The Richmond Symphony
and
The Richmond Symphony Foundation

Consolidated Financial Statements

June 30, 2020 and 2019

Keiter
Your Opportunity Advisors

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THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

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Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors, The Richmond Symphony
Board of Trustees, The Richmond Symphony Foundation
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Richmond Symphony and The Richmond Symphony Foundation (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Richmond Symphony and The Richmond Symphony Foundation as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Keiter

November 12, 2020
Glen Allen, Virginia

THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

Consolidated Statements of Financial Position
June 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	$ 1,601,166	$ 1,577,946
Investments	14,623,459	14,783,929
Pledges receivable, net	1,939,100	2,775,725
Accounts receivable	77,300	98,702
Prepaid expenses and other assets	481,724	265,206
Property and equipment, net	369,280	402,077
Total assets	$ 19,092,029	$ 19,903,585
Liabilities and Net Assets		
Liabilities:		
Line of credit	$ 1,090,000	$ 1,195,000
Paycheck Protection Program loan (Note 8)	169,710	-
Accounts payable	79,561	229,648
Accrued expenses	216,380	235,542
Capital lease obligation	31,309	11,131
Annuity obligation	61,889	65,402
Deferred revenue	455,841	492,138
Total liabilities	2,104,690	2,228,861
Net assets (deficit):		
Without donor restrictions	(1,827,810)	(1,733,413)
With donor restrictions	18,815,149	19,408,137
Total net assets	16,987,339	17,674,724
Total liabilities and net assets	$ 19,092,029	$ 19,903,585

See accompanying notes to consolidated financial statements.

THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

Consolidated Statements of Activities
Year Ended June 30, 2020 with Comparative Totals for 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Totals
Revenue:				
Performance revenue	$ 1,270,816	$ -	$ 1,270,816	$ 1,807,723
Contract fees - Big Tent	84,984	-	84,984	-
Grants and contributions:				
Annual fund contributions	1,038,628	484,150	1,522,778	1,224,827
Other contributions	87,020	401,476	488,496	1,202,842
Grants for service and underwriting	168,630	243,420	412,050	507,155
Symphony's Big Tent	-	82,054	82,054	285,209
Menuhin Competition	-	885,891	885,891	-
Paycheck Protection Program loan forgiveness (Note 8)	648,790	-	648,790	-
Interest and dividend income	-	248,743	248,743	262,871
Net realized and unrealized (loss) gain on investments	-	(349,471)	(349,471)	294,741
Change in value of annuity obligation	-	(9,279)	(9,279)	(8,295)
Other	696,425	-	696,425	985,967
Total revenue	3,995,293	1,986,984	5,982,277	7,413,040
Expenses:				
Program:				
Artistic personnel	2,812,342	-	2,812,342	3,107,558
Other direct concert costs	2,999,667	-	2,999,667	2,802,033
Supporting:				
General and administrative	452,235	-	452,235	430,844
Fundraising	405,418	-	405,418	471,795
Total expenses	6,669,662	-	6,669,662	6,812,230
Net assets released from restrictions	1,750,245	(1,750,245)	-	-
Endowment redirected to the Symphony	50,000	(50,000)	-	-
Net assets appropriated for expenditure	779,727	(779,727)	-	-
Total reclassifications	2,579,972	(2,579,972)	-	-
Change in net assets	(94,397)	(592,988)	(687,385)	600,810
Net assets (deficit), beginning of year	(1,733,413)	19,408,137	17,674,724	17,073,914
Net assets (deficit), end of year	$ (1,827,810)	$ 18,815,149	$ 16,987,339	$ 17,674,724

See accompanying notes to consolidated financial statements.

THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

Consolidated Statements of Activities, Continued
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Performance revenue	$ 1,807,723	$ -	$ 1,807,723
Grants and contributions:			
Annual fund contributions	1,191,327	33,500	1,224,827
Other contributions	1,000	1,201,842	1,202,842
Grants for service and underwriting	325,675	181,480	507,155
Symphony's Big Tent	225,209	60,000	285,209
Menuhin Competition	330,137	519,863	850,000
Interest and dividend income	-	262,871	262,871
Net realized and unrealized gain on investments	-	294,741	294,741
Change in value of annuity obligation	-	(8,295)	(8,295)
Other	985,967	-	985,967
Total revenue	4,867,038	2,546,002	7,413,040
Expenses:			
Program:			
Artistic personnel	3,107,558	-	3,107,558
Other direct concert costs	2,802,033	-	2,802,033
Supporting:			
General and administrative	430,844	-	430,844
Fundraising	471,795	-	471,795
Total expenses	6,812,230	-	6,812,230
Net assets released from restriction	933,150	(933,150)	-
Endowment redirected to the Symphony	210,984	(210,984)	-
Net assets appropriated for expenditure	807,406	(807,406)	-
Total reclassifications	1,951,540	(1,951,540)	-
Change in net assets	6,348	594,462	600,810
Net assets (deficit), beginning of year	(1,739,761)	18,813,675	17,073,914
Net assets (deficit), end of year	$ (1,733,413)	$ 19,408,137	$ 17,674,724

See accompanying notes to consolidated financial statements.

THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (687,385)	$ 600,810
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	91,462	93,661
Loss on disposal of property and equipment	-	2,310
Net realized and unrealized loss (gain) on investments	349,471	(294,741)
Dividends and interest reinvested	(239,001)	(255,441)
Change in value of annuity obligation	9,279	8,295
Contributions restricted for long-term investment	(309,560)	(941,761)
Forgiveness of Paycheck Protection Program Loan	(648,790)	-
Change in operating assets and liabilities:		
Pledges receivable, net	836,625	227,663
Accounts receivable	21,402	(30,045)
Prepaid expenses and other assets	(216,518)	(105,605)
Accounts payable	(150,087)	46,983
Accrued expenses	(19,162)	20,629
Deferred revenue	(36,297)	(11,230)
Net cash used in operating activities	(998,561)	(638,472)
Cash flows from investing activities:		
Proceeds from sales of investments	475,000	575,000
Purchases of property and equipment	(31,343)	(73,567)
Purchases of investments	(425,000)	(685,000)
Net cash provided by (used in) investing activities	18,657	(183,567)
Cash flows from financing activities:		
Net payments on line of credit	(105,000)	(103,000)
Proceeds from Paycheck Protection Program Loan	818,500	-
Payments on capital lease obligation	(7,144)	(8,541)
Payments on annuity obligation, net	(12,792)	(8,904)
Contributions restricted for long-term investment	309,560	941,761
Net cash provided by financing activities	1,003,124	821,316
Net change in cash and cash equivalents	23,220	(723)
Cash and cash equivalents, beginning of year	1,577,946	1,578,669
Cash and cash equivalents, end of year	$ 1,601,166	$ 1,577,946
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 34,012	$ 49,880
Non-cash investing and financing transactions:		
Purchase of property and equipment through capital lease	$ 27,322	$ -

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies:

Description of Organization: The Richmond Symphony (the "Symphony") was founded in 1957 and is a non-profit organization engaged principally in the production and promotion of musical performances, the organization and sponsorship of musical organizations, and the encouragement and development of the arts. The Symphony is governed by its own independent Board of Directors.

The Richmond Symphony Foundation (the "Foundation") was incorporated as an independent not-for-profit, non-stock corporation in 1989 for the purpose of soliciting, receiving, and administering gifts, grants, and contributions for the benefit of the Symphony through the establishment and maintenance of an endowment fund. The articles and bylaws of the Foundation structurally preserve an "arms-length" relationship between the Foundation and the Symphony designed to ensure that the restricted funds of the endowment may be protected in perpetuity. The Board of Trustees of the Foundation consists of 29 members; 25 are directors elected by the Board of Trustees of the Foundation and no more than 4 are ex-officio representatives of the Symphony. By this arrangement, the Symphony is prevented from exercising either control or undue influence over decisions made by the Foundation Board. Donations are made by the Foundation to the Symphony each year at the discretion of the trustees of the Foundation.

In March 2020, COVID-19 was declared a worldwide health pandemic and has had a significant impact on the national and global economy. As a result, all events after March 2020 were either postponed or canceled and as of the date of issuance, event activity within the Symphony has not returned to prior levels. The ultimate impact of COVID-19 on the future financial state of the Symphony and the Foundation is unknown at this time.

Principles of Consolidation and Basis of Presentation: According to the articles of incorporation and by-laws of the Foundation, the Foundation's purpose is to perform activities described above exclusively for the benefit of the Symphony. For financial reporting purposes, in accordance with Generally Accepted Accounting Principles ("GAAP"), the Foundation's financial statements and the Symphony's financial statements have been consolidated (collectively, the "Organization"). All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

1. Summary of Significant Accounting Policies, Continued:

Principles of Consolidation and Basis of Presentation, Continued:

Net Assets Without Donor Restrictions: Net assets available for general use and not subject to donor restrictions. The Organization's policy is to designate gifts without donor restrictions at the discretion of the Board of Trustees. There were no board designated net assets at June 30, 2020 and 2019.

Net Assets With Donor Restrictions: Net assets stipulated by donors for specific operating times or purposes or restricted to investment in perpetuity. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. See Note 7 for further information on the nature of net assets with donor restrictions as of June 30, 2020 and 2019. Substantially all of the Foundation's net assets are restricted in perpetuity.

Use of Estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Organization considers all highly liquid securities that were purchased with original maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts: The Organization uses the reserve method of accounting for bad debts for financial reporting purposes. A reserve is not considered necessary at June 30, 2020 or 2019.

Investments: All investments are held by the Foundation, which invests in The Richmond Fund, LP (the "Fund") and marketable securities carried at fair value as determined by the investment managers. Realized and unrealized gains and losses of marketable securities are included in the Consolidated Statements of Activities. Investments in the Fund are recorded based on the net asset value per share as a practical expedient of fair value as described in Note 4. The Foundation reports its proportionate share of realized and unrealized changes in the fair value of the Fund in the accompanying Consolidated Statements of Activities, net of allocated fund expenses of $119,133 in 2020 and $134,126 in 2019.

1. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment is stated on the basis of cost. Property and equipment received as a contribution is recorded at fair value on the date of the contribution. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture, fixtures, and office equipment	3-7 years
Musical instruments	5-25 years
Leasehold improvements	5 years
Big Tent and related equipment	3-10 years
Musical collections	7 years
Vehicles	5 years

Long-Lived Assets: For contributions of long-lived assets (or contributions of cash or other assets restricted for acquisition of long-lived assets), unless donor or grantor restrictions specify how long-lived assets must be maintained, the donor's or grantor's restrictions are considered expired upon placing the assets in service for their intended use.

Split-Interest Agreements: The Foundation established a gift annuity plan whereby donors may contribute assets to the Foundation in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable donation for income tax purposes.

The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift. Classification is determined based on the existence or absence of any donor-imposed restrictions. The liability on the Consolidated Statements of Financial Position entitled "annuity obligation" includes the present value of the life interest payable to the recipients. The annuity liability is revalued annually based upon computed present values until the time of termination. Resulting gain or loss due to annual revaluing or termination is recorded as revenue or expense, respectively, and is classified based on any donor-imposed restriction on the original gift in the accompanying Consolidated Statements of Activities.

Paycheck Protection Program ("PPP") Loan: The Symphony's policy is to account for the PPP loan (see Note 8) as debt until qualifying expenses are incurred that are expected to earn forgiveness. Management evaluates costs incurred to determine the likelihood that those costs will be forgiven, and costs that substantially meet the forgiveness criteria are recognized as revenue. The Symphony will continue to record the loan as debt until those expenses are incurred.

1. Summary of Significant Accounting Policies, Continued:

Contributions: Contributions are recorded as support without donor restrictions or support with donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

Donated Services: From time to time, the Symphony receives donated services from companies and individuals that are eligible for recognition under GAAP. The Symphony received $9,000 of donated services in 2020, which have been recognized as revenue and expenses in the Consolidated Statements of Activities. There were no donated services in 2019.

Deferred Revenue: Deferred revenue primarily consists of advance payments related to subscriptions and ticket sales attributable to the next performance season.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in Note 13.

The consolidated financial statements report expenses that are attributed to more than one program or supporting function, primarily salaries. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort.

Income Taxes: The Internal Revenue Service (the “IRS”) has determined that the Symphony and the Foundation are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the “IRC” or “the Code”). Contributions to the Symphony and the Foundation are tax deductible as defined by Section 170 of the Code. In addition, the IRS has determined that neither the Symphony, nor the Foundation are “private foundations” within the meaning of Section 509(a) of the Code.

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization’s tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year.

1. Summary of Significant Accounting Policies, Continued:

Income Tax Uncertainties, Continued: Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Collective Bargaining Agreement: Substantially all of the performing artists employed by the Symphony are members of the American Federation of Musicians. The current labor contract extends through August 23, 2022.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

Accounting Pronouncements: In June 2018, the FASB issued Accounting Standard Update ("ASU") *2018-08: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("Topic 958")*, which is intended to provide specific criteria to determine whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. The ASU provides a framework for determining whether a contribution is conditional or unconditional. Specific to contributions or grants received by the Organization, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018 with early adoption permitted. Specific to contributions or grants awarded by the Organization, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019 with early adoption permitted. The Organization adopted this guidance as of June 30, 2020 under the full retrospective transition method. The adoption of Topic 958 had no significant impact to the consolidated financial statements.

Subsequent Events: Management has evaluated subsequent events through November 12, 2020, the date the financial statements were available to be issued and has determined that there are no items to be disclosed.

2. Liquidity and Availability:

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to minimize interest-bearing borrowings and maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities, such as concerts and student programs. In addition to financial assets available to meet general expenditures over the next 12-months, the Organization operates to minimize budgeted deficits and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

2. Liquidity and Availability, Continued:

As of June 30, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year to meet general expenditures:

	2020	2019
Cash and cash equivalents	$ 1,601,166	$ 1,577,946
Investments	14,623,459	14,783,929
Pledges receivable, net	1,939,100	2,775,725
Accounts receivable and other current assets	559,024	363,908
Total financial assets	18,722,749	19,501,508
Less: assets with donor-imposed restrictions	(18,686,123)	(18,809,602)
Available for general expenditure	$ 36,626	$ 691,906

Substantially all of the Foundation's financial assets are donor restricted into perpetuity. However the Foundation was organized for the purpose of supporting the Symphony and in accordance with relevant law and policy (see Note 12), the Foundation appropriates funds on an annual basis for the Symphony to use for general expenditure. The Foundation has approved a payout of $750,000 for fiscal year 2021, which represents funds included above with donor-imposed restrictions that will be released for expenditure to the Symphony.

The Rudy Bunzl Fund for the Future, also known as 'the Rainy Day Fund', was created by the Richmond Symphony Foundation Trustees in 2006 as an endowment fund that allows any contributed amounts to be accessed by the Symphony, with approval of the Board of Trustees of the Foundation, in the form of a no-interest loan. Contributions to this fund are donor restricted based on the purpose of the fund established at the time it was created and based on donor intent. Borrowings are to be repaid on a schedule jointly determined by the Foundation and the Symphony at the time of the request. As of June 30, 2020, loaned funds totaled $179,000 and were eliminated in consolidation. Included above within cash and cash equivalents and within the assets with donor-imposed restrictions, this fund had an available cash balance of $566,326 on June 30, 2020.

The Organization also has available a revolving bank line of credit used as a part of its overall liquidity management. At June 30, 2020, the line had an additional $410,000 available to borrow.

3. Pledges Receivable:

Anticipated collections of pledges receivable at June 30 are as follows:

	2020	2019
Within one year	$ 1,178,315	$ 1,582,240
In one to five years	693,315	1,158,243
In more than five years	70,870	105,867
Gross pledges receivable	1,942,500	2,846,350
Less discount to present value, discount rate of 0.18% for 2020 and 2.37% for 2019	(3,400)	(70,625)
	$ 1,939,100	$ 2,775,725

4. Investments and Fair Value Measurements:

The Foundation's long-term investments primarily are held in The Richmond Fund, LP. The Richmond Fund, LP (the "Fund") is an investment limited partnership that provides a vehicle for 501(c) organizations to achieve investment returns that mirror those of the University of Richmond's endowment through a blended rate of return agreement. The Fund is a global macro hedge and currency asset fund that utilizes a broad spectrum of common and preferred stocks, worldwide futures contracts, and global currencies, and forward contracts on currencies, commodities, energy products, interest-rates, and stock indices for its investment portfolio. Profits and losses of the Fund are allocated to each partner's capital account according to their respective interests in the Fund. Spider Management Company, a wholly-owned subsidiary of the University of Richmond, manages the Fund.

Based on the terms in the partnership agreement, for fair value measurement, the Foundation views its investment in the Fund as a single asset category. As a practical expedient, the Foundation has estimated the fair value of its investments in the Fund on the basis of the net asset value ("NAV") per share of the investment (or its equivalent) because a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the Foundation's fiscal year date. Investments valued using NAV per share as a practical expedient are excluded from the fair value hierarchy in accordance with FASB guidance. Investment transactions (purchases and sales) may occur daily. Redemptions from the Fund may occur on a quarterly basis with a 60 day notice period. There were no contributions or withdrawals during 2020 or 2019. There were no unfunded commitments as of June 30, 2020 and 2019.

4. Investments and Fair Value Measurements, Continued:

The Foundation also invests in marketable securities, including mutual funds, held by Vanguard. Contributions of $425,000 and withdrawals of $475,000 were made during 2020. Contributions of $685,000 and withdrawals of $575,000 were made during 2019. Mutual funds are actively traded and valued at the closing price as reported by the fund.

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The levels of the hierarchy are defined as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 — Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 — Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement. The Foundation did not have any assets valued using Level 3 inputs at June 30, 2020 and 2019.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

4. Investments and Fair Value Measurements, Continued:

The following is a description of the valuation methodologies used for assets and liabilities carried or disclosed at fair value:

	June 30, 2020		
	Level 1	Level 2	Total
Assets:			
Investments:			
Money market fund	$ 71,143	$ -	$ 71,143
Mutual funds	276,971	-	276,971
Investments at net asset value	-	-	14,275,345
Total investments	348,114	-	14,623,459
Pledges receivable, net	-	1,939,100	1,939,100
Total assets at fair value	$ -	$ 1,939,100	$ 16,562,559
Liabilities:			
Annuity obligation	$ -	$ 61,889	$ 61,889

	June 30, 2019		
	Level 1	Level 2	Total
Assets:			
Investments:			
Money market fund	$ 117,622	$ -	$ 117,622
Mutual funds	266,173	-	266,173
Investments at net asset value	-	-	14,400,134
Total investments	383,795	-	14,783,929
Pledges receivable, net	-	2,775,725	2,775,725
Total assets at fair value	$ -	$ 2,775,725	$ 17,559,654
Liabilities:			
Annuity obligation	$ -	$ 65,402	$ 65,402

5. Property and Equipment:

A summary of property and equipment and accumulated depreciation at June 30, 2020 and 2019 follows:

	2020		2019	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Furniture and fixtures	$ 46,232	$ 44,724	$ 47,415	$ 45,937
Musical instruments	274,961	230,029	261,833	220,631
Leasehold improvements	23,442	23,442	23,442	23,442
Office equipment	177,012	112,374	151,933	104,830
Big Tent and related equipment	328,821	173,399	328,821	135,770
Musical collections	27,606	27,606	27,606	27,539
Vehicles	184,256	82,976	184,256	65,080
Construction in progress	1,500	-	-	-
	$ 1,063,830	$ 694,550	$ 1,025,306	$ 623,229

Depreciation expense amounted to $91,462 for 2020 and $93,661 for 2019.

6. Commitments and Concentrations of Credit Risk:

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable. The Organization maintains its cash and cash equivalents in several financial institutions located in Virginia. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, balances with FDIC-insured banks may exceed federally insured limits.

Pledges receivable are from individuals, corporations, and foundations. The Organization believes its credit risk related to these receivables is limited due to the nature of its donors. As of June 30, 2020 and 2019, no donor accounted for 10% or greater of pledges receivable or grants and contribution revenue.

7. Net Assets with Donor Restrictions:

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish or support endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs.

7. Net Assets with Donor Restrictions, Continued:

The Foundation received two separate $250,000 multi-year pledges during 2017 and 2016 ("Future Endowments"). The pledges are being paid over four-year periods in approximately equal installments and the funds will be used for purposes determined by the donors. After the four year period, any unspent funds remaining will convert to endowment. During 2020, the Future Endowment established in 2016 was extended for one additional year, and now both Future Endowments will convert to perpetually restricted endowment on June 3, 2021. As allowed by the agreements, during 2020, the donors released $25,000 from each fund to support the Symphony.

Net assets with donor restrictions were released from restriction by satisfying time or purpose restrictions as follows for the years ended June 30:

	2020	2019
Purpose:		
Symphony's Big Tent	$ 277,038	$ 224,474
Menuhin Competition	489,564	-
Time:		
Subsequent year performances or operations	983,643	708,676
Donor release from Future Endowments	50,000	50,000
Appropriation from perpetual endowment funds	779,727	807,406
Donor redirection of restriction	-	160,984
	$ 2,579,972	$ 1,951,540

Net assets with donor restrictions at year end were available for the following times and purposes:

	2020	2019
The Symphony:		
Symphony's Big Tent	$ 250,000	$ 360,000
Menuhin Competition	916,190	519,863
Subsequent year performances or operations	475,322	661,395
The Foundation:		
Major Gifts Officer salary	18,479	
Future Endowments	450,803	497,366
Perpetually restricted endowment	16,789,339	17,369,513
	$ 18,900,133	$ 19,408,137

8. Paycheck Protection Program (PPP) Loan:

In response to the economic instability caused by COVID-19, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program ("PPP") was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities during the covered period, as further defined in the CARES Act.

The Symphony applied for and was approved for a PPP Loan in the amount of $818,500. The loan was funded on April 17, 2020. The loan accrues interest at 1.0%, but payments are not required to begin until 10 months after the end of the covered period. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements and incurring qualified costs. The PPP Loan is uncollateralized and is fully guaranteed by the Federal government.

Through June 30, 2020, the Symphony has determined that qualifying costs totaling $648,790 substantially meet the criteria to earn forgiveness, and therefore has recognized income totaling this amount based on the assumed forgiveness. The Symphony has not yet submitted its application for forgiveness, but management believes the entire PPP Loan will be fully forgiven. Based on its facts and circumstances, the Organization has elected to reflect the remaining $169,710 as a liability in the accompanying consolidated financial statements for costs that were incurred subsequent to year end.

9. Line of Credit:

The Symphony has a line of credit with SunTrust Bank that provides for short-term borrowings of up to $1,500,000. The current line extension expires on February 26, 2021. The line is secured by a general assignment of the Symphony's assets, including accounts receivable, property, and equipment. The Symphony and Foundation signed an agreement whereby the Foundation agreed to guarantee the Symphony's obligations and become a co-borrower with the Symphony under this credit line. Borrowings under this line extension are due on demand and bear interest at the 30-day LIBOR rate plus 1.5% (1.67% at June 30, 2020 and 3.94% at June 30, 2019). The outstanding balance on the line was $1,090,000 at June 30, 2020 and $1,195,000 at June 30, 2019.

10. Leases:

The Symphony has a lease agreement for its administrative office space and storage space through August 31, 2025.

Future minimum lease payments under non-cancelable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2020 are as follows:

Year	Amount
2021	$ 88,938
2022	90,884
2023	92,952
2024	93,300
2025	93,300
Thereafter	15,550
	$ 474,924

Total rent expense amounted to $87,054 in 2020 and $84,934 in 2019.

The Organization leases certain equipment under agreements classified as capital leases that expire at various times through 2025. The equipment and related liabilities under capital leases were recorded at their lower of the present value of minimum lease payments or the fair value of the equipment. The equipment is depreciated over the lower of their lease terms or their estimated useful lives and is included in depreciation expense in the accompanying consolidated financial statements.

Depreciation of equipment under capital leases charged to expense totaled $7,673 for 2020 and $7,303 for 2019.

Monthly payments ranged from $165 to $305 in 2020 and were $626 in 2019 with interest rates ranging from 2.15% - 3.73%. These leases are secured by equipment.

A summary of property held under capital leases included in Property and Equipment is as follows:

	2020	2019
Equipment	$ 43,856	$ 36,517
Less: accumulated depreciation	32,752	25,079
	$ 11,104	$ 11,438

10. Leases, Continued:

Future minimum lease payments under capital leases are as follows as of June 30:

Year	Amount
2021	$ 9,267
2022	9,267
2023	6,257
2024	5,655
Thereafter	2,853
Total minimum payment	33,299
Less: amount representing interest	(1,990)
Present value of minimum lease payments	$ 31,309

11. Defined Contribution Plan:

The Symphony participates in a defined contribution pension plan as part of its collective bargaining agreement with the Richmond Musician's Association, Local 123 American Federation of Musicians. The Symphony will contribute a percentage of base salary or straight time hourly wage for qualified musicians on active payroll on the last day of the plan year. The percentage contribution is determined in the collective bargaining agreement.

The Symphony has established a Matching Tax Deferred Annuity Plan, 403(b), for its office employees. Employees can defer a portion of their compensation subject to the maximum allowed by the IRC. The Symphony matching contributions are discretionary up to 50% of the employee deferral to a maximum of 6% of the employee's compensation.

Contributions by the Symphony to these plans totaled $135,734 in 2020 and $140,769 in 2019.

12. Endowment Funds:

There are several endowment funds within the Foundation. These endowment funds are donor-restricted and were established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

12. Endowment Funds, Continued:

Interpretation of Relevant Law: The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (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, and (d) cumulative gains on the donor restricted endowment funds until those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Trustees:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for donor-restricted endowment funds that attempt to provide a predictable stream of funding to the Symphony and to programs supported by the the Foundation at the direction of the Board of Trustees. In addition to providing a predictable stream of funding, the adopted investment and spending policies also seek to maintain the purchasing power of the endowment assets. Endowment assets include assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the portfolio is to attain a favorable absolute and relative rate of return consistent with a conservative, balanced portfolio management approach. This return should be sufficient to cover the spending policy obligations over a 3-5 year period consistent with the risk parameters in the policy. Some donor-restricted endowment funds restrict annual distributions to net income. The Foundation uses the same investment policies and intends to produce the same investment results as mentioned above for these donor-restricted endowment funds.

12. Endowment Funds, Continued:

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year of up to 5 percent of the endowment funds' average fair value, depending on annual budgetary goals. In establishing this policy, the Foundation considered the long-term expected return on the endowments. Accordingly, over the long term the Foundation expects the current spending policy to allow the endowments to continue to grow annually. This is consistent with objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term as well as to provide additional real growth through new gifts and investment return restrictions.

The Foundation's endowment net asset composition by type of fund was as follows at June 30:

	2020	2019
Donor restricted funds:		
Named endowment funds	$ 10,891,339	$ 11,332,674
General endowment	5,898,000	6,036,839
	$ 16,789,339	$ 17,369,513

Funds with Deficits: From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA require the Foundation to retain as a fund of perpetual duration. These deficiencies result from a cumulative excess of spending over revenue or decreases in the market value of the Foundation's investments. The Foundation allows spending from underwater endowment funds in accordance with the spending policy described above. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions as follows:

	2020	2019
Fair value of underwater endowment funds	$ 16,789,339	$ 17,369,513
Original gift amount	19,206,137	18,896,577
Deficiencies of underwater funds	$ (2,416,798)	$ (1,527,064)

12. Endowment Funds, Continued:

Changes in the Foundation's endowment net assets were as follows for the years ended June 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, July 1, 2018	$ -	$ 16,846,825	$ 16,846,825
Investment return:			
Interest and dividend income	-	262,871	262,871
Realized and unrealized gain on investments, net	-	294,741	294,741
Change in value of annuity obligation	-	(8,295)	(8,295)
Total investment return	-	549,317	549,317
New gifts	-	941,761	941,761
Endowment redirected to the Symphony	160,984	(160,984)	
Appropriation for expenditure	807,406	(807,406)	-
Expenses	(968,390)	-	(968,390)
Net assets, June 30, 2019	-	17,369,513	17,369,513
Investment return:			
Interest and dividend income	-	248,743	248,743
Realized and unrealized loss on investments, net	-	(349,471)	(349,471)
Change in value of annuity obligation	-	(9,279)	(9,279)
Total investment loss	-	(110,007)	(110,007)
New gifts	-	309,560	309,560
Appropriation for expenditure	779,727	(779,727)	-
Expenses	(779,727)	-	(779,727.00)
Net assets, June 30, 2020	$ -	$ 16,789,339	$ 16,789,339

13. Functional Expenses:

Expenses incurred for the Organization were as follows:

	Year Ended June 30, 2020			
	Total	Program	General and Administrative	Fundraising
Salaries, wages, and benefits	$ 4,653,402	$ 4,212,320	$ 223,043	$ 218,039
Services and professional fees	1,517,567	1,158,551	179,784	179,232
Office and occupancy	228,101	189,292	34,514	4,295
Supplies and travel	174,941	161,864	9,225	3,852
Depreciation	91,462	87,294	4,168	-
Other	4,189	2,688	1,501	-
Total expenses	$ 6,669,662	$ 5,812,009	$ 452,235	$ 405,418

	Year Ended June 30, 2019			
	Total	Program	General and Administrative	Fundraising
Salaries, wages, and benefits	$ 4,587,116	$ 4,110,220	$ 215,712	$ 261,184
Services and professional fees	1,658,532	1,287,519	172,246	198,767
Office and occupancy	269,497	234,247	31,059	4,191
Supplies and travel	202,303	187,794	6,856	7,653
Depreciation	93,661	89,011	4,650	-
Other	1,121	800	321	-
Total expenses	$ 6,812,230	$ 5,909,591	$ 430,844	$ 471,795

14. New Accounting Guidance:

Leases: In February 2016, the FASB issued a new accounting standard for leases that will impact both lessees and lessors. The new lease standard will require leases with terms more than 12 months to be recognized on the statement of financial position of lessees by recording a right of use asset with a corresponding obligation to pay rent liability which will be calculated based on the net present value of rental payments. The new standard will be effective for periods beginning after December 15, 2021, and will require entities to use a modified retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.

14. New Accounting Guidance, Continued:

Revenue Recognition: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09: Revenue from contracts with customers (Topic 606) which eliminates all transaction and industry-specific accounting principles for revenue recognition and replaces them with a unified, five step approach. The new standard was effective for private companies for annual reporting periods beginning after December 15, 2018. Due to the COVID-19 pandemic, the FASB further issued ASU 2020-05 which defers the effective date of ASC 606 to reporting periods beginning after December 15, 2019 for certain entities that had not yet issued their financial statements as of June 3, 2020. The Organization has elected to defer adoption of ASC 606 in accordance with ASU 2020-05 and is currently evaluating the reporting and economic implications of the new standard.

In-Kind Gifts: In September 2020, the FASB issued ASU 2020-07, "Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets." The standard provides additional guidance to nonprofit organizations on how to record and disclose in-kind contributions. The overall purpose of the update is to provide more transparency in how organizations are receiving and valuing in-kind contributions. The ASU now requires nonprofit organizations to present in-kind contributions as a separate line item in the financial statements and to provide additional disclosures in the footnotes covering the following areas:

- A description of the organization's policy for monetizing rather than utilizing in-kind contributions;
- A listing of in-kind contributions categorized by type with a description about whether each type was monetized or utilized during the reporting period;
- For in-kind contributions that were utilized during the reporting period, the nonprofit must include a description of the programs or activities in which those contributions were used; and
- A description of the valuation process utilized by the organization to determine the fair value of the in-kind contributions.

The ASU is effective for periods beginning after June 30, 2021. The Organization is currently evaluating the reporting and economic implications of the new standard.