



**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**



Leaf & Cole, LLP  
*Certified Public Accountants*

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY  
FINANCIAL STATEMENTS  
JUNE 30, 2011**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 17
Supplementary Information: Supplementary Schedule of Functional Expenses	18



Leaf & Cole, LLP  
Certified Public Accountants  
A Partnership of Professional Corporations

Steven W. Northcote, C.P.A.  
Michael S. Schreibman, C.P.A.  
Michael J. Zizzi, C.P.A.  
Julie A. Firl, C.P.A.  
Nicholas M. Gines, C.P.A.

*Members*  
American Institute of Certified Public Accountants  
California Society of Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
San Diego Youth Symphony and Conservatory  
San Diego, California

We have audited the accompanying statement of financial position of San Diego Youth Symphony and Conservatory as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Symphony's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from San Diego Youth Symphony and Conservatory's 2010 financial statements and in our report dated September 13, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of San Diego Youth Symphony and Conservatory as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of functional expenses for the year ended June 30, 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The summarized comparative information included in the supplementary schedule of functional expenses for the year ended June 30, 2010 has been derived from San Diego Youth Symphony and Conservatory's 2010 financial statements and in our report dated September 13, 2010, we expressed our opinion that the information was fairly stated in all material respects in relation to the financial statements as a whole.

*Leaf & Cole LLP*

San Diego, California  
September 12, 2011

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**ASSETS**

	<u>2011</u>	<u>2010</u>
<b><u>Current Assets:</u></b> (Notes 1, 3 and 4)		
Cash and cash equivalents	\$ 164,501	\$ 223,487
Grants receivable	14,638	15,561
Pledges receivable	22,500	3,000
Other receivables	600	1,305
Prepaid expenses	7,822	9,585
Total Current Assets	<u>210,061</u>	<u>252,938</u>
<b><u>Noncurrent Assets:</u></b> (Notes 1, 2, 4, 5, 6, 7 and 8)		
Pledges receivable	22,500	-
Investments	1,798,995	973,391
Charitable remainder unitrust	130,497	140,992
Musical instruments	171,941	136,060
Property and equipment, net	213,441	240,479
Beneficial interest in San Diego Foundation	227,225	198,212
Total Noncurrent Assets	<u>2,564,599</u>	<u>1,689,134</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,774,660</u>	<u>\$ 1,942,072</u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Note 1)		
Accounts payable and accrued expenses	\$ 27,136	\$ 28,150
Deferred revenue	35,195	37,910
Total Current Liabilities	<u>62,331</u>	<u>66,060</u>
<b><u>Net Assets:</u></b> (Notes 1, 9, 10 and 11)		
Unrestricted:		
Undesignated	475,473	417,134
Undesignated spending allowance	104,976	94,932
Board designated - Quasi endowment	675,340	489,690
Total Unrestricted	<u>1,255,789</u>	<u>1,001,756</u>
Temporarily restricted	559,551	10,739
Permanently restricted	896,989	863,517
Total Net Assets	<u>2,712,329</u>	<u>1,876,012</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,774,660</u>	<u>\$ 1,942,072</u>

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

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)**

	2011			Total	2010
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenue and Support:</b>					
Contributions	\$ 220,728	\$ 607,590	\$ 14,954	\$ 843,272	\$ 307,663
Tuition and fees	335,013	-	-	335,013	274,430
Investment return	248,253	16,280	28,594	293,127	173,464
Program revenue	84,747	-	-	84,747	65,536
City of San Diego Commission for Arts and Culture	55,320	-	-	55,320	58,544
Fundraising activities	56,146	-	-	56,146	40,599
County of San Diego	26,500	15,700	-	42,200	40,318
In-kind donations	24,100	-	-	24,100	28,915
State of California	8,081	-	-	8,081	9,248
Other income	1,212	-	-	1,212	1,100
Loss on disposal of assets	(1,388)	-	-	(1,388)	(10,805)
Net assets released from restrictions	100,834	(90,758)	(10,076)	-	-
Total Revenue and Support	<u>1,159,546</u>	<u>548,812</u>	<u>33,472</u>	<u>1,741,830</u>	<u>989,012</u>
<b>Expenses:</b>					
<b>Program Services:</b>					
Music program	614,680	-	-	614,680	558,347
Total Program Services	<u>614,680</u>	<u>-</u>	<u>-</u>	<u>614,680</u>	<u>558,347</u>
<b>Supporting Services:</b>					
General and administrative	169,961	-	-	169,961	138,561
Fundraising	96,872	-	-	96,872	87,238
Total Supporting Services	<u>266,833</u>	<u>-</u>	<u>-</u>	<u>266,833</u>	<u>225,799</u>
Total Program and Supporting Services	<u>881,513</u>	<u>-</u>	<u>-</u>	<u>881,513</u>	<u>784,146</u>
Fundraising Activities	<u>24,000</u>	<u>-</u>	<u>-</u>	<u>24,000</u>	<u>18,593</u>
Total Expenses	<u>905,513</u>	<u>-</u>	<u>-</u>	<u>905,513</u>	<u>802,739</u>
Change in Net Assets	254,033	548,812	33,472	836,317	186,273
Net Assets at Beginning of Year	<u>1,001,756</u>	<u>10,739</u>	<u>863,517</u>	<u>1,876,012</u>	<u>1,689,739</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,255,789</u>	<u>\$ 559,551</u>	<u>\$ 896,989</u>	<u>\$ 2,712,329</u>	<u>\$ 1,876,012</u>

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

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)**

	<u>2011</u>	<u>2010</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 836,317	\$ 186,273
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
Depreciation	34,293	35,132
Realized and unrealized (gains) on investments	(222,727)	(92,545)
Donated musical instruments	(12,251)	(4,250)
Loss on disposal of assets	1,389	10,805
Permanently restricted contributions	(14,954)	(122,473)
Permanently restricted investment (income)	(28,594)	(52,497)
Permanently restricted distributions	10,076	10,996
<b>(Increase) Decrease in:</b>		
Grants receivable	923	1,882
Pledges receivable	(42,000)	5,300
Other receivables	705	195
Prepaid expenses	1,763	3,620
<b>Increase (Decrease) in:</b>		
Accounts payable and accrued expenses	(1,014)	(8,358)
Deferred revenue	(2,715)	9,525
Net Cash Provided by (Used in) Operating Activities	<u>561,211</u>	<u>(16,395)</u>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment purchases and sales, net	(602,877)	17,792
Change in charitable remainder unitrust	10,495	(30,101)
Purchase of musical instruments	(23,630)	(235)
Purchase of property and equipment	(8,644)	(5,958)
Change in beneficial interest in San Diego Foundation	(29,013)	(11,400)
Net Cash Used in Investing Activities	<u>(653,669)</u>	<u>(29,902)</u>
<b><u>Cash Flows From Financing Activities:</u></b>		
Permanently restricted contributions	14,954	122,473
Permanently restricted investment income	28,594	52,497
Permanently restricted distributions	(10,076)	(10,996)
Net Cash Provided by Financing Activities	<u>33,472</u>	<u>163,974</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(58,986)	117,677
Cash and Cash Equivalents at Beginning of Year	<u>223,487</u>	<u>105,810</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 164,501</u>	<u>\$ 223,487</u>

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

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 1 - Organization and Significant Accounting Policies:**

**Organization**

San Diego Youth Symphony and Conservatory (the “Symphony”) was organized in 1948 under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The Symphony is the sixth oldest continuously operating youth orchestra in the United States, and is the San Diego region’s leading youth music education organization. The Symphony is committed to developing student performance skills and character through music education and has the goal of Making Music Education Accessible and Affordable to All Students. Each year the Symphony trains over 650 students in the performance of orchestral, wind ensemble, chamber music, and jazz repertoire at a highly advanced level. In addition, the Symphony is committed to restoring and strengthening music education in public schools by partnering with schools, research institutions, social service agencies, professional artists and parents. The Symphony provides tuition scholarships to students without the means to otherwise participate and has launched the Community Opus Project to rebuild music education in neighborhoods without access to it. The Symphony’s ensembles perform throughout the community at events for the general public, other nonprofits, and government agencies.

The Symphony’s support comes from individual, foundation, and corporate donors as well as various government agencies, event ticket sales to the general public and student tuition.

**Significant Accounting Policies**

**Method of Accounting**

The financial statements of the Symphony have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

In June 2009, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) was issued. The Codification is the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification is effective for financials statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard did not have a material impact on the financial position and results of operations.

**Financial Statement Presentation**

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The FASB has issued reporting standards for endowments of not-for-profit Organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Estimates**

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

**Risks and Uncertainties**

The Symphony invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

**Fair Value Measurements**

The Symphony has adopted the fair value standards for financial assets and liabilities that are required to be measured at fair value on a recurring basis. The Fair Value Measurement standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). These standards do not change existing guidance as to whether or not an instrument is carried at fair value.

The Symphony's statement of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in mutual funds and corporate stocks are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.
- Charitable remainder unitrust is considered a Level 3 asset and is reported at fair value based on management's assumptions about the expected investment return on the underlying trust assets, an applicable discount rate and the life expectancy of the donor.
- Beneficial interest in San Diego Foundation is considered a Level 3 asset which represents an approximation of the discounted future cash flow based on the fair value of the underlying assets.

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Symphony that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Musical Instruments**

The Symphony has a collection of musical instruments that they have purchased or have received as donations. The estimated fair value of this collection has been included as an asset totaling \$171,941 and \$136,060 at June 30, 2011 and 2010, respectively.

**Capitalization and Depreciation**

Property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Symphony reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Symphony reclassifies temporarily restricted net assets to unrestricted net assets at that time. Maintenance, repairs and minor renewals are charged to operations as incurred. Property and equipment is depreciated using the straight-line method over the estimated useful lives as follows:

Tenant improvements	7 - 10 years
Music equipment	5 - 10 years
Computer systems	5 - 7 years
Furniture and fixtures	5 - 7 years

Depreciation aggregated \$34,293 and \$35,132 for the years ended June 30, 2011 and 2010, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

**Compensated Absences**

Accumulated unpaid vacation benefits totaling \$13,044 and \$14,213 at June 30, 2011 and 2010, respectively, are accrued when incurred and included in accounts payable and accrued expenses.

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Revenue and Expense Recognition**

Revenues from tuition and international youth symphony and expenses directly associated with a future performance or event are deferred until the fiscal year in which the performance or event occurs. Prepaid expenses related to future performances and international youth symphony totaled \$875 and \$2,654 at June 30, 2011 and 2010, respectively and are included in prepaid expenses. Deferred revenues from tuition and international youth symphony totaled \$35,195 and \$37,910 at June 30, 2011 and 2010, respectively.

**Donated Services and Facilities**

The Symphony occupies office and rehearsal halls in facilities donated by the San Diego Parks and Recreation. Donated facilities totaled \$11,200 for the years ended June 30, 2011 and 2010, recorded at fair value at the date of donation, and have been included in revenue and expenses for the years ended June 30, 2011 and 2010.

The Symphony received donated musical instruments. These donated musical instruments are recorded at fair value and totaled \$12,251 and \$4,250 for the years ended June 30, 2011 and 2010, respectively, and have been included in revenue and musical instruments for the years ended June 30, 2011 and 2010.

The Symphony received donated equipment. The donated equipment is recorded at fair value and totaled \$-0- and \$3,576 for the years ended June 30, 2011 and 2010, respectively, and have been included in revenue and expenses for the years ended June 30, 2011 and 2010.

The Symphony has received donations for professional services and supplies. The professional services and supplies are recorded at their fair value and totaled \$649 and \$9,889 for the years ended June 30, 2011 and 2010, respectively and have been included in revenue and expenses for the years ended June 30, 2011 and 2010.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Symphony with specific programs and various committee assignments. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended June 30, 2011 and 2010, did not meet the requirements above, therefore no amounts were recognized in the financial statements for volunteer time.

**Allocated Expenses**

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Symphony's management.

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 1 - Organization and Significant Accounting Policies: (Continued)**

**Significant Accounting Policies (Continued)**

**Income Taxes**

The Symphony is a nonprofit California corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code on income related to their tax exempt purpose. The Symphony is not a private foundation.

The Symphony uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax law and new authoritative rulings.

**Concentration of Credit Risk**

The Symphony maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. The Symphony has not experienced any losses in such accounts. The Symphony believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Symphony considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Comparative Totals for June 30, 2010**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. This summarized information is for comparative purposes only, and accordingly, such information should be read in conjunction with the Symphony's financial statements for the year ended June 30, 2010, from which the summarized comparative information was derived.

**Subsequent Events**

In preparing these financial statements, the Symphony has evaluated events and transactions for potential recognition or disclosure through September 12, 2011, the date the financial statements were available to be issued.

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 2 - Fair Value Measurements:**

The following table summarizes assets measured at fair value by classification within the fair value hierarchy as of June 30:

	2011			Balance as of June 30, 2011
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds:	\$	\$	\$	\$
Equity securities:				
Large cap	507,319	-	-	507,319
Mid cap	58,814	-	-	58,814
Small cap	39,525	-	-	39,525
International developed	233,849	-	-	233,849
International emerging	107,258	-	-	107,258
Fixed income funds	675,756	-	-	675,756
Real estate funds	50,877	-	-	50,877
Commodities	125,597	-	-	125,597
Total Mutual Funds	<u>1,798,995</u>	<u>-</u>	<u>-</u>	<u>1,798,995</u>
Charitable remainder unitrust (Note 6)	-	-	130,497	130,497
Beneficial interest in San Diego Foundation (Note 8)	-	-	227,225	227,225
	<u>\$ 1,798,995</u>	<u>\$ -</u>	<u>\$ 357,722</u>	<u>\$ 2,156,717</u>
	2010			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2010
Mutual funds	\$ 973,391	\$ -	\$ -	\$ 973,391
Charitable remainder unitrust (Note 6)	-	-	140,992	140,992
Beneficial interest in San Diego Foundation (Note 8)	-	-	198,212	198,212
	<u>\$ 973,391</u>	<u>\$ -</u>	<u>\$ 339,204</u>	<u>\$ 1,312,595</u>

The reconciliation for financial instruments measured at fair value on a recurring basis as significant unobservable inputs (Level 3) are included in the Notes as indicated above.

**Note 3 - Grants Receivable:**

Grants receivable consist of the following as of June 30:

	2011	2010
City of San Diego Commission for Art and Culture	\$ 13,830	\$ 14,636
California Arts Council	808	925
Total Grants Receivable	<u>\$ 14,638</u>	<u>\$ 15,561</u>

Management believes all grants receivable are fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2011 and 2010.

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 4 - Pledges Receivable:**

Pledges receivable consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Receivables due in less than one year	\$ 22,500	\$ 3,000
Receivables due in one to five years	22,500	-
Total Pledges Receivable	<u>\$ 45,000</u>	<u>\$ 3,000</u>

Management believes that all pledges receivable are fully collectible; therefore, no allowance for doubtful accounts was recorded at June 30, 2011 and 2010.

**Note 5 - Investments:**

The Symphony's investments consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Mutual Funds	<u>\$ 1,798,995</u>	<u>\$ 973,391</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	<u>2011</u>			<u>2010</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Realized and unrealized gains on investments	\$ 222,727	\$ -	\$ -	\$ 222,727	\$ 92,545
Interest and dividends	25,526	16,280	-	41,806	28,422
San Diego Foundation	-	-	40,155	40,155	23,377
Charitable remainder unitrust	-	-	(10,495)	(10,495)	30,101
Investment fees	-	-	(1,066)	(1,066)	(981)
Total Investment Return	<u>\$ 248,253</u>	<u>\$ 16,280</u>	<u>\$ 28,594</u>	<u>\$ 293,127</u>	<u>\$ 173,464</u>

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 6 - Charitable Remainder Unitrust:**

The Symphony was named as the remainder beneficiary of a charitable remainder unitrust (the "Trust"). This Trust was established and funded by the donor and provides for a distribution annually to the donor during their lifetime. Upon the death of the donor, the remaining value of the Trust will be distributed to the Symphony subject to the donor restriction that the corpus be maintained in perpetuity. The assets held in the Trust totaling \$222,433 and \$247,515 at June 30, 2011 and 2010, respectively have been discounted to their net present value using a discount rate of 7%. The activity of the charitable remainder unitrusts consisted of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Balance at Beginning of Year	\$ 140,992	\$ 110,891
Change in discount and fair value	(10,495)	30,101
Balance at End of Year	<u>\$ 130,497</u>	<u>\$ 140,992</u>

**Note 7 - Property and Equipment:**

Property and equipment consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Tenant improvements	\$ 296,920	\$ 296,920
Music equipment	21,351	21,250
Computer systems	13,380	18,596
Furniture and fixtures	11,782	8,489
Subtotal	<u>343,433</u>	<u>345,255</u>
Less: Accumulated depreciation	(129,992)	(104,776)
Property and Equipment, Net	<u>\$ 213,441</u>	<u>\$ 240,479</u>

**Note 8 - Beneficial Interest in San Diego Foundation:**

The Symphony has a beneficial interest in endowment funds held at San Diego Foundation, which are classified as permanently restricted as these investments must be maintained in perpetuity. The beneficial interest in San Diego Foundation is invested in a portfolio of equity and debt securities which is structured for long-term total return consisting of 28% domestic equities, 28% international equities, 18% alternative investments, 20% fixed income and 6% real estate investments. The Symphony receives distributions of earnings on an annual basis. The distributions are used to further the Symphony's mission of providing the San Diego community with challenging and exciting music at a high artistic level. The Symphony received \$10,076 and \$10,996 in distributions for the years ended June 30, 2011 and 2010, respectively.

The activity in the beneficial interest in San Diego Foundation consisted of the following for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Balance at Beginning of Year	\$ 198,212	\$ 186,812
Investment gain	39,089	22,396
Distributions	(10,076)	(10,996)
Balance at End of Year	<u>\$ 227,225</u>	<u>\$ 198,212</u>

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 9 - Undesignated Spending Allowance:**

San Diego Youth Symphony Board of Trustees has established a spending policy for the General Endowment and Board Designated Quasi Endowment. The amount available to spend in the operating budget in a fiscal year is calculated as a percentage of the moving average of the preceding three years June 30 year end valuation. The percentage rate that can be annually withdrawn from this average value is 5%. The value calculated on this basis will be moved to the spending allowance and is available for the management of the institution to spend at their discretion. Any additional income will be added to the Board Designated - Quasi Endowment and will become subject to the above restrictions. The following is the activity in the undesignated spending allowance for the years ended June 30:

	<u>2011</u>	<u>2010</u>
Undesignated Spending Allowance at Beginning of Year	\$ 94,932	\$ 107,862
Earnings allocated	45,882	46,026
Expenditures, net	<u>(35,838)</u>	<u>(58,956)</u>
Undesignated Spending Allowance at End of Year	<u>\$ 104,976</u>	<u>\$ 94,932</u>

**Note 10 - Temporarily Restricted Net Assets:**

Temporarily restricted net assets consist of contributions and endowment earnings received with time or purpose restrictions and consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Moeser Memorial	\$ 467,185	\$ -
Irvine Foundation	25,000	668
Heller Foundation	25,000	-
Cynergy	15,000	-
Weingart Foundation	12,500	-
NAMM Foundation	5,000	-
Nordson Foundation	4,000	-
Inge Manes Memorial Fund	2,283	5,000
Kawashima Fund - Associate Concert Master	798	781
Elaine and Stanley Goff Fund - Scholarship	570	610
Blair and Georgia Sadler Fund - Scholarship	548	568
Chelsea King Scholarship	476	339
Eleanor M. Young Scholarship Fund - Cello	388	415
La Jolla Debutante Ball Committee - Violin	342	366
Carson Kemp Memorial Fund - Nominated Scholarship	233	248
Julie E. Brewer Conductor's Achievement Award -Scholarship	228	244
Pledges - Summers Concert Orchestra Chamber Ensemble	-	1,500
Total Temporarily Restricted Net Assets	<u>\$ 559,551</u>	<u>\$ 10,739</u>

Net assets in the amount of \$100,833 were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the year ended June 30, 2011.

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 11 - Endowment Net Assets:**

The Symphony's endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Symphony holds and manages thirteen of the funds, with the remaining fund held and managed by San Diego Foundation.

**Symphony Managed Funds:**

In regards to the funds held and managed by the Symphony, the Symphony has interpreted the enacted version of the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Symphony classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) the original value of subsequent gifts donated to the permanent endowment (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Symphony in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Symphony considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Symphony 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 Symphony
- The investment policies of the Symphony

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Symphony to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2011 and 2010.

The Symphony has adopted investment and spending policies for endowment funds that:

- Manage the funds in a prudent manner recognizing risk and return tradeoffs
- Maintain a diversified portfolio that provides for asset growth through a combination of investment income and capital appreciation comparable to established industry benchmarks
- Maintain sufficient liquidity to fund expenses and support the spending policy
- Comply with applicable laws

The Symphony's endowment funds are invested in a diversified portfolio of mutual funds that are structured to satisfy its long-term rate-of-return objectives. The Symphony 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).

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 11 - Endowment Net Assets: (Continued)**

**Symphony Managed Funds: (Continued)**

On an annual basis, the interest and dividends earned on the restricted endowment funds are added to temporarily restricted net assets. The Symphony's spending policy in regards to these funds is to disburse them for their restricted purpose to meet the current program needs of the Symphony. The Symphony's spending policy in regards to the General Endowment funds (with no specific donor intention) and the Board Designated-Quasi Endowment funds is described in Note 9.

**San Diego Foundation Managed Funds:**

The Symphony has a beneficial interest in endowment funds that are held at San Diego Foundation (the "Foundation"). The Foundation manages the funds in accordance with UPMIFA. The Foundation's objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require the Symphony to retain as a fund of perpetual duration. The Symphony classifies permanently restricted net assets held by the Foundation as:

- The original value of gifts donated to the fund
- The original value of Symphony funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income and realized and unrealized gains and losses on investments
- Distributions from the fund in accordance with the spending policy

The Foundation has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

The Foundation's endowment funds are invested in a portfolio of equity and debt securities, which is structured for long-term total return. The Foundation's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received. Given the recent market declines, many of the Foundation's endowment funds distributions will be limited to income received, which is approximately 2.3% of the endowment principal.

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 11 - Endowment Net Assets: (Continued)**

Endowment composition by type of fund as of June 30:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds:				
San Diego Foundation - General	\$ -	\$ -	\$ 227,225	\$ 227,225
Joan Kroc Fund - General	-	-	125,000	125,000
R.P. Foundation - General	-	-	125,000	125,000
Dorothy and Joel Sollender Fund - General	-	-	32,000	32,000
Charitable Remainder Unitrust	-	-	130,497	130,497
Inge Manes Memorial Fund	-	2,283	100,150	102,433
Kawashima Fund - Associate Concert Master	-	798	35,000	35,798
Elaine and Stanley Goff Fund - Scholarship	-	570	25,000	25,570
Blair and Georgia Sadler Fund - Scholarship	-	548	24,031	24,579
Chelsea King Scholarship	-	476	20,857	21,333
Eleanor M. Young Scholarship Fund - Cello	-	388	17,000	17,388
La Jolla Debutante Ball Committee - Violin	-	342	15,000	15,342
Carson Kemp Memorial Fund - Nominated Scholarship	-	233	10,229	10,462
Julie E. Brewer Conductor's Achievement Award - Scholarship	-	228	10,000	10,228
Total Donor Restricted Endowment Funds - Permanently Restricted Net Assets	-	5,866	896,989	902,855
Board Designated-Quasi Endowment - Unrestricted Net Assets	675,340	-	-	675,340
Total Endowment Funds	<u>\$ 675,340</u>	<u>\$ 5,866</u>	<u>\$ 896,989</u>	<u>\$ 1,578,195</u>

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds:				
San Diego Foundation - General	\$ -	\$ -	\$ 198,212	\$ 198,212
Joan Kroc Fund - General	-	-	125,000	125,000
R.P. Foundation - General	-	-	125,000	125,000
Dorothy and Joel Sollender Fund - General	-	-	28,000	28,000
Charitable Remainder Unitrust	-	-	140,992	140,992
Inge Manes Memorial Fund	-	-	100,000	100,000
Kawashima Fund - Associate Concert Master	-	781	32,000	32,781
Elaine and Stanley Goff Fund - Scholarship	-	610	25,000	25,610
Blair and Georgia Sadler Fund - Scholarship	-	568	23,281	23,849
Eleanor M. Young Scholarship Fund - Cello	-	415	17,000	17,415
La Jolla Debutante Ball Committee - Violin	-	366	15,000	15,366
Chelsea King Scholarship	-	339	13,885	14,224
Carson Kemp Memorial Fund - Nominated Scholarship	-	248	10,147	10,395
Julie E. Brewer Conductor's Achievement Award - Scholarship	-	244	10,000	10,244
Total Donor Restricted Endowment Funds - Permanently Restricted Net Assets	-	3,571	863,517	867,088
Board Designated-Quasi Endowment - Unrestricted Net Assets	489,690	-	-	489,690
Total Endowment Funds	<u>\$ 489,690</u>	<u>\$ 3,571</u>	<u>\$ 863,517</u>	<u>\$ 1,356,778</u>

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)**

**Note 11 - Endowment Net Assets: (Continued)**

Changes in endowment net assets for the years ended June 30:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets at June 30, 2009	\$ 446,205	\$ 3,580	\$ 699,543	\$ 1,149,328
Investment return:				
Investment income	24,603	3,571	-	28,174
Investment expenses	(2,765)	-	(981)	(3,746)
Net realized and unrealized gains	<u>67,673</u>	<u>-</u>	<u>53,478</u>	<u>121,151</u>
Total Investment Return	89,511	3,571	52,497	145,579
Contributions	-	-	122,473	122,473
Distribution of spending allowance	(46,026)	(3,580)	-	(49,606)
Distributions	<u>-</u>	<u>-</u>	<u>(10,996)</u>	<u>(10,996)</u>
Endowment Net Assets at June 30, 2010	489,690	3,571	863,517	1,356,778
Investment return:				
Investment income	25,298	5,866	-	31,164
Investment expenses	(4,977)	-	(1,066)	(6,043)
Net realized and unrealized gains	<u>211,211</u>	<u>-</u>	<u>29,660</u>	<u>240,871</u>
Total Investment Return	231,532	5,866	28,594	265,992
Contributions	-	-	14,954	14,954
Distribution of spending allowance	(45,882)	(3,571)	-	(49,453)
Distributions	<u>-</u>	<u>-</u>	<u>(10,076)</u>	<u>(10,076)</u>
Endowment Net Assets at June 30, 2011	<u>\$ 675,340</u>	<u>\$ 5,866</u>	<u>\$ 896,989</u>	<u>\$ 1,578,195</u>

**SAN DIEGO YOUTH SYMPHONY AND CONSERVATORY  
SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)**

	Supporting Services				Total 2011	Total 2010
	Music Program	General and Administrative	Fundraising	Supporting Supporting Services		
<b><u>Salaries and Related Expenses:</u></b>						
Salaries and wages	\$ 408,267	\$ 67,808	\$ 56,280	\$ 124,088	\$ 532,355	\$ 464,231
Payroll taxes and employee benefits	55,678	8,622	7,686	16,308	71,986	64,622
Total Salaries and Related Expenses	<u>463,945</u>	<u>76,430</u>	<u>63,966</u>	<u>140,396</u>	<u>604,341</u>	<u>528,853</u>
<b><u>Nonsalary Related Expenses:</u></b>						
Concert hall/rehearsal and office rent	49,488	6,000	-	6,000	55,488	52,011
Professional services	-	25,433	11,484	36,917	36,917	32,907
Depreciation	1,146	33,147	-	33,147	34,293	35,132
Community program expenses	13,755	-	-	-	13,755	9,968
Concert expenses	12,122	-	-	-	12,122	16,293
Development	-	-	11,372	11,372	11,372	8,264
Board and employee training	10,478	-	-	-	10,478	5,488
Minor equipment purchase and rental	10,447	-	-	-	10,447	8,091
Advertising and promotion	10,008	-	-	-	10,008	8,235
Repairs and maintenance	6,292	1,827	1,827	3,654	9,946	6,009
Printing	9,029	-	-	-	9,029	8,959
Investment fees	-	4,977	-	4,977	4,977	2,764
Telephone	4,016	2,008	2,008	4,016	8,032	6,760
Office and computer supplies	3,506	1,753	1,753	3,506	7,012	5,367
Bank and credit card charges	-	6,187	-	6,187	6,187	2,967
Mileage, gas and parking	2,938	2,938	-	2,938	5,876	4,317
Storage and janitorial	2,863	2,864	-	2,864	5,727	5,421
Insurance	-	4,034	-	4,034	4,034	4,063
Postage and shipping	1,969	985	985	1,970	3,939	3,909
Memberships/dues	3,907	-	-	-	3,907	3,687
Transportation	3,264	-	-	-	3,264	2,798
Staff expenses	1,517	759	759	1,518	3,035	2,006
Copier	1,238	619	619	1,238	2,476	2,928
Development collateral	-	-	1,491	1,491	1,491	586
Royalty fees	960	-	-	-	960	820
Scholarships	810	-	-	-	810	900
In-kind expenses	649	-	-	-	649	13,465
Board and advocacy expenses	-	-	608	608	608	1,178
Balboa Park program expenses	333	-	-	-	333	-
Total Nonsalary Related Expenses	<u>150,735</u>	<u>93,531</u>	<u>32,906</u>	<u>126,437</u>	<u>277,172</u>	<u>255,293</u>
<b>TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES</b>	<u>\$ 614,680</u>	<u>\$ 169,961</u>	<u>\$ 96,872</u>	<u>\$ 266,833</u>	<u>\$ 881,513</u>	<u>\$ 784,146</u>