Promotion and box office	4,342,754	-	4,342,754	-	-	-	-	4,342,754
Facility	7,574,715	-	7,574,715	-	-	-	-	7,574,715
Education & Outreach	478,340	-	478,340	-	-	-	-	478,340
Total expenses from operations	44,382,514	-	44,382,514	-	-	-	-	44,382,514
Excess of expenses over revenue from operations	(18,619,057)	1,200	(18,617,857)	-	-	-	-	(18,617,857)
SUPPORT FROM FUNDRAISING								
Contributions	7,845,067	51,504,401	59,349,468	-	-	-	-	59,349,468
Contributions to endowment	-	-	-	-	980,000	980,000	-	980,000
Government grants	865,533	-	865,533	-	-	-	-	865,533
Special event revenue	1,054,142	80,000	1,134,142	-	-	-	-	1,134,142
Special event expense	(227,499)	-	(227,499)	-	-	-	-	(227,499)
Net assets released from restriction	3,067,023	(3,067,023)	-	-	-	-	-	-
Total revenue from fundraising	12,604,266	48,517,378	61,121,644	-	980,000	980,000	-	62,101,644
OTHER REVENUE								
Endowment contribution from SDSF	5,803,400	-	5,803,400	-	-	-	(5,803,400)	-
Endowment distribution	-	-	-	-	(5,803,400)	(5,803,400)	5,803,400	-
Rental income	216,618	-	216,618	-	-	-	-	216,618
Interest income	53,451	-	53,451	-	-	-	-	53,451
Gain/(Loss) on sale of stock	437	-	437	-	-	-	-	437
Total other revenue	6,073,906	-	6,073,906	-	(5,803,400)	(5,803,400)	-	270,506
Less development expenses	3,696,742	-	3,696,742	-	-	-	-	3,696,742
Net support and other revenue	14,981,430	48,517,378	63,498,808	-	(4,823,400)	(4,823,400)	-	58,675,408
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(3,637,627)	48,518,578	44,880,951	-	(4,823,400)	(4,823,400)	-	40,057,551
Depreciation	(4,993,677)	-	(4,993,677)	-	-	-	-	(4,993,677)
Change in value of restricted split-interest agreements	-	-	-	-	91,709	91,709	-	91,709
Other comprehensive pension expenses	1,334,069	-	1,334,069	-	-	-	-	1,334,069
Amortization of right-of-use assets	(660,092)	-	(660,092)	-	-	-	-	(660,092)
Gain/(loss) on investment, net of investment expense of \$315,000	62,500	-	62,500	-	7,593,282	7,593,282	-	7,655,782
CHANGE IN NET ASSETS	(7,894,827)	48,518,578	40,623,751	-	2,861,591	2,861,591	-	43,485,342
NET ASSETS								
Beginning of year	82,117,061	60,818,608	142,935,669	-	107,205,275	107,205,275	-	250,140,944
End of year	\$ 74,222,234	\$ 109,337,186	\$ 183,559,420	\$ -	\$ 110,066,866	\$ 110,066,866	\$ -	\$ 293,626,286

See accompanying notes.

**The San Diego Symphony Orchestra Association and
San Diego Symphony Foundation
Combined Statements of Cash Flows
Years Ended June 30, 2024 and 2023**

	2024	2023
OPERATING ACTIVITIES		
Change in net assets	\$ 52,092,844	\$ 43,485,342
Reconciliation to net cash used in operating activities:		
Depreciation	5,079,432	4,993,677
Non-cash lease expense	656,028	660,092
Change in discount on unconditional promises to give	190,228	(1,105,052)
Change in value of restricted split-interest agreements	(426,934)	(91,709)
Endowment contributions	(1,270,000)	(980,000)
Contributions for fixed assets with donor restrictions	(52,989,958)	(47,187,195)
Net unrealized gains on investments	(223,465)	(191,939)
Endowment gain net of payout and expenses	(5,072,514)	(2,679,745)
Change in pension liability	(1,592,460)	(1,334,069)
(Increase) decrease in operating assets		
Accounts receivable	(2,092,995)	581,813
Unconditional promises to give	5,253,482	2,229,866
Prepaid season expenses and other assets	(713,097)	1,182,222
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(14,422,925)	(5,301,304)
Deferred revenue	4,221,363	328,456
Tenant Improvement	(250,000)	(250,000)
Net cash used in operating activities	(11,560,971)	(5,659,545)
INVESTING ACTIVITIES		
Purchase of fixed assets	(667,603)	(531,782)
Proceeds from sales of investments	89,800	79,200
Additions to construction in progress	(48,336,021)	(32,734,280)
Net cash used in investing activities	(48,913,824)	(33,186,862)
FINANCING ACTIVITIES		
Repayments on note payable to donor and related party	(600,000)	(400,000)
Borrowings on Jacobs Music Center construction loan	10,000,000	-
Repayments on Rady Shell at Jacobs Park construction loan	(5,478,044)	(8,029,144)
Repayments on note payable to bank	(56,295)	(64,461)
Endowment contributions	1,270,000	980,000
Restricted contributions for fixed assets collected	52,989,958	47,187,195
Net cash provided by financing activities	58,125,619	39,673,590
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(2,349,176)	827,183
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	18,716,533	17,889,350
End of year	\$ 16,367,357	\$ 18,716,533
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 82,334	\$ 83,849
NONCASH INVESTING AND FINANCING ACTIVITIES		
Construction in progress included in accounts payable and accrued expenses	\$ 19,846,820	\$ 15,378,259
Right-of use asset obtained in exchange for operating lease liabilities	\$ -	\$ 17,932,571

See accompanying notes.

The San Diego Symphony Orchestra Association and San Diego Symphony Foundation

Notes to Combined Financial Statements

Note 1 – Nature of Organizations and Summary of Significant Accounting Policies

Nature of organizations – The San Diego Symphony Orchestra Association (SDSO), a California nonprofit public benefit corporation formed for the primary purpose of presenting musical concerts for the benefit of the San Diego community, is committed to presenting the community with symphonic and other music, at the highest level possible, as an accessible and inspirational art form through innovative programming and a strong commitment to arts education. Musicians serve as faculty in local universities and volunteers in public schools, give private music lessons, perform in artistic productions such as the San Diego Opera, and serve as artists in churches and community programs.

SDSO receives revenue from the San Diego Opera (the Opera) for services it provides. Revenue from the Opera was approximately 4 percent and 6 percent of total revenue from operations on the accompanying combined statements of activities for the years ended June 30, 2024 and 2023, respectively.

The productions and programs of SDSO are funded through ticket sales and a variety of public contributions and governmental grants.

San Diego Symphony Foundation (SDSF), a California nonprofit public benefit corporation, holds and seeks endowment funds to support the various programs of SDSO.

Method of accounting – The combined financial statements have been prepared utilizing the accrual basis of accounting and include the accounts of SDSO and SDSF, two separate legal entities with separate Boards of Directors.

SDSO receives benefits in the form of distributions from SDSF but does not exercise control over SDSF. The financial statements of SDSO and SDSF are combined pursuant to generally accepted accounting principles in the United States of America. All material inter-organization transactions have been eliminated in the accompanying combined financial statements.

Income tax status – SDSO and SDSF are both exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. SDSO and SDSF follow the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes*, related to accounting for uncertain tax positions. SDSO and SDSF have no unrecognized tax benefits or liabilities as of June 30, 2024 and 2023.

Financial statement presentation – SDSO and SDSF follow ASC 958, *Not-for-Profit Entities — Presentation of Financial Statements*, for presentation of their combined financial statements, which requires that net assets be classified as with or without donor restrictions based upon the following criteria:

- Net assets without donor restrictions represent expendable funds available for operations that are not otherwise limited by donor restrictions.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before SDSO and SDSF may spend the funds, and accumulated endowment earnings available for appropriation under SDSO and SDSF's spending policy.

The San Diego Symphony Orchestra Association and San Diego Symphony Foundation

Notes to Combined Financial Statements

Certain net assets with donor restrictions are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for generating investment income to fund current operations.

Revenue recognition

Concert and contract performance revenues – Concert revenue from ticket sales is recorded at the stated price per ticket and is recognized at the time of the related performance when SDSO has met its performance obligation. Sales from tickets purchased in advance are recorded as deferred revenue on the combined statements of financial position until the revenue is recognized at the time of the related performance. Contract performance revenues are recognized at the time the performance occurs when SDSO has met its performance obligation.

Venue rental income – Revenue from the use of SDSO's concert hall and The Rady Shell at Jacobs Park venue is recognized at the time the event occurs.

Concession, gift shop, and other revenue – Revenue from concessions, gift shops, and other revenue is recorded when SDSO has met its performance obligation which is at the time goods are sold or services are provided.

Contributions – Contributions are recognized as revenue when received or unconditionally pledged. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as either with or without donor restrictions depending on the nature of the restrictions. When a donor restriction expires, net assets with donor restrictions are re-classified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Contributions restricted by the donor for acquiring or constructing fixed assets are reported as net assets with donor restrictions. When the fixed asset is placed in service, SDSO reclassifies the net assets with donor restrictions to net assets without donor restrictions.

Donated services – Donated services are received from a variety of unpaid volunteers assisting in the operations of SDSO. No amounts have been recognized in the accompanying combined statements of activities because the criteria for recognition of such volunteer efforts under ASC 958-605, *Accounting for Contributions Received and Contributions Made*, have not been satisfied.

Government grants – Government grants are recognized as support when conditions have been met, which is generally when expenditures are incurred, in compliance with the terms and conditions of the grants.

Special events revenue – Revenue from special events is recognized at the time the event occurs, which is when SDSO has met its performance obligation.

The San Diego Symphony Orchestra Association and San Diego Symphony Foundation

Notes to Combined Financial Statements

Rental income – Rental income is recognized as earned under the terms of rental agreements. In October 1985, SDSO entered into a “Construction, Operating, and Easement Agreement” with Charlton-Raynd (now Symphony Tower Office). Under the terms of the agreement, Symphony Tower Office’s management was granted an easement to construct an office complex over SDSO’s land and existing structure. In exchange for the rights, SDSO receives monthly rental income for space leased in the office complex tower, subject to annual cost of living increases. Income under this agreement was approximately \$219,000 and \$217,000 for the years ended June 30, 2024 and 2023, respectively, and is included in rental income in the accompanying combined statements of activities.

Employee Retention Tax Credit – SDSO is eligible for the Employee Retention Tax Credit (ERC) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). As modified, the ERC provides eligible employers with less than 500 employees a refundable tax credit against the employer’s share of social security taxes. The ERC is equal to 70% of qualified wages paid to employees during calendar year 2021, for a maximum credit per employee of \$7,000 per employee for each calendar quarter through June 30, 2021. SDS filed for refunds of the ERC totaling \$2,220,067 in April 2022. The refunds claimed cover expenses SDSO incurred in 2020 and 2021. SDSO has recorded the ERC as a conditional contribution in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Accordingly, conditional contributions are not recognized as revenue until the conditions are substantially met or explicitly waived. For the year ended June 30, 2022, management believed the conditions were met for the refund of \$2,220,067 and the amount was recorded as contribution revenue. As of June 30, 2024 and 2023, SDSO has not received any refund payments and the amount due to SDSO is included in accounts receivable on the combined statements of financial position. Management believes the refund to be fully collectible and cannot reasonably estimate when it will receive any or all of the remaining refunds.

Cash and cash equivalents – Cash and cash equivalents consist of cash, money-market funds, and other highly liquid investments with maturities of three months or less from the date of purchase. The construction loan (see Note 12) includes a requirement to establish and maintain a separate, segregated, interest-bearing account to be used exclusively for the receipt of advances transferred to the borrower by the lender. In addition, per the loan agreement, these amounts can only be used for The Rady Shell at Jacobs Park project costs. This cash balance is included as a separate line on the combining statements of financial position.

Investments – SDSF holds investments in publicly traded mutual funds, which are recorded at fair value based on quoted prices in active markets, as described in Note 3.

Beneficial interests in assets held at community foundations (SDSO) – Beneficial interests in assets held at community foundations are recorded at fair value. The fair value of these interests held at The San Diego Foundation (TSDF) and Jewish Community Foundation (JCF), for which quoted market prices are not available, is based on values provided by TSDF and JCF. The community foundations determine the fair values based on the unit values of SDSO’s interest in the pools in which they have invested. The unit value is based on the fair value of the underlying assets in the pools.

The San Diego Symphony Orchestra Association and San Diego Symphony Foundation

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Beneficial interests in assets held at community foundations (SDSF) – Beneficial interests in assets held at community foundations are recorded at fair value. The fair value of these interests held at TSDF, JCF, and Rancho Santa Fe Foundation (RSF), for which quoted market prices are not available, is based on values provided by TSDF, JCF, and RSF. The community foundations determine the fair values based on the unit values of SDSF's interest in the pools in which they have invested. The unit value is based on the fair value of the underlying assets in the pools. The majority of the endowment assets are held in these accounts.

Receivables

Accounts receivable – Accounts receivable include amounts due for services provided through the fiscal year end.

Allowance for credit losses – An allowance for credit losses is based on management's analysis of historical collection experience, current and reasonable supportable expected future economic conditions, and the customer or producer's willingness or ability to pay. Receivables are considered past due when payments are not received according to an established payment schedule. Receivables are written off against the allowance in the period deemed uncollectible. SDSO does not obtain collateral.

Unconditional promises to give – Unconditional promises to give consist of pledges receivable and beneficial interests in charitable remainder trusts expected to be collected in future years.

The fair value of pledges receivable is determined using a discounted cash flow model. The discounts are computed using risk-free rates applicable in the year in which those promises are received. For the years ended June 30, 2024 and 2023, the discount rate used for pledges receivable is approximately 4.80 percent and 4.49 percent, respectively. Amortization of the discount is included in contributions.

SDSO is the beneficiary of several charitable remainder trusts. The charitable remainder trusts generally provide for the payment of distributions to designated beneficiaries over the term of the charitable remainder trusts (usually the designated beneficiary's lifetime). At the end of a charitable remainder trust's term, all or a portion of the remaining assets are to be distributed to SDSO. Assets held in the charitable remainder trusts are managed by donor-designated trustees and are not accessible to SDSO until the end of the charitable remainder trusts' term.

The fair value of the beneficial interests in charitable remainder trusts is calculated annually based on a discounted cash flow model using the fair value of the assets in the trust as provided by the trustees, applicable mortality tables for the donors, and discount rates at June 30, 2024 and 2023.

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Asset	Fair Value as of June 30, 2024	Valuation Technique	Unobservable Input	Range
Beneficial interests in charitable remainder trusts	\$ 4,469,378	Discounted cash flow	Discount rate Mortality tables	4.33%-5.09% 1-18 years

Asset	Fair Value as of June 30, 2023	Valuation Technique	Unobservable Input	Range
Beneficial interests in charitable remainder trusts	\$ 4,345,700	Discounted cash flow	Discount rate Mortality tables	3.81%-4.87% 2-19 years

Beneficial interests in the charitable remainder trusts are included in unconditional promises to give and in net assets with donor restrictions in the accompanying combined statements of financial position.

Prepaid season expenses – Prepaid season expenses include costs incurred as of June 30 for performances scheduled in the subsequent fiscal year. Expenses are recognized as the performances occur.

Fixed assets – Fixed assets are recorded at cost or, if donated, at estimated fair value at date of gift. All additions with a cost of \$5,000 or more are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years, with the exception of land and historical treasures which are not depreciated.

Leases – Operating leases are included in right-of-use (ROU) lease assets and right-of-use lease liabilities on the statements of financial position. SDSO considers that a contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration. ROU assets represents the ROU of an underlying asset for the lease term and lease liability represents obligations to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. SDSO considers only payments that are fixed and determinable at the time of commencement. SDSO has identified no contingencies upon which the variable lease payments that will be paid over the remainder of the lease term meet the definition of lease payments as of commencement. When discount rates implicit in leases cannot be readily determined, SDSO elected the practical expedient to utilize the risk-free rate, a rate for a U.S. Treasury security for a similar term to measure lease liabilities and ROU assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. In addition, SDSO's leases generally do not contain any residual or restrictive covenants. The Organization has agreements with lease and non-lease components, such as common area maintenance, and has elected to not account for the lease and non-lease components as separate components. Lease terms may include options to extend or terminate the lease when it is reasonably certain that SDSO will exercise that option. The Organization has elected not to recognize lease ROU assets and lease liabilities for leases with terms of less than 12 months.

Impairment of long-lived assets – SDSO evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

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Music library – SDSO capitalizes all music library purchases and historical treasures (purchased or donated). Music collections are not depreciated as they are held in perpetuity to promote and preserve the musical compositions. Historical treasures are not depreciated as they have an extraordinarily long useful life.

Advertising expense – Advertising costs are expensed in the year the related productions are performed. Advertising costs relating to future performances are deferred and included in prepaid expenses in the combined statements of financial position until the production is presented. Advertising expense for the years ended June 30, 2024 and 2023, was approximately \$797,000 and \$1,151,000, respectively. Advertising is recorded as a component of promotion and box office expenses.

Functional allocation of expenses – The costs of SDSO and SDSF's activities have been presented on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the concerts and supporting services benefited.

The information below summarizes all expenses functionally for the years ended June 30, 2024 and 2023:

	June 30, 2024					
	Program Services			Supporting Services		Total
	Concerts	Education and Outreach	Total Program Services	General and Administrative	Fundraising	
Salaries and wages	\$ 20,184,760	\$ 425,443	\$ 20,610,202	\$ 2,360,809	\$ 1,282,116	\$ 24,253,127
Professional services	15,686,216	157,899	15,844,116	2,618,348	983,794	19,446,257
Occupancy	739,884	-	739,884	-	-	739,884
Depreciation and amortization	3,440,925	-	3,440,925	2,294,536	-	5,735,460
Interest	-	-	-	82,334	-	82,334
	<u>\$ 40,051,785</u>	<u>\$ 583,342</u>	<u>\$ 40,635,127</u>	<u>\$ 7,356,027</u>	<u>\$ 2,265,909</u>	<u>\$ 50,257,063</u>

	June 30, 2023					
	Program Services			Supporting Services		Total
	Concerts	Education and Outreach	Total Program Services	General and Administrative	Fundraising	
Salaries and wages	\$ 19,422,495	\$ 337,973	\$ 19,760,468	\$ 2,188,993	\$ 1,321,378	\$ 23,270,840
Professional services	16,823,944	140,367	16,964,311	2,751,656	2,582,433	22,298,400
Occupancy	1,299,174	-	1,299,174	-	-	1,299,174
Depreciation and amortization	3,383,477	-	3,383,477	2,270,291	-	5,653,769
Interest	-	-	-	83,849	-	83,849
	<u>\$ 40,929,091</u>	<u>\$ 478,340</u>	<u>\$ 41,407,430</u>	<u>\$ 7,294,790</u>	<u>\$ 3,903,811</u>	<u>\$ 52,606,032</u>

Use of estimates – The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification – Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations or cash flows for prior periods.

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Subsequent events – Subsequent events are events or transactions that occur after the combined statement of financial position date but before the combined financial statements are available to be issued. SDSO and SDSF recognize in the combined financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the combined statement of financial position, including the estimates inherent in the process of preparing the combined financial statements. SDSO and SDSF's combined financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the combined statement of financial position, but arose after the combined statement of financial position date, and before the combined financial statements are available to be issued.

SDSO and SDSF have completed an evaluation of subsequent events through December 11, 2024, which is the date the combined financial statements were available to be issued.

Recently adopted accounting standards – Effective July 1, 2023, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which required the use of the current expected credit losses (CECL) impairment model for a broad scope of financial instruments, including financial assets measured at amortized cost, (which includes loans, held to-maturity debt securities, and trade receivables), net investments in leases, and certain off balance sheet credit exposures. This ASU excludes grants and contributions receivable and financial assets measured at fair value through change in net assets. The CECL model required the immediate recognition of estimated expected credit losses over the life of the financial instrument. Under this standard, disclosures are required to provide users of the combined financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The impact of the adoption had no impact to the combined financial statements, and primarily resulted in enhanced disclosures.

Note 2 – Concentrations

Concentrations of credit risk – Financial instruments that potentially subject SDSO and SDSF to credit risk consist primarily of cash, receivables, and investments, including beneficial interests held at community foundations.

Cash and cash equivalents – SDSO and SDSF maintain their cash and cash equivalents in bank accounts which, at times, may exceed federally insured deposit limits. SDSO and SDSF have not experienced any losses in such accounts.

Receivables – Unconditional promises to give, including beneficial interests in charitable remainder trusts, are exposed to various credit and market risks such as interest rate risk and investment risks. Unconditional promises to give are subject to credit risk. Charitable remainder trust valuations are based on donor life expectancies and the fair value of the underlying assets in the trusts. Changes in the near-term are not expected to materially affect the amounts reported in the combined financial statements.

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Notes to Combined Financial Statements

Investments and beneficial interests held at community foundations – Investments are held in publicly traded mutual funds and pooled investment funds, which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the combined financial statements.

Transactions with major donor – SDSO relies heavily on contributions from a single donor. For the years ended June 30, 2024 and 2023, one donor accounted for approximately 77 percent and 72 percent of total contributions, respectively, on the accompanying combined statements of activities. The major donor had no outstanding pledges as of June 30, 2024 and 2023.

See also Note 12 with regard to loan agreements and guarantee of a line of credit by the same donor.

Transactions with TSDF and JCF – SDSF invests the majority of its endowment assets along with the undistributed investment income with TSDF and JCF. The majority of these funds were contributed by the donor mentioned above. The Board of Directors of SDSF includes members affiliated with both TSDF and JCF.

Unconditional promises to give – As of June 30, 2024 and 2023, two donors (not including the major donor as noted above) accounted for approximately 29 and 35 percent, respectively, of total unconditional promises to give on the accompanying combined statement of financial position.

Note 3 – Fair Value Measurements

Fair value is 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 fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used for measuring fair value:

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 markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

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.

SDSO and SDSF estimate the fair value of investments with investment companies for which the estimate does not have readily determinable fair value using net asset value (NAV) per share or its equivalent. Those estimated fair values may differ significantly from the value that would have been used had a readily available market value for these securities existed.

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The following fair value hierarchy table presents information about each major class of SDSO and SDSF's financial assets measured at fair value on a recurring basis as of June 30, 2024 and 2023:

	2024			Total
	Level 1	Level 2	Level 3	
Beneficial interests in assets held at community foundations	\$ -	\$ -	\$ 111,888,216	\$ 111,888,216
Mutual funds - domestic and international equity securities	1,688,689	-	-	1,688,689
Total investments	<u>\$ 1,688,689</u>	<u>\$ -</u>	<u>\$ 111,888,216</u>	<u>\$ 113,576,905</u>
Beneficial interests in charitable remainder trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,850,308</u>	<u>\$ 4,850,308</u>

	2023			Total
	Level 1	Level 2	Level 3	
Beneficial interests in assets held at community foundations	\$ -	\$ -	\$ 106,815,702	\$ 106,815,702
Mutual funds - domestic and international equity securities	1,555,024	-	-	1,555,024
Total investments	<u>\$ 1,555,024</u>	<u>\$ -</u>	<u>\$ 106,815,702</u>	<u>\$ 108,370,726</u>
Beneficial interests in charitable remainder trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,345,700</u>	<u>\$ 4,345,700</u>

Beneficial interests in assets held at community foundations are held under custodial agreements with TSDF, JCF, and RSF who manage the assets, which are primarily invested in publicly traded and private fixed-income, equity, multi-strategy, and real estate funds. SDSF did not grant variance power to TSDF, JCF, and RSF over the investments. Distributions can be made at any time from the funds but only with written authorization from SDSF. There are no commitments to make future investments at TSDF, JCF, and RSF as of June 30, 2024 and 2023. TSDF and JCF portfolios include private equity investments with customary limitations for time and amount on periodic redemption of funds.

Investment return is included in the combined statements of activities as endowment contribution to and endowment distribution to SDSO. The change in value for the beneficial interests in the charitable remainder trusts is included in contributions and change in value of restricted split-interest agreements lines in the combined statements of activities.

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Note 4 – Unconditional Promises to Give

Unconditional promises to give are due as follows as of June 30, 2024 and 2023:

	2024	2023
Less than one year	\$ 11,309,192	\$ 9,811,741
One to five years	10,350,085	17,076,774
More than five years	9,029,275	8,307,268
	<u>30,688,552</u>	<u>35,195,783</u>
Less allowance for uncollectible pledges	-	-
Less discount to net present value	<u>(3,693,533)</u>	<u>(3,183,988)</u>
	<u><u>\$ 26,995,019</u></u>	<u><u>\$ 32,011,795</u></u>

Note 5 – Fixed Assets and Construction in Progress

Fixed assets and construction in progress are comprised of the following as of June 30, 2024 and 2023:

	2024	2023
Land	\$ 2,370,000	\$ 2,370,000
Building & improvements	119,012,905	119,012,905
Furniture and equipment	4,903,130	4,701,184
Computers and software	3,751,032	3,285,375
Historical treasures, including musical instruments	7,205,947	7,205,947
	137,243,014	136,575,411
Less accumulated depreciation	<u>(31,866,094)</u>	<u>(26,786,662)</u>
	<u><u>\$105,376,920</u></u>	<u><u>\$109,788,749</u></u>
Construction in progress	<u><u>\$145,082,838</u></u>	<u><u>\$ 76,899,997</u></u>

Musical instruments are insured for \$7,200,000 as of June 30, 2024 and 2023 and their value is determined by independent appraisal.

The balance as of June 30, 2024, of approximately \$145,100,000 for construction in progress is related to construction underway at Jacobs Music Center, SDSO's indoor concert facility. See Note 11 – Commitments and Contingencies, for further information on construction contracts.

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Note 6 – Leases

SDSO adopted ASC Topic 842 as of July 1, 2022, and recorded a ROU asset and lease liability for its sole operating lease.

Port of San Diego Lease – In July 2019, the Port of San Diego's Board of Port Commissioners announced its approval of SDSO's lease at Embarcadero Marina Park South. In September 2019, SDSO began construction of a permanent outdoor concert venue on the leased property now known as The Rady Shell at Jacobs Park. Occupancy permits were issued and effective June 30, 2021, and thereafter SDSO placed the facility into service as of August 5, 2021. The total cost incurred for The Rady Shell at Jacobs Park was approximately \$88,246,000.

The lease term is 50 years, with an initial term of 15 years followed by four options held by SDSO for an additional 35 years. SDSO was required to spend a minimum of \$45 million for design, permitting, and construction costs. No rent was accrued during the construction period.

Monthly rent is based on a percentage of gross revenue. For the initial years of the lease, a rent credit of \$2,900,000 will be applied toward the percent rent due. During that time there is a minimum rent due of \$100,000 per year. Once the rent credit period has ended, the rent will be based on gross revenue without further credit. Rent will be 5.0 percent of food, beverage, and merchandise sales and a variable percentage of ticket revenue, ranging from 1.0 percent to 8.0 percent based on ticket revenue the previous year, with the commission increasing as total sales increase. As of June 30, 2024 and 2023, there was approximately \$888,000 and \$1,780,000 of rent credit remaining, respectively.

SDSO is responsible for security, maintenance and repair, landscaping, and trash removal of its leasehold area and must carry specified levels of insurance for the venue. The public has a right to use the leasehold area as a public park (excluding the stage complex and the food pavilions) whenever there is no event and SDSO is limited in the number of half days that it may hold events at the venue. SDSO issues special event permits for groups to use its leasehold area.

Components of ROU assets and liabilities on the combined statement of financial position are as follows as of June 30, 2024 and 2023:

	2024	2023
Right-of-use asset	\$ 17,932,571	\$ 17,932,571
Accumulated amortization	<u>(388,288)</u>	<u>(204,060)</u>
Total net right-of-use asset	<u>\$ 17,544,283</u>	<u>\$ 17,728,511</u>
Total lease liabilities	<u>\$ 18,860,403</u>	<u>\$ 18,388,603</u>

SDSO's lease expense was approximately \$656,000 and \$660,000 for the years ended June 30, 2024 and 2023, respectively.

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The following are key assumptions used by SDSO to measure the asset and lease liability as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term in years for operating lease	45.2	46.2
Weighted-average discount rate for operating leases	3.11%	3.11%

Future minimum lease payments under this lease are approximately as follows as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	<u>Operating</u>	<u>Operating</u>
Years Ending June 30,		
2025	\$ 100,000	\$ 100,000
2026	456,500	100,000
2027	813,000	456,500
2028	813,000	813,000
2029	813,000	813,000
Thereafter	<u>32,655,500</u>	<u>33,468,500</u>
Total undiscounted cash flows	35,651,000	35,751,000
Less present value discount	<u>(16,790,597)</u>	<u>(17,362,397)</u>
Total lease liabilities	<u><u>\$ 18,860,403</u></u>	<u><u>\$ 18,388,603</u></u>

Note 7 – Deferred Revenue

Deferred revenue relates to the following as of:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>July 1, 2022</u>
Relating to future performances (in the next twelve months)	\$ 13,515,795	\$ 9,294,432	\$ 8,971,875
Relating to special events & sponsorships	<u>17,439</u>	<u>17,439</u>	<u>11,539</u>
	<u><u>\$ 13,533,234</u></u>	<u><u>\$ 9,311,871</u></u>	<u><u>\$ 8,983,414</u></u>

With the cancellation of portions of the 2020 through 2024 seasons, SDSO has contacted patrons that purchased tickets for concerts that were cancelled. The patrons have the option to defer their subscription to the next season, contribute the funds to SDSO, or request a refund. Included in the balance at June 30, 2024, is approximately \$523,000 in ticket purchases where patrons have not responded to requests or opted to keep funds on account and, therefore, amounts could be refunded in the future. Cash to cover potential refunds was held in an account at June 30, 2024, to cover any necessary adjustments in the following year.

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Note 8 – Employee Benefit Plans

Defined benefit plan – SDSO has a defined benefit plan that covers its musicians (the Plan). The Plan is noncontributory and benefits are based on employees' years of service. The Plan's funded status for the years ended June 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Obligations and Funded Status		
Change in projected benefit obligations		
Benefit obligations at beginning of year	\$14,995,257	\$15,188,512
Service cost	144,667	100,912
Interest cost	710,951	640,092
Actuarial gain	(753,515)	(127,140)
Benefits disbursed	<u>(853,171)</u>	<u>(807,119)</u>
Benefit obligations at end of year	<u><u>\$14,244,189</u></u>	<u><u>\$14,995,257</u></u>
Change in Plan assets:		
Fair value of Plan assets at the beginning of year	\$11,909,513	\$10,768,699
Actual return of Plan assets	945,552	668,462
Employer contributions	749,011	1,279,471
Benefits disbursed from Plan assets (including expense charges)	<u>(853,171)</u>	<u>(807,119)</u>
Fair value of Plan assets at end of year	<u><u>\$12,750,905</u></u>	<u><u>\$11,909,513</u></u>
Unfunded status	<u><u>\$ (1,493,284)</u></u>	<u><u>\$ (3,085,744)</u></u>

Contributions to the Plan by SDSO for the year ending June 30, 2025, are estimated to approximate the contributions made by SDSO for the year ended June 30, 2024.

Amounts recognized in the combined statements of financial position as June 30, 2024 and 2023, consist of:

	<u>2024</u>	<u>2023</u>
Pension liability	<u><u>\$ (1,493,284)</u></u>	<u><u>\$ (3,085,744)</u></u>
Amounts included in net assets without donor restrictions related to pension adjustments	<u><u>\$ (3,200,090)</u></u>	<u><u>\$ (4,535,314)</u></u>

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The target asset allocations of the Plan at June 30, 2024 and 2023, by asset category are as follows:

	2024	2023
Equity securities	35%	36%
Debt securities	38%	37%
Other	27%	27%

The fair value of the Plan's assets at June 30, 2024 and 2023, by asset class based on the fair value hierarchy as described in Note 3 is as follows:

	2024				
	Level 1	Level 2	Level 3	NAV	Total
Mutual funds					
Debt - Bonds	\$ 3,165,431	\$ -	\$ -	\$ -	\$ 3,165,431
Private Debt	-	-	-	503,112	503,112
Equities					
Multi Strategy	4,563,604	-	1,235,367	-	5,798,971
Money Market	2,400,139	-	-	-	2,400,139
Real Estate	-	-	-	883,252	883,252
Total	<u>\$ 10,129,174</u>	<u>\$ -</u>	<u>\$ 1,235,367</u>	<u>\$ 1,386,364</u>	<u>\$ 12,750,905</u>

	2023				
	Level 1	Level 2	Level 3	NAV	Total
Mutual funds					
Debt - Bonds	\$ 3,330,191	\$ -	\$ -	\$ -	\$ 3,330,191
Private Debt	-	-	-	478,779	478,779
Equities					
U.S. Large Cap	1,815,995	-	-	-	1,815,995
International Developed Markets	1,096,944	-	-	-	1,096,944
International Emerging Markets	747,039	-	-	-	747,039
U.S. Small/Mid Cap	583,486	-	-	-	583,486
Multi Strategy	-	-	1,118,510	-	1,118,510
Money Market	1,731,639	-	-	-	1,731,639
Real Estate	-	-	-	1,006,930	1,006,930
Total	<u>\$ 9,305,294</u>	<u>\$ -</u>	<u>\$ 1,118,510</u>	<u>\$ 1,485,709</u>	<u>\$ 11,909,513</u>

Net periodic pension cost as determined by ASC 715, *Compensation – Retirement Benefits Defined Benefit Plans — Pension*, included the following components for the years ended June 30, 2024 and 2023:

	2024	2023
Service cost	\$ 144,667	\$ 100,912
Interest cost	710,951	640,092
Actuarial gain	(744,668)	(579,724)
Amortization of loss	380,826	493,404
Net periodic pension expense	<u>\$ 491,776</u>	<u>\$ 654,684</u>

The amount of net actuarial loss included in net assets (without donor restrictions) at June 30, 2024, that is expected to be recognized in net periodic pension (income) loss during the year ending June 30, 2025 is \$219,000.

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Notes to Combined Financial Statements

The actuarial assumptions used for determining benefit obligations and pension expenses for the years ended June 30, 2024 and 2023, are as follows:

	2024	2023
Discount rate - net periodic pension cost	4.9%	4.4%
Discount rate - benefit obligation	5.3%	4.9%
Expected long-term rate of return on assets	6.3%	6.3%
Rate of compensation increase	n/a	n/a

The long-term rate of return assumption represents the expected average rate of earnings on the funds invested or to be invested to provide for the benefits included in the benefit obligations. The long-term rate of return assumption is determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the Plan, historical Plan return data, Plan expenses, and the potential to outperform market index returns. The rate of compensation increase is not relevant to the calculations because benefits paid upon retirement are based upon years of service multiplied by a flat rate per month which, once earned, are not subject to annual increases.

Investment policy and plan assets – The investment objective for the assets of the Plan portfolio is to generate a total rate of return, including income and capital appreciation, sufficient to enhance the ability of the Plan to meet its obligations to Plan participants and their beneficiaries when due, without taking unnecessary risk of long-term capital decline.

Investment policies and strategies governing the assets of the Plan are designed to achieve investment objectives within prudent risk parameters. Risk management practices include the use of an external investment manager and the maintenance of a portfolio diversified by asset class, investment approach, and security holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they come due.

Cash flows – For the years ending June 30, the following payments from the Plan are expected to be made for benefits as follows:

2025	\$ 1,009,000
2026	1,195,000
2027	1,175,000
2028	1,166,000
2029	1,137,000
Thereafter	5,305,000
Total	<u>\$ 10,987,000</u>

Defined contribution plans – SDSO contributes to a health and welfare fund and a pension fund for its stagehands at the rate of 14 percent of eligible compensation for each fund. Total contributions for the years ended June 30, 2024 and 2023, were approximately \$251,000 and \$266,000, respectively.

Union employees are covered by industry pension plans under which SDSO contributes monthly to the unions based on payroll for each eligible employee. All of SDSO's musicians are members of a union with a contract that expires on June 30, 2027. All of SDSO's stagehands are members of a union with a contract that expires on June 30, 2025.

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SDSO has a 457(b) deferred compensation plan (457(b) Plan) for qualified employees. Eligible employees can elect to defer up to 100 percent of their compensation in accordance with Internal Revenue Service deferral limits. As of June 30, 2024 and 2023, the 457(b) Plan had assets of \$368,000 and \$292,000, respectively. For the years ended June 30, 2024 and 2023, SDSO's contribution to the 457(b) Plan was \$0.

SDSO has a 401(k) plan for employees not covered by a collective bargaining agreement (the 401(k) Plan). Employees become eligible on their hire date and are eligible for employer matching contributions after one year of employment. The 401(k) Plan provides for employer contributions of 5.0 percent of eligible compensation. All contributions are 100 percent vested at the time of enrollment. For the years ended June 30, 2024 and 2023, SDSO's contribution to the 401(k) Plan was approximately \$226,000 and \$229,000, respectively.

In July 2019, SDSO established a 457(f) deferred compensation retirement plan. Eligible employees accrue annual benefits as determined by their employment compensation agreement. At June 30, 2024 and 2023, \$200,000 and \$150,000 was accrued, respectively. Starting July 1, 2022, all benefits awarded (either before or after July 1, 2022) become fully vested. Accrued benefits are not funded currently and would be subject to the claims of creditors of SDSO. Benefits are payable upon retirement in annual installments.

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Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows as of June 30, 2024 and 2023:

	2024	2023
Time restrictions		
Event in future fiscal year	\$ 6,797,111	\$ 8,503,028
Charitable remainder trusts	345,594	319,660
Restricted purpose or program		
Comprehensive campaign	151,424,761	98,020,683
	<u>158,567,466</u>	<u>106,843,371</u>
Subject to spending policy and appropriation (includes unappropriated endowment earnings)		
Investment in perpetuity		
Purposes established by donors	111,831,909	110,134,975
Amounts above original corpus (Note 13)	6,414,878	2,425,706
	<u>118,246,787</u>	<u>112,560,681</u>
Total endowment net assets	<u>118,246,787</u>	<u>112,560,681</u>
Total net assets with donor restrictions	<u>\$ 276,814,253</u>	<u>\$ 219,404,052</u>

Note 10 – Net Assets Released from Donor Restrictions

Net assets released from donor restrictions were as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Time restrictions		
Event in future fiscal year	\$ 2,012,141	\$ 1,868,450
Restricted purpose or program		
Comprehensive campaign	58,933	1,198,573
	<u>\$ 2,071,074</u>	<u>\$ 3,067,023</u>

During the years ended June 30, 2024 and 2023, \$0 and approximately \$600,000 of releases, respectively, related to the comprehensive campaign were due to The Rady Shell at Jacobs Park being placed into service.

Note 11 – Commitments and Contingencies

Grants and contracts – Government grants are sometimes subject to evaluation as to conformance with the underlying governmental program and there could arise circumstances under which a government grant recognized as revenue could become subject to repayment. SDSO is not aware of any grants that are required to be repaid.

The San Diego Symphony Orchestra Association and San Diego Symphony Foundation

Notes to Combined Financial Statements

SDSO has grants and contracts with various organizations and government agencies that are subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits is not material. Some of these grants and contracts may be terminated or reduced with written notice to SDSO.

Contracts with guest artists – SDSO has non-cancelable agreements with various guest artists for performances scheduled during the 2024 and 2025 calendar years. At June 30, 2024, total future commitments under non-cancelable agreements approximate \$4,690,000.

Legal matters – At times, SDSO and SDSF are parties to certain claims and legal actions arising in the normal course of business. June 30, 2024, management believes that all known claims or legal actions will not have a significant impact on the combined financial statements.

Construction contracts – In September 2020, SDSO entered into an agreement with Rudolph & Sletten, Inc. as the general contractor for a project at Jacobs Music Center. The project included upgrades to mechanical, electrical, and plumbing systems. New HVAC systems were installed to improve fresh air exchange and airflow filtering throughout the facility. The approximate value of the full project upon completion in January 2022, was \$18,000,000.

In January 2022, a second phase of improvements to the Jacobs Music Center commenced. A contract with Rudolph & Sletten was signed in January 2022. The original contract costs plus change orders through June 30, 2024 for this second phase approximates \$108,750,000. The project includes substantial remodeling of the concert hall including improved acoustics. The total contracted amount remaining as of June 30, 2024, is approximately \$13,160,000.

Tenant improvement payable – In connection with the food and beverage service contract for The Rady Shell at Jacobs Park, in December 2019 SDSO received a cash allowance of \$2,500,000. The allowance was for the sole purpose of purchasing food service-related equipment for the new facility. Any capital improvement funds remaining post-construction will be reserved for food service-related expenditures in future years. All of the capital improvements became the property of SDSO upon purchase or installation. The contractor will amortize the allowance on a straight-line basis over the term of the contract, which terminates May 31, 2032. In the event the contract is terminated for any reason whatsoever prior to the contractor's complete amortization of the capital improvements paid for under this allowance, an amount equal to the unamortized value shall be paid by SDSO, without offset, to the contractor. The unamortized value is included in tenant improvement payable in the combined statements of financial position.

Collective bargaining agreement – Substantially all musicians employed by SDSO are subject to a collective bargaining agreement with the Musicians' Association of San Diego County, Local 325, American Federation of Musicians, AFL-CIO, which expires June 30, 2027.

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Notes to Combined Financial Statements

Note 12 – Debt

The Rady Shell at Jacobs Park Construction Loan – In December 2019, a loan agreement was signed between SDSO and an anonymous lender. The loan was intended to cover construction costs for The Rady Shell at Jacobs Park (the Project). The loan is structured as a line of credit with a maximum funding amount of \$45,000,000. The loan is unsecured. As of June 30, 2024, \$44,989,000 had been advanced on the loan. Loan funds may only be used for hard and soft construction costs for the Project. The interest rate is the federal mid-term rate, compounded annually, plus 0.5 percent (1.00 percent at June 30, 2024). The interest rate adjusts on January 1 of each year under the same formula. Accrued interest must be paid annually on the last business day of the calendar year. The loan must be repaid by March 5, 2029. Pre-payment is permitted with no penalty. The loan had an outstanding balance of \$12,772,129 and \$18,250,172 as of June 30, 2024 and 2023, respectively.

Note payable to donor – In August 2017, SDSO entered into a formal loan agreement with a donor under which SDSO was advanced \$4,000,000. The payment plan was amended in February 2019, and is payable in equal quarterly installments of \$50,000 starting in March 2020 through June 2021. The quarterly installments increase to \$100,000 in September 2021 through June 2023, \$150,000 in September 2023 through June 2024, \$200,000 in September 2024 through June 2025, and \$375,000 in September 2025 through the end of the loan in June 2026. Interest of 1.69 percent per annum is payable quarterly until the termination of the loan. The outstanding balance of the loan was \$2,300,000 and \$2,900,000 as of June 30, 2024 and 2023, respectively. Per the agreement, the loan proceeds were used to pay in full the line of credit balance during fiscal year 2017/2018 with remaining funds to be used for operational needs.

Jacobs Music Center Construction Loan – In March 2024, SDSO entered into a separate, formal loan agreement with the same donor mentioned in the preceding paragraph under which SDSO was advanced \$10,000,000. The loan was intended to cover construction costs for the Jacobs Music Center. The loan is unsecured. The interest rate is 1.00 percent, compounded annually. The donor reserves the right to adjust the interest rate at any time, provided that the interest rate, as adjusted, does not exceed the applicable federal mid-term rate, compounded annually, plus 0.5 percent. Accrued interest must be paid annually on the last business day of each calendar year until the maturity of the loan. The loan must be repaid by May 8, 2033. The outstanding balance of the loan was \$10,000,000 as of June 30, 2024.

In August 2024, SDSO entered into an amendment to its loan agreement to borrow \$30,000,000 of additional funding which increased the principal balance of the loan to \$40,000,000. There were no other significant changes to the terms and conditions under the amended agreement.

Note payable to bank – In August 2021, SDSO purchased a warehouse to serve the storage needs of SDSO, including storing equipment for The Rady Shell at Jacobs Park, which is located nearby. The purchase price was \$3,200,000. The purchase was financed with a loan of \$2,400,000 in addition to a cash down payment of \$800,000. The loan accrues interest at a rate of 3.9 percent and is payable in monthly payments of principal and interest. The loan is due in full by August 2031. The loan had an outstanding balance of \$2,230,930 and \$2,287,224 as of June 30, 2024 and 2023, respectively.

The San Diego Symphony Orchestra Association and San Diego Symphony Foundation

Notes to Combined Financial Statements

Future minimum principal payments on the construction loan, note payable to donor and related party, and note payable to bank are as follows:

<u>Years Ending June 30,</u>	
2025	\$ 864,264
2026	1,566,851
2027	69,543
2028	72,127
2029	12,847,377
Thereafter	<u>11,882,897</u>
	<u><u>\$ 27,303,059</u></u>

Line of credit – SDSO had a \$2,000,000 bank line of credit with a maturity date of August 9, 2024. The interest rate on the line of credit was the BSBY Daily Floating Rate plus 0.75 percent. The line of credit was secured by securities and other investment property owned by a major donor (see Note 2). As of June 30, 2024 and 2023, no amounts were drawn on this line of credit.

With a separate bank, SDSO has an unsecured \$5,000,000 bank line of credit with a maturity date of August 2, 2025. The interest rate on the line of credit is the Endeavor Bank Reference Rate (EBRR) 7.75 percent minus 1.0 percent. As of June 30, 2024 and 2023, no amounts were drawn on this line of credit.

Note 13 – Endowments

The Board of Directors of SDSF has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) 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, SDSF classifies as net assets with donor restrictions: (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) accumulations to the 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 net assets with donor restrictions is classified as with donor restrictions until those amounts are appropriated for in accordance with CPMIFA. The organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a) The duration and preservation of the fund
- b) The purposes of SDSF and the donor-restricted endowment fund
- c) General economic conditions
- d) The possible effect of inflation and deflation
- e) The expected total return from income and the appreciation of investments

The San Diego Symphony Orchestra Association and San Diego Symphony Foundation

Notes to Combined Financial Statements

f) Other resources of SDSF

g) The investment policies of SDSF

SDSF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by SDSF's Board of Directors, the endowment assets are invested in a manner that is intended to obtain a maximum investment return commensurate with reasonable risk. SDSF expects its endowment funds, over time, to provide an average rate of return that exceeds inflation by 5.0 percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, SDSF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SDSF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve their long-term return objectives within prudent risk constraints.

SDSF has a policy of appropriating for distribution each year 4.0 to 6.0 percent (as approved by the Board of Directors of SDSF) of the endowment fund's average fair value of the investments for a rolling 12-quarter period. In establishing this policy, SDSF considered the long-term expected return on their endowments. This is consistent with SDSF's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Under the current spending policy, approximately 5.4 and 5.5 percent of the average fair value of the investments for a rolling 12-quarter period has been appropriated to support current operations in 2024 and 2023, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires SDSF to retain as a fund of perpetual duration. Total deficiencies in endowment funds are reflected in the tables below as accumulated earnings. As of June 30, 2024, deficiencies of this nature existed in two donor-restricted endowment funds, which together have an original gift value of approximately \$56,860,000, a current fair value of approximately \$55,000,000, and a deficiency of approximately \$1,860,000. As of June 30, 2023, deficiencies of this nature existed in two donor-restricted endowment funds, which together have an original gift value of approximately \$54,174,00, a current fair value of approximately \$52,244,000, and a deficiency of approximately \$1,930,000. SDSF has interpreted CPMIFA to permit spending from endowment funds with deficits of this nature in accordance with prudent measures required by law.

**The San Diego Symphony Orchestra Association and
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Notes to Combined Financial Statements**

Changes in endowment net assets for the years ended June 30, 2024 and 2023, were as follows:

	2024		
	Accumulated Earnings	Original Gift	Total
Endowment net assets, July 1, 2023	\$ 2,425,706	\$ 110,134,975	\$ 112,560,681
Contribution	-	1,270,000	1,270,000
Investment return			
Investment income	10,241,907	-	10,241,907
Investment expenses	(321,335)	-	(321,335)
Endowment payout	(5,931,400)	-	(5,931,400)
Change in value of split interest agreements	-	426,934	426,934
Endowment net assets, June 30, 2024	<u>\$ 6,414,878</u>	<u>\$ 111,831,909</u>	<u>\$ 118,246,787</u>
	2023		
	Accumulated Earnings	Original Gift	Total
Endowment net assets, July 1, 2022	\$ 635,824	\$ 109,063,266	\$ 109,699,090
Contribution	-	980,000	980,000
Investment return			
Investment income	7,908,159	-	7,908,159
Investment expenses	(314,877)	-	(314,877)
Endowment payout	(5,803,400)	-	(5,803,400)
Change in value of split interest agreements	-	91,709	91,709
Endowment net assets, June 30, 2023	<u>\$ 2,425,706</u>	<u>\$ 110,134,975</u>	<u>\$ 112,560,681</u>

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Note 14 – Liquidity and Availability

The following reflects SDSO and SDSF's financial assets as of June 30, 2024 and 2023. It is reduced by the amounts not available for use in operations due to donor-imposed restrictions within one year of that date and amounts not available include funds in a segregated account that are restricted for use in The Rady Shell at Jacobs Park capital project.

	<u>2024</u>	<u>2023</u>
Financial assets at year end June 30	\$ 162,472,273	\$ 162,539,050
Less those unavailable for general expenditures within one year due to		
Contractual or donor-imposed restrictions		
Restricted by donor for capital project	(4,771,927)	(7,961,980)
Restricted by donor with other time or purpose restrictions	(50,000)	(50,000)
Other designations		
Restricted for passage of time	(23,971,184)	(26,806,644)
Endowment cash operating account	(87,576)	(164)
Endowment assets	<u>(113,576,905)</u>	<u>(108,370,726)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,014,681</u>	<u>\$ 19,349,536</u>

In the event of an unanticipated liquidity need, SDSO could draw upon \$5,000,000 of an available bank line of credit (Note 12).

Supplementary Information

**The San Diego Symphony Orchestra Association and
San Diego Symphony Foundation
Combining Statement of Activities
Year Ended June 30, 2024**

	SAN DIEGO SYMPHONY ORCHESTRA ASSOCIATION	SAN DIEGO SYMPHONY FOUNDATION	COMBINED
REVENUE FROM OPERATIONS			
Concert ticket revenues	\$ 16,429,593	\$ -	\$ 16,429,593
Contract performance revenues-Opera	1,000,000	-	1,000,000
Venue rental income	6,630,932	-	6,630,932
Contract performance revenues	1,302,619	-	1,302,619
Concession, gift shop, and other revenues	2,050,619	-	2,050,619
Total revenue from operations	<u>27,413,763</u>	<u>-</u>	<u>27,413,763</u>
EXPENSES FROM OPERATIONS			
Concerts	27,009,081	-	27,009,081
General and administrative	4,979,157	-	4,979,157
Promotion and box office	4,015,454	-	4,015,454
Facility	7,261,120	-	7,261,120
Education & Outreach	583,342	-	583,342
Total expenses from operations	<u>43,848,154</u>	<u>-</u>	<u>43,848,154</u>
Excess of expenses over revenue from operations	<u>(16,434,391)</u>	<u>-</u>	<u>(16,434,391)</u>
SUPPORT AND OTHER REVENUE			
Contributions	\$ 61,865,930	\$ -	\$ 61,865,930
Contributions to Endowment	-	1,270,000	1,270,000
Government grants	452,543	-	452,543
Special event revenue	557,440	-	557,440
Special event expense	(117,563)	-	(117,563)
Rental income	219,498	-	219,498
Endowment distribution	5,895,400	(5,931,400)	(36,000)
Interest income	181,754	-	181,754
Gain/(Loss) on sale of stock	(1,954)	-	(1,954)
Total support and other revenue	<u>69,053,048</u>	<u>(4,661,400)</u>	<u>64,391,648</u>
Less development expenses	<u>2,148,346</u>	<u>-</u>	<u>2,148,346</u>
Net support and other revenue	<u>66,904,702</u>	<u>(4,661,400)</u>	<u>62,243,302</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	50,470,311	(4,661,400)	45,808,911
Depreciation	(5,079,432)	-	(5,079,432)
Change in value of restricted split-interest agreements	-	426,934	426,934
Other comprehensive pension expenses	1,592,460	-	1,592,460
Amortization of right-of-use assets	(656,028)	-	(656,028)
Gain/(loss) on investment, net of investment expense of \$321,000	79,427	9,920,572	9,999,999
CHANGE IN NET ASSETS	46,406,738	5,686,106	52,092,844
NET ASSETS			
Beginning of year	183,559,420	110,066,866	293,626,286
End of year	<u>\$ 229,966,158</u>	<u>\$ 115,752,972</u>	<u>\$ 345,719,130</u>

