

RICHMOND SYMPHONY

The Richmond Symphony and The Richmond Symphony Foundation

Consolidated Financial Statements

June 30, 2022 and 2021



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**THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.



November 10, 2022
Glen Allen, Virginia

**THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION**

Consolidated Statements of Financial Position
June 30, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,428,951	\$ 1,575,583
Investments	20,130,355	20,459,707
Contributions and grants receivable, net	1,975,689	1,056,615
Accounts receivable	96,482	56,662
Prepaid expenses and other assets	124,797	131,163
Property and equipment, net	<u>297,367</u>	<u>291,216</u>
 Total assets	 <u>\$ 24,053,641</u>	 <u>\$ 23,570,946</u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Line of credit	\$ 275,000	\$ 745,000
Accounts payable	279,838	226,956
Accrued expenses	320,799	148,021
Capital lease obligation	14,434	22,890
Deferred revenue	<u>536,084</u>	<u>203,548</u>
 Total liabilities	 <u>1,426,155</u>	 <u>1,346,415</u>
Net assets (deficit):		
Without donor restrictions	(1,597,274)	(1,774,259)
With donor restrictions	<u>24,224,760</u>	<u>23,998,790</u>
 Total net assets	 <u>22,627,486</u>	 <u>22,224,531</u>
 Total liabilities and net assets	 <u>\$ 24,053,641</u>	 <u>\$ 23,570,946</u>

See accompanying notes to consolidated financial statements.

**THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION**

Consolidated Statements of Activities
Year Ended June 30, 2022 with Comparative Totals for 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Totals
Revenue:				
Performance revenue	\$ 1,311,327	\$ -	\$ 1,311,327	\$ 360,111
Contract services	627,058	-	627,058	231,075
Grants and contributions:				
Annual fund contributions	1,745,538	1,432,972	3,178,510	3,449,404
Grants and other contributions	779,981	2,613,215	3,393,196	602,427
Symphony's Big Tent	-	-	-	52,110
Menuhin Competition	-	-	-	252,027
Paycheck Protection Program loan forgiveness	-	-	-	988,320
School of Music tuition income	93,993	-	93,993	65,693
Interest and dividend income	-	178,566	178,566	150,629
Net realized and unrealized gain (loss) on investments	-	(956,409)	(956,409)	6,126,001
Other	232,841	-	232,841	171,259
Total revenue	<u>4,790,738</u>	<u>3,268,344</u>	<u>8,059,082</u>	<u>12,449,056</u>
Expenses and losses:				
Program:				
Artistic personnel	3,955,151	-	3,955,151	2,972,556
Other direct concert costs	2,278,776	-	2,278,776	1,846,229
Menuhin Competition	-	-	-	915,529
Supporting:				
General and administrative	911,858	-	911,858	595,421
Fundraising	484,530	-	484,530	528,794
Total expenses	<u>7,630,315</u>	<u>-</u>	<u>7,630,315</u>	<u>6,858,529</u>
Loss on uncollectible pledges	25,812	-	25,812	353,335
Total expenses and losses	<u>7,656,127</u>	<u>-</u>	<u>7,656,127</u>	<u>7,211,864</u>
Net assets released from restrictions	2,192,111	(2,192,111)	-	-
Net assets appropriated for expenditure	850,263	(850,263)	-	-
Total reclassifications	<u>3,042,374</u>	<u>(3,042,374)</u>	<u>-</u>	<u>-</u>
Change in net assets	176,985	225,970	402,955	5,237,192
Net assets (deficit), beginning of year	<u>(1,774,259)</u>	<u>23,998,790</u>	<u>22,224,531</u>	<u>16,987,339</u>
Net assets (deficit), end of year	<u>\$ (1,597,274)</u>	<u>\$ 24,224,760</u>	<u>\$ 22,627,486</u>	<u>\$ 22,224,531</u>

See accompanying notes to consolidated financial statements.

**THE RICHMOND SYMPHONY
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Consolidated Statements of Activities, Continued
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Performance revenue	\$ 360,111	\$ -	\$ 360,111
Contract services	-	231,075	231,075
Grants and contributions:			
Annual fund contributions	2,492,226	957,178	3,449,404
Grants and other contributions	100,735	501,692	602,427
Symphony's Big Tent	-	52,110	52,110
Menuhin Competition	-	252,027	252,027
Paycheck Protection Program loan forgiveness	988,320	-	988,320
School of Music tuition income	65,693	-	65,693
Interest and dividend income	-	150,629	150,629
Net realized and unrealized gain on investments	-	6,126,001	6,126,001
Other	171,259	-	171,259
Total revenue	4,178,344	8,270,712	12,449,056
Expenses:			
Program:			
Artistic personnel	2,972,556	-	2,972,556
Other direct concert costs	1,846,229	-	1,846,229
Menuhin Competition	915,529	-	915,529
Supporting:			
General and administrative	595,421	-	595,421
Fundraising	528,794	-	528,794
Total expenses	6,858,529	-	6,858,529
Loss on uncollectible pledges	335,100	18,235	353,335
Total expenses and losses	7,193,629	18,235	7,211,864
Net assets released from restrictions	2,018,797	(2,018,797)	-
Endowment redirected to the Symphony	100,000	(100,000)	-
Net assets appropriated for expenditure	950,039	(950,039)	-
Total reclassifications	3,068,836	(3,068,836)	-
Change in net assets	53,551	5,183,641	5,237,192
Net assets (deficit), beginning of year	(1,827,810)	18,815,149	16,987,339
Net assets (deficit), end of year	\$ (1,774,259)	\$ 23,998,790	\$ 22,224,531

See accompanying notes to consolidated financial statements.

**THE RICHMOND SYMPHONY
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Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 402,955	\$ 5,237,192
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	93,929	94,220
Net realized and unrealized loss (gain) on investments	956,409	(6,126,001)
Loss on uncollectible pledges	25,812	353,335
Dividends and interest reinvested	(178,268)	(149,442)
Contributions restricted for long-term investment	(1,109,374)	(333,153)
Forgiveness of Paycheck Protection Program loans	-	(988,320)
Changes in operating assets and liabilities:		
Contributions receivable, net	(944,886)	529,150
Accounts receivable	(39,820)	20,638
Prepaid expenses and other assets	6,366	350,561
Accounts payable	52,882	147,395
Accrued expenses	173,989	(91,053)
Deferred revenue	332,536	(252,293)
Net cash used in operating activities	(227,470)	(1,207,771)
Cash flows from investing activities:		
Proceeds from sales of investments	425,000	1,070,000
Purchases of property and equipment	(100,080)	(16,156)
Purchases of investments	(875,000)	(670,000)
Net cash (used in) provided by investing activities	(550,080)	383,844
Cash flows from financing activities:		
Net payments on line of credit	(470,000)	(345,000)
Proceeds from Paycheck Protection Program loans	-	818,610
Payments on capital lease obligation	(8,456)	(8,419)
Contributions restricted for long-term investment	1,109,374	333,153
Net cash provided by financing activities	630,918	798,344
Net change in cash and cash equivalents	(146,632)	(25,583)
Cash and cash equivalents, beginning of year	1,575,583	1,601,166
Cash and cash equivalents, end of year	\$ 1,428,951	\$ 1,575,583
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 6,146	\$ 23,496

See accompanying notes to consolidated financial statements.

**THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION**

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. 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.

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:

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, 2022 and 2021.

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Principles of Consolidation and Basis of Presentation, Continued:

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, 2022 and 2021. 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, 2022 or 2021.

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 investment expenses of \$132,186 in 2022 and \$131,105 in 2021.

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

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 is included in "accrued expenses" on the Consolidated Statements of Financial Position and reflects 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") Loans: The Symphony's policy was to account for the PPP loans as debt until qualifying expenses were incurred that were expected to earn forgiveness. The loans were fully forgiven and all remaining amounts previously classified as debt were recognized in revenue in 2021.

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Revenue Recognition: The Organization follows Accounting Standards Codification (“ASC”) Topic 958 which prescribes a specific framework for not-for-profit entities to determine whether revenue streams qualify as exchange-based or non-exchange-based transactions.

Grants and Contributions: All grants and contributions are accounted for in accordance with ASC 958-605 and are considered to be net assets without donor restrictions unless specifically restricted by the donor. 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.

Performance Revenue and Contract Services: The Organization recognizes revenue for performance fees and contract fees subject to the guidance of ASC 606, as such revenue is generated by satisfaction of performance obligations. Transaction prices are fixed based on the individual customer contract. Services are billed at a point in time upon completion of a particular performance or over time for a series of performances.

Contract liabilities represent payments received in advance of performance under a contract, primarily advance payments under subscriptions and ticket sales attributable to the next performance season. Contract liabilities are recognized as revenue as (or when) the Organization performs under the contract. Deferred revenue totaled \$536,084 at June 30, 2022, \$203,458 at June 30, 2021, and \$455,841 at June 30, 2020. There are no significant contract assets at June 30, 2022 or 2021.

Donated Goods and Services: In September 2020, the FASB issued new guidance related to contributions of non-financial assets received (ASU 2020-07) which amends previous guidance concerning presentation and disclosure of non-financial assets received. Specifically, the amendments require (1) presentation as a separate line item of contributed non-financial assets and (2) disclosure of information about each category of non-financial assets. The Organization adopted the standard during 2022, under the full retrospective transition method. The adoption of this ASU did not have a material impact on the Organization’s consolidated financial statements.

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

Donated Goods and Services, Continued: From time to time, the Symphony receives donated services from companies and individuals that are eligible for recognition under GAAP. The Organization recognizes the value of donated goods and services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically need to be purchased if they had not been donated. During 2022 and 2021, the value of donated goods and services meeting this recognition criteria was insignificant to the consolidated financial statements and; therefore, not reflected in the accompanying consolidated financial statements.

Functional Allocation of Expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in Note 12.

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.

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 orchestra musicians employed by the Symphony are members of the American Federation of Musicians. The most recent labor contract extended through August 23, 2022. A four year agreement was fully executed on October 5, 2022 and is effective August 24, 2022.

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

1. Summary of Significant Accounting Policies, Continued:

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

Subsequent Events: Management has evaluated subsequent events through November 10, 2022, the date the financial statements were available to be issued and has determined that other than as disclosed below, there are no additional items to be disclosed.

Effective September 23, 2022, the Symphony established a new line of credit with TowneBank that provides for short-term borrowings of up to \$2,000,000, which served to replace the previous line of credit.

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.

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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,428,951	\$ 1,575,583
Investments	20,130,355	20,459,707
Contributions and grants receivable, net	1,975,689	1,056,615
Accounts receivable and other current assets	<u>96,482</u>	<u>56,662</u>
 Total financial assets	 23,631,477	 23,148,567
 Less: assets with donor-imposed restrictions	 <u>(22,470,919)</u>	 <u>(23,080,362)</u>
 Available for general expenditure	 <u>\$ 1,160,558</u>	 <u>\$ 68,205</u>

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

2. Liquidity and Availability, Continued:

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 11), 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 2023, 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, 2022 and 2021, loaned funds totaled \$279,000 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 \$467,592 on June 30, 2022.

The Organization also has available a revolving bank line of credit used as a part of its overall liquidity management. At June 30, 2022, the Organization’s previous line of credit had expired, and in September 2022, the Organization established a new line of credit with borrowings available up to \$2,000,000 (Note 8).

3. Contributions and Grants Receivable:

Anticipated collections of contributions and grants receivable at June 30 are as follows:

	2022	2021
Within one year	\$ 1,806,319	\$ 721,430
In one to five years	138,500	298,425
In more than five years	30,870	40,160
Gross contributions and grants receivable	1,975,689	1,060,015
Less discount to present value, discount rate of 0.13% for 2021	-	(3,400)
	\$ 1,975,689	\$ 1,056,615

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

4. Investments and Fair Value Measurements:

The Foundation's long-term investments are held with Vanguard and 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 30 day notice period for withdrawals up to 5% and a 60 day notice period for withdrawals between 5% and 10%. There were no withdrawals or contributions in 2022. Withdrawals totaled \$420,000 and there were no contributions in 2021. There were no unfunded commitments as of June 30, 2022 and 2021.

The Foundation also invests in marketable securities, including mutual funds, held by Vanguard. Mutual funds are actively traded and valued at the closing price as reported by the fund. Withdrawals totaled \$425,000 and contributions totaled \$875,000 in 2022. There were no withdrawals or contributions in 2021.

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:

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Notes to Consolidated Financial Statements, Continued

4. Investments and Fair Value Measurements, Continued:

- 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, 2022 and 2021.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets carried or disclosed at fair value:

	June 30, 2022			
	Level 1	Level 2	NAV	Total
Investments:				
Money market fund	\$ 542,758	\$ -	\$ -	\$ 542,758
Mutual funds	301,423	-	-	301,423
Investments at net asset value	-	-	19,286,174	19,286,174
Total investments	844,181	-	19,286,174	20,130,355
Contributions and grants receivable, net	-	1,975,689	-	1,975,689
Total assets at fair value	\$ 844,181	\$ 1,975,689	\$ 19,286,174	\$ 22,106,044

	June 30, 2021			
	Level 1	Level 2	NAV	Total
Investments:				
Money market fund	\$ 91,183	\$ -	\$ -	\$ 91,183
Mutual funds	352,853	-	-	352,853
Investments at net asset value	-	-	20,015,671	20,015,671
Total investments	444,036	-	20,015,671	20,459,707
Contributions and grants receivable, net	-	1,056,615	-	1,056,615
Total assets at fair value	\$ 444,036	\$ 1,056,615	\$ 20,015,671	\$ 21,516,322

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

5. Property and Equipment:

A summary of property and equipment and accumulated depreciation at June 30, 2022 and 2021 follows:

	2022		2021	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Furniture and fixtures	\$ 46,232	\$ 45,724	\$ 46,232	\$ 45,283
Musical instruments	274,961	248,319	274,961	239,745
Leasehold improvements	34,414	28,637	23,442	23,442
Office equipment	182,510	159,419	179,744	138,505
Big Tent and related equipment	328,821	247,673	328,821	210,703
Musical collections	27,606	27,606	27,606	27,606
Vehicles	184,256	116,647	184,256	99,812
Website development	15,000	8,750	15,000	3,750
Wardrobe project in progress	86,342	-	-	-
	<u>\$ 1,180,142</u>	<u>\$ 882,775</u>	<u>\$ 1,080,062</u>	<u>\$ 788,846</u>

Depreciation expense amounted to \$93,929 for 2022 and \$94,220 for 2021.

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 contributions 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.

Contributions and grants receivable are from individuals, corporations, foundations, and governmental entities. The Organization believes its credit risk related to these receivables is limited due to the nature of its donors/grantors. As of June 30, 2022, 76% of the Organization's contributions and grants receivable and 21% of the Organization's grants and contribution revenue related to an Employee Retention Credit under the CARES Act expected to be received from the U.S. Internal Revenue Service. For 2022, two donors/grantors accounted for approximately 34% of remaining grants and contribution revenue. As of June 30, 2021, two donors/grantors accounted for approximately 29% of contributions and grants receivable, and one donor/grantor accounted for approximately 13% of grants and contribution revenue.

**THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION**

Notes to Consolidated Financial Statements, Continued

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.

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

	<u>2022</u>	<u>2021</u>
Purpose:		
Symphony's Big Tent	\$ 90,000	\$ 52,116
Menuhin Competition	-	1,168,217
Major Gifts Officer salary	4,539	18,479
Time:		
Subsequent year performances or operations	2,097,572	779,985
Donor release from Future Endowments	-	100,000
Appropriation from perpetual endowment funds	<u>850,263</u>	<u>950,039</u>
	<u>\$ 3,042,374</u>	<u>\$ 3,068,836</u>

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

	<u>2022</u>	<u>2021</u>
The Symphony:		
Symphony's Big Tent	\$ 75,000	\$ 165,000
Subsequent year performances or operations	1,881,841	1,042,600
The Foundation:		
Major Gifts Officer salary	-	4,539
Perpetually restricted endowment	<u>22,267,919</u>	<u>22,786,651</u>
	<u>\$ 24,224,760</u>	<u>\$ 23,998,790</u>

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

8. Line of Credit:

The Symphony had a line of credit with Truist Bank that provided for short-term borrowings of up to \$1,500,000. The line was 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 were due on demand and bore interest at the 30-day SOFR Rate plus 3.54%, with a floor of 4.55% (4.63% at June 30, 2022 and 4.55% at June 30, 2021). The outstanding balance on the line was \$275,000 at June 30, 2022 and \$745,000 at June 30, 2021.

9. 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, 2022 are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 92,952
2024	93,300
2025	93,300
2026	<u>15,550</u>
	<u>\$ 295,102</u>

Total rent expense amounted to \$94,026 in 2022 and \$88,938 in 2021.

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.

Monthly payments ranged from \$165 to \$305 in 2022 and 2021 with interest rates ranging from 3.21% - 3.73%. These leases are secured by equipment.

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

9. Leases, Continued:

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

	2022	2021
Equipment	\$ 43,857	\$ 43,856
Less: accumulated depreciation	31,524	23,372
	12,332	\$ 20,484

Depreciation of equipment under capital leases charged to expense totaled \$8,152 for 2022 and \$9,077 for 2021.

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

Year	Amount
2023	\$ 6,257
2024	5,655
2025	2,853
Total minimum payment	14,765
Less: amount representing interest	(331)
Present value of minimum lease payments	\$ 14,434

10. 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 minimum annual compensation for contracted musicians, as 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 and equal to the lesser of 50% of employee contributions or 3% of the employee's compensation.

Contributions by the Symphony to these plans totaled \$160,029 in 2022 and \$146,105 in 2021.

**THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION**

Notes to Consolidated Financial Statements, Continued

11. Endowment Funds:

There are numerous 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.

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 RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION**

Notes to Consolidated Financial Statements, Continued

11. Endowment Funds, Continued:

Return Objectives and Risk Parameters, Continued: The Foundation uses the same investment policies and intends to produce the same investment results as mentioned above for these donor-restricted endowment funds.

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.

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:

	2022	2021
Fair value of endowment gifts	\$ 952,298	\$ -
Original gift amount	991,389	-
Deficiencies of endowment funds	\$ (39,091)	\$ -

**THE RICHMOND SYMPHONY
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Notes to Consolidated Financial Statements, Continued

11. Endowment Funds, Continued:

Changes in the Foundation's endowment net assets were as follows for the years ended June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, July 1, 2020	\$ -	\$ 16,789,339	\$ 16,789,339
Investment gain:			
Interest and dividend income	-	150,629	150,629
Realized and unrealized gain on investments, net	-	6,126,001	6,126,001
Total investment gain	-	6,276,630	6,276,630
New gifts	-	333,153	333,153
Net assets converted to permanent endowment	-	355,803	355,803
Appropriation for expenditure	950,039	(950,039)	-
Expenses	(950,039)	-	(950,039)
Loss on uncollectible pledges	-	(18,235)	(18,235)
Net assets, June 30, 2021	-	22,786,651	22,786,651
Investment gain (loss):			
Interest and dividend income	-	178,566	178,566
Realized and unrealized loss on investments, net	-	(956,409)	(956,409)
Total investment loss	-	(777,843)	(777,843)
New gifts	-	1,109,374	1,109,374
Appropriation for expenditure	850,263	(850,263)	-
Expenses	(850,263)	-	(850,263)
Net assets, June 30, 2022	\$ -	\$ 22,267,919	\$ 22,267,919

**THE RICHMOND SYMPHONY
AND THE RICHMOND SYMPHONY FOUNDATION**

Notes to Consolidated Financial Statements, Continued

12. Functional Expenses:

Expenses incurred for the Organization were as follows:

	Year Ended June 30, 2022			
	Total	Program	General and Administrative	Fundraising
Salaries, wages, and benefits	\$ 5,046,519	\$ 4,295,029	\$ 415,897	\$ 335,593
Services and professional fees	1,620,072	1,288,220	288,882	42,970
Office and occupancy	391,639	241,464	138,422	11,753
Supplies and travel	168,480	126,921	29,097	12,462
Depreciation	93,929	66,782	27,147	-
Other	309,676	215,511	12,413	81,752
Total expenses	<u>\$ 7,630,315</u>	<u>\$ 6,233,927</u>	<u>\$ 911,858</u>	<u>\$ 484,530</u>

	Year Ended June 30, 2021			
	Total	Program	General and Administrative	Fundraising
Salaries, wages, and benefits	\$ 4,617,443	\$ 3,950,152	\$ 208,613	\$ 458,678
Services and professional fees	1,547,474	1,310,344	178,745	58,385
Office and occupancy	312,247	163,794	140,012	8,441
Supplies and travel	138,535	131,140	7,395	-
Depreciation	94,220	67,605	26,615	-
Other	148,610	111,279	34,041	3,290
Total expenses	<u>\$ 6,858,529</u>	<u>\$ 5,734,314</u>	<u>\$ 595,421</u>	<u>\$ 528,794</u>

13. 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.