Hood & Strong

Advisory, Tax
and Assurance

San Francisco Conservatory of Music

June 30, 2024

Independent Auditors' Report and
Consolidated Financial Statements

San Francisco Conservatory of Music

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Consolidated Financial Statements

Independent Auditors' Report

THE BOARD OF TRUSTEES
SAN FRANCISCO CONSERVATORY OF MUSIC
San Francisco, California

Opinion

We have audited the consolidated financial statements of **SAN FRANCISCO CONSERVATORY OF MUSIC AND ITS SUBSIDIARIES (SFCM),** which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SFCM as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of SFCM and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 SFCM's ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the 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 SFCM'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 SFCM'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.

Report on Summarized Comparative Information

We have previously audited SFCM's June 30, 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 18, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
December 19, 2024

San Francisco Conservatory of Music

Consolidated Statement of Financial Position
(in thousands)

June 30, 2024 (with comparative totals for 2023)	2024	2023
Assets		
Cash and cash equivalents	$ 6,367	$ 6,530
Restricted cash	171	45
Receivables:		
Accounts receivable (less allowance for credit losses of $542 for 2024 and $44 for 2023)	6,175	6,178
Notes receivable (less allowance for credit losses of $52 for 2024 and 2023)	363	427
Contributions and grants receivable (less allowance for doubtful contributions receivable of $145 for 2024 and $193 for 2023)	6,233	6,603
Trusts receivable	137	139
Investments	145,372	126,816
Other assets	6,548	4,784
Property, plant and equipment, net	238,847	242,892
Goodwill, net	4,887	5,532
Total Assets	$ 415,100	$ 399,946
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 1,257	$ 2,597
Accrued expenses and other liabilities	13,953	10,263
Deposits	2,378	2,392
Line of credit		2
Loans, net of financing issuance costs	72,604	81,704
Accumulated postretirement medical benefit obligation	3,219	3,124
Government advances for Perkins loan program	326	353
Total liabilities	93,737	100,435
Net Assets:		
Without donor restrictions	253,078	245,727
With donor restrictions	68,285	53,784
Total net assets	321,363	299,511
Total Liabilities and Net Assets	$ 415,100	$ 399,946

See accompanying notes to the consolidated financial statement.

San Francisco Conservatory of Music

Consolidated Statement of Activities
(in thousands)

Year Ended June 30, 2024 (with comparative totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	Total	2023 Total
Operating Revenue and Support:				
Tuition and fees	$ 25,515		$ 25,515	$ 25,617
Less scholarships	(13,960)		(13,960)	(13,886)
Net tuition and fees	11,555		11,555	11,731
Private contributions	7,262	$ 3,458	10,720	4,030
Government grants	47		47	1,108
Other educational revenue	304		304	56
Release from Board-designated funds	11,787		11,787	9,679
Fundraising events	606		606	1,189
Auxiliary services	7,898		7,898	6,832
Net investment and endowment income	60	2,391	2,451	2,537
Net assets released from restrictions	4,915	(4,915)	-	-
Total operating revenue and support	44,434	934	45,368	37,162
Expenses:				
Program services:				
Instruction	18,683		18,683	18,099
Student services	2,624		2,624	2,317
Academic support	2,827		2,827	3,107
Public programs	967		967	628
Auxiliary services	9,146		9,146	10,323
Total program services	34,247	-	34,247	34,474
Fundraising	3,089		3,089	3,268
General and administration	9,705		9,705	9,010
Total expenses (including depreciation and amortization of $6,258 for 2024 and $6,120 for 2023)	47,041	-	47,041	46,752
Change in net assets from operations	(2,607)	934	(1,673)	(9,590)
Non-operating Activities:				
Endowment contributions		10,330	10,330	1,017
Unrestricted contributions designated by Board	14,100		14,100	82,840
Release of Board-designated funds	(11,787)		(11,787)	(9,679)
Contributions for capital projects		1,471	1,471	1,527
Independent operations revenues	19,408		19,408	14,037
Independent operation expenses, including depreciation and interest	(20,114)		(20,114)	(14,598)
Other non-operating (expense) revenue	(629)	(4)	(633)	100
Investment income, net of fees	7,604	3,241	10,845	2,660
Net assets released from restriction	1,471	(1,471)	-	-
Postretirement medical benefit plan obligation	(95)		(95)	159
Change in net assets from non-operating activities	9,958	13,567	23,525	78,063
Total Change in Net Assets	7,351	14,501	21,852	68,473
Net Assets, beginning of year	245,727	53,784	299,511	231,038
Net Assets, end of year	$ 253,078	$ 68,285	$ 321,363	$ 299,511

See accompanying notes to the consolidated financial statement.

San Francisco Conservatory of Music

Consolidated Statement of Functional Expenses
(in thousands)

Year Ended June 30, 2024 (with comparative totals for 2023)

	Operating							Non-Operating		
	Instruction	Student Services	Academic Support	Public Programs	Auxiliary Services	Fundraising	General and Administration	Independent Operation	2024 Total Expenses	2023 Total Expenses
Salaries and wages	$ 12,003	$ 1,323	$ 1,768	$ 149	$ 198	$ 1,471	$ 4,537	$ 10,563	$ 32,012	$ 28,131
Benefits	1,822	212	296	16	20	248	1,342	2,827	6,783	5,722
Purchased services	600	92	88	7	1,532	375	257	373	3,324	3,640
Professional and artistic fees	784	103	36	712	21	307	1,496	386	3,845	4,452
Repairs and maintenance	209	23	84	2	463	31	91	18	921	946
Supplies	155	46	50	4	89	15	39	65	463	497
Depreciation and amortization	1,457	162	217	17	2,692	181	620	912	6,258	6,120
Interest expense	567	63	85	7	2,462	70	240	63	3,557	4,134
Insurance	181	20	26	2	221	22	76	83	631	529
Utilities and telephone	254	31	38	3	1,034	33	118	175	1,686	1,503
Travel/mileage/meals	192	47	12	46	2	65	251	1,581	2,196	1,373
Software	134	153	57	1	53	88	112	437	1,035	768
Advertising	21	47				85	189	195	537	624
Facility rentals	66	2	2		304	2	224	1,431	2,031	1,449
Awards and contributions (non-tuition)		258							258	139
Other expenses	238	42	68	1	55	96	113	1,005	1,618	1,323
Total Expenses	$ 18,683	$ 2,624	$ 2,827	$ 967	$ 9,146	$ 3,089	$ 9,705	$ 20,114	$ 67,155	$ 61,350

See accompanying notes to the consolidated financial statement.

San Francisco Conservatory of Music

Consolidated Statement of Functional Expenses
(in thousands)

Year Ended June 30, 2023

	Operating							Non-Operating	
	Instruction	Student Services	Academic Support	Public Programs	Auxiliary Services	Fundraising	General and Administration	Independent Operation	Total Expenses
Salaries and wages	$ 11,482	$ 1,208	$ 1,935	$ 154	$ 113	$ 1,379	$ 4,441	$ 7,419	$ 28,131
Benefits	1,947	256	322	18	20	288	1,002	1,869	5,722
Purchased services	3	29	3		2,395	153	32	1,025	3,640
Professional and artistic fees	1,224	74	112	371	53	615	1,319	684	4,452
Repairs and maintenance	197	19	90	2	540	22	71	5	946
Supplies	135	29	69	1	153	21	36	53	497
Depreciation and amortization	1,481	161	249	19	2,673	184	600	753	6,120
Interest expense	668	73	112	9	2,886	83	271	32	4,134
Insurance	171	19	28	2	188	21	69	31	529
Utilities and telephone	262	33	44	3	925	37	115	84	1,503
Travel/mileage/meals	152	30	6	36	1	54	152	942	1,373
Software	130	129	60	1	45	84	90	229	768
Advertising	12	46				178	164	224	624
Facility rentals	58	5	2		308	47	192	837	1,449
Awards and contributions (non-tuition)	(9)	148							139
Other expenses	186	58	75	12	23	102	456	411	1,323
Total Expenses	$ 18,099	$ 2,317	$ 3,107	$ 628	$ 10,323	$ 3,268	$ 9,010	$ 14,598	$ 61,350

See accompanying notes to the consolidated financial statement.

San Francisco Conservatory of Music

Consolidated Statement of Cash Flows
(in thousands)

Year Ended June 30, 2024 (with comparative totals for 2023)	2024	2023
Operating Activities:		
Change in net assets	$ 21,852	$ 68,473
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	6,258	6,120
Amortization of right-of-use assets	919	
Change in loss allowance	43	
Net realized and unrealized gain on investments	(3,816)	(2,185)
Gain on disposal of assets		(4)
Contributions of equipment	(72)	(128)
Contributions received for endowment and capital projects	(11,801)	(7,763)
Financing issuance costs amortization	94	52
Changes in operating assets and liabilities:		
Receivables	397	14,540
Other assets	(2,683)	(3,332)
Accounts payable	(1,341)	(484)
Accrued expenses, other liabilities and post-retirement obligation	3,785	4,076
Deposits and deferred income	(14)	(762)
Government advances for loan program	(27)	(59)
Net cash provided by operating activities	13,594	78,544
Investing Activities:		
Acquisition of Askonas Holt		(1,958)
Property and equipment:		
Proceeds		1,506
Purchases and capital expenditures	(1,496)	(1,192)
Investments:		
Proceeds from sales	59,416	44,224
Purchases	(74,156)	(110,327)
Net cash used by investing activities	(16,236)	(67,747)
Financing Activities:		
Contributions received for endowment and capital projects	11,801	7,763
Cash from acquisition of Askonas Holt		1,577
Line of credit proceeds		250
Line of credit payments	(2)	(2,998)
Loan payments	(9,194)	(14,286)
Net cash provided (used) by financing activities	2,605	(7,694)
Net Change in Cash and Equivalents	(37)	3,103
Cash and Cash Equivalents, beginning of year	6,575	3,472
Cash and Cash Equivalents, end of year	$ 6,538	$ 6,575
Supplemental Cash Flow Information:		
Interest paid	$ 3,401	$ 4,050
Cash paid during the year for operating leases	1,499	528
Reconciliation of cash, cash equivalents to amounts shown on the statement of financial position:		
Cash and cash equivalents	$ 6,367	$ 6,530
Restricted cash	171	45
Total cash, cash equivalents and restricted cash shown on the statement of financial position	$ 6,538	$ 6,575

See accompanying notes to the consolidated financial statement.

Note 1 - Organization and Operations:

San Francisco Conservatory of Music (the Conservatory) is an independent college of music located in San Francisco, California, organized as a not-for–profit corporation and exempt from income tax under the U.S. Internal Revenue Code, Section 501(c)3. The Conservatory offers undergraduate and graduate degree programs, music instruction for adults and children and other public programs. The Conservatory is advancing a model of music education that sets students up for a rewarding career in music and a path of lifelong learning. The Conservatory student experience includes music education programs as well as to learn from professional artists, artist management and recording professionals and business practices through wholly owned artist management companies Opus 3 Artists LLC ("Opus 3") and Askonas Holt Limited ("Askonas Holt"), and recording label company Pentatone Music B.V. ("Pentatone"). As of June 30, 2024, the Conservatory holds these business interests under a wholly owned single member LLC, Opus 3 Mothership LLC ("Mothership") whose results of operations are shown as independent operations in the consolidated statement of activities.

The Conservatory assists students in the financing of their education through private and institutional scholarships as well as federally funded student aid programs.

The Conservatory is accredited by the Western Association of Schools and Colleges (WASC). Federally funded student aid programs require the accreditation to be maintained. This accreditation is subject to periodic review and renewal.

Note 2 - Significant Accounting Policies:

<u>Basis of Presentation and Description of Net Assets</u>

The accompanying consolidated financial statements include the accounts of the Conservatory, Mothership, Opus 3 Artists, Pentatone, and Askonas Holt (collectively, "SFCM") after elimination of intercompany accounts and transactions.

SFCM's consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles for not-for-profit organizations which utilize classifications for presentation based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions represent unrestricted resources that are not subject to donor-imposed restrictions and are available to support all activities of SFCM. Net assets without donor restrictions include Board-designated net assets (see Note 13).

Net assets with donor restrictions represent contributions that are limited in use by SFCM in accordance with donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by activities conducted by SFCM pursuant to those stipulations. Other donor-imposed restrictions represent contributions to be held as investments in perpetuity as directed by the original donor.

Revenue Recognition

Student tuition receivables are recorded when students are billed and the amounts are non-refundable. Tuition revenue is recorded as the performance obligation is met (earned) on a pro rata basis over the applicable teaching period. Payments received for tuition for future periods are reported as deposits. Collection or development of payment plans for tuition is required prior to start of classes for the term.

All contributions and grants, whether or not restricted, are recognized as revenue when they are received by or unconditionally pledged to SFCM. SFCM classifies gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When such donor restrictions expire, that is, when stipulated time restrictions end or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

SFCM reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, SFCM reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions and grants receivable represent amounts unconditionally committed by donors that have not been received by SFCM. Contributions and grants expected to be received beyond one year, are discounted at an applicable rate at the time of contribution.

Independent operations revenue is recognized when performance obligations identified under the terms of contracts with its customers are satisfied, which occurs upon the transfer of control in accordance with the contractual terms and conditions of the sale. Revenue is measured as the amount of consideration expected to be received in exchange for services provided.

In the normal course of business, SFCM acts as an intermediary or agent with respect to payments received from third parties. As required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606 paragraph 606-10-55-37 through 40, such transactions are recorded on a “gross” or “net” basis depending on whether SFCM is acting as the “principal” in the transaction or acting as the “agent” in the transaction. SFCM does not have control before the service is transferred to the customer, therefore, SFCM is considered an agent and, accordingly, revenues are recorded on a net basis.

Foreign Currency

The consolidated financial statements of SFCM's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of the subsidiaries are translated into U.S. dollars at exchange rates as of the consolidated balance sheet date. Revenues and expenses are translated into U.S. dollars at average rates of exchange in effect during the year. The resulting cumulative translation adjustments are recorded in net assets. Realized foreign currency transaction gains and losses, when incurred, are included in the consolidated statement of activities.

Cash Equivalents

SFCM considers all instruments with a maturity of three months or less at the time of purchase to be cash equivalents for the purposes of the consolidated statement of cash flows, except for cash equivalents included in and managed with SFCM's investments.

Restricted Cash

Restricted cash represents cash in the Perkins loan program.

Investments

Marketable securities are recorded at fair value based on quoted market prices. The fair value of alternative investments has been estimated using the net asset values (NAV) as reported by the fund managers. SFCM believes the carrying amount of these investments is a reasonable estimate of its fair value. The timing of the ultimate liquidation of this investment is restricted to certain time periods, and is limited to sale by the fund. Due to inherent uncertainty of valuation of such investment, the estimated value may differ significantly from the value that would have been used had a ready market for such funds existed.

Other investments, primarily real estate interests, are carried at cost basis. Investments received as gifts are recorded at estimated fair value at the date of the donation. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are calculated on an adjusted cost basis. Adjusted cost is the estimated fair value of the security at the beginning of the year, or the cost if purchased during the year. Dividend and interest income, net of fees, are accrued when earned.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFCM reports certain investments using the NAV per share as determined by investment managers under the so-called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

SFCM classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in active markets. Level 3 values are based on significant unobservable inputs that reflect SFCM's determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

Endowment Funds

SFCM's endowments include donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions (see Note 13).

Interpretation of Uniform Prudent Management of Funds Act (UPMIFA)

The Board of Trustees of SFCM has interpreted California's 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, SFCM classifies as donor restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 as net assets with donor restrictions in perpetuity is classified as donor restricted net assets of a time nature until those amounts are appropriated for expenditure by SFCM in a manner consistent with the standard of prudence prescribed by California's UPMIFA. In accordance with California's UPMIFA, SFCM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of SFCM and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of SFCM
7) The needs of SFCM and the fund to make distributions and to preserve capital
8) The expected tax consequences
9) The role that each investment or course of action plays within the overall fund
10) The investment policies of SFCM

Investment Objectives and Spending Policy

SFCM has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the performance of the endowment fund shall be measured by total return.

SFCM's spending policy has a long-term spending goal of 4% of a 3-year average. However, the specific draw shall be determined by the Board on an annual basis considering the performance of the endowment and the needs of SFCM. A protective collar is utilized as an overlay to the spending policy. The protective collar calculations will be based on the value of the endowment at the end of each fiscal year. The application of the collar will mitigate the effects of extreme market outcomes and limit the amount of money that can be distributed from the endowment if there is a one year or a period of years of underperformance or negative performance. Under this collar, the SFCM takes into consideration the market value of the endowment at the most recent fiscal year-end. The collar states that the draw must fall within a range that is at least 4% and not more than 6% of the Endowment Market Value at year end, even if the amount that could be drawn is higher or lower under the 3-year moving average calculation. This is consistent with SFCM's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, SFCM 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). SFCM's endowment fund is invested in a portfolio of stocks, bonds and other investments which shall provide maximum flexibility and safety through diversification of investments.

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires SFCM to retain as a fund of perpetual duration, underwater endowments. At June 30, 2024, SFCM had 85 funds with deficiencies totaling $2,523,000 with fair market values of $22,117,000 and original endowment gift amounts of $24,640,000. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for programs that were deemed prudent by the Board of Trustees.

Accounts Receivable and Notes Receivable

Independent operations accounts receivable of approximately $6,360,000 include routinely made advances for expenses incurred by artists as well as unpaid commissions from completed performances.

Student accounts receivable of approximately $357,000 are carried at the unpaid balance of the original amount billed to students.

Notes receivable include Federal Perkins student loans which bear interest of 3% to 5% annually.

SFCM estimates expected credit losses based on a combination of historical loss data, current conditions, and reasonable forecasts about future economic conditions. The allowance of approximately $542,000 as of June 30, 2024 reflects the expected losses over the life of the receivables. Changes in the allowances are recorded in the Statement of Activities as a component of general and administrative expenses. Activity in the allowance accounts for the fiscal year ended June 30, 2024, by line of business is as follows:

	Student Education	Artists and Performances	Total
Balance - June 30, 2023	$ 15,577	$ 44,500	$ 60,077
Provision for credit loss	215,759	355,267	571,026
Writeoffs		(98,665)	(98,665)
Recoveries		9,555	9,555
Balance - June 30, 2024	$ 231,336	$ 310,657	$ 541,993

Trusts Receivable

Trusts receivable are gifts and bequests held by SFCM or a trustee of which the income is paid to a beneficiary specified by the donor during the beneficiary's lifetime. Upon maturation, the principal becomes available for use by SFCM in accordance with the donor's specified purpose. Currently all recorded trusts contain provisions permanently restricting the corpus of the trust at maturity. Trusts receivable include charitable remainder trusts, which are carried at the estimated net present value of SFCM's remainder interest in irrevocable trusts. The net present value was actuarially determined using a discount rate of 5.6%.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, if purchased, or fair market value at date of receipt, if donated. Depreciation is recorded using the straight-line method over estimated useful lives of 80 years for buildings, the shorter of lease term or 20-40 years for building improvements, 20 – 50 years for musical instruments, except string instruments, and 3-10 years for all other depreciable assets.

Collections

SFCM has capitalized its collection of string instruments. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date. Gains or losses on the deaccession of collection items are classified on the consolidated statement of activities depending on donor restrictions, if any, placed on the item at the time of accession.

Goodwill

Goodwill is the result of the acquisitions of Opus 3 Artists on January 1, 2021, and of Askonas Holt on December 20, 2022. SFCM has elected the accounting alternative whereby customer-related intangible assets not capable of being sold or licensed independently from other assets of a business and noncompetition agreements are no longer recognized separately from goodwill in a business combination. In conjunction with the election, SFCM also elected the accounting alternative provided to amortize goodwill on a straight-line basis over a ten-year period. SFCM evaluates goodwill for impairment at the entity level annually.

Leases

SFCM determines whether an arrangement is or includes a lease and categorizes leases as either operating or finance leases at their commencement. SFCM does not have any finance leases. Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As SFCM's leases do not provide an implicit rate, SFCM uses a risk-free discount rate at the commencement date in determining the present value of future payments. The lease ROU asset also includes any lease payments made minus any lease incentives received and initial direct costs incurred. SFCM accounts for lease and non-lease components, to the extent they are fixed, as a single lease component. Additionally, the lease term may include options to extend or terminate the lease when it is reasonably certain SFCM will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Deposits

Deposits represents tuition received in advance of the semester and is fully refundable to the students. The tuition has not been earned at year end and will be recognized in subsequent periods.

Government Advances for Loan Program

SFCM records the portion of federally funded student loan payments received as refundable advances. The amount includes principal and interest earned on the loans less certain allowable costs.

Non-Operating Revenue and Gains

Non-operating revenue and gains includes gifts and grants restricted or designated for endowment, plant or special projects, income and expenses from independent operations and investment income and net realized gains or losses on investments in excess of the allocated income under the endowment spending policy.

Advertising Expenses

SFCM's policy is to expense advertising costs as they are incurred.

Functional Allocation of Expenses

Certain expenses, such as depreciation and amortization expense, building services, and interest, are allocated among program services and supporting services based primarily on direct payroll charges and other direct expenses.

Income Taxes

The Conservatory operates as a not-for–profit corporation and is exempt from income taxes on related income under provisions of the U.S. Internal Revenue Code, Section 501(c)(3) and the California Tax Code. The Conservatory has maintained its tax-exempt status, and accordingly, no provision for income taxes has been reflected in these consolidated financial statements.

Mothership is a single member limited liability company and has elected to be taxed as a C-corporation on its income under the liability method. Opus 3, Opus 3 Artists GmbH, Askonas Holt and Pentatone have elected to be treated as disregarded entities for United States tax purposes; therefore, Mothership is taxed on its combined income. Mothership would recognize accrued interest and penalties associated with uncertain tax positions, if any, as part of the income tax provision. Askonas Holt, Opus 3 Artists GmbH and Pentatone account for their foreign income taxes and related accounts under the liability method. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of its assets and liabilities using enacted tax rates. Deferred assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The entities are taxable in certain local tax jurisdictions, thus local tax returns are filed and paid. Net deferred tax assets related to the Mothership are comprise primarily related to available net operating loss carryforwards are offset with a valuation allowance at June 30, 2024. For United States tax purposes, net operating loss carryforwards of approximately $1,800,000 are available to offset future taxable income and do not expire.

For income tax purposes in the Netherlands, Pentatone's cumulative losses as of June 30, 2024 amounted to $5,843,000 (EUR 5,458,000). Current legislation allows losses to be offset against income indefinitely, but there are limits to the offset amounts per year, as defined. No tax benefit from the losses has been recorded due to the uncertainty of future taxable profits for Pentatone.

As of June 30, 2024, management evaluated SFCM's tax positions and had taken no uncertain tax positions that require adjustment to the consolidated financial statements. Therefore, no provision or liability for income taxes related to uncertain tax positions has been included in the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Statements

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information and certain disclosures do not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the SFCM's consolidated financial statements for the year ended June 30, 2023, from which the information was derived.

Recent Accounting Pronouncements

Pronouncement Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets. The ASU requires loans and trade receivables measured at amortized cost to be presented at the net amount expected to ultimately be collected. The allowance for credit losses includes all losses that are expected to occur over the remaining life of the asset, rather than incurred losses through the date of the financial statements. Changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. Contribution pledges recorded as receivable are excluded from the new impairment standard. SFCM adopted this standard on July 1, 2023. The adoption of this guidance did not significantly impact the presentation of our financial condition, results of operations and disclosures.

Subsequent Events

SFCM evaluated subsequent events from June 30, 2024 through December 19, 2024, the date these consolidated financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements and no subsequent events have occurred the nature of which would require disclosure.

Note 3 - Availability of Financial Assets and Liquidity:

SFCM's financial assets available within one year of the June 30, 2024 year end for general expenditures were as follows:

Financial assets at year end:	
Cash and cash equivalents	$ 6,367,000
Accounts receivable, net	6,175,000
Contributions receivable, net	6,233,000
Investments	145,372,000
Total financial assets	164,147,000
Less amounts not available to be used within one year:	
Pledge receivables for capital projects	(379,000)
Pledge receivables for restricted projects	(523,000)
Pledge receivables for endowment	(4,958,000)
Cash held for donor restricted purposes	(2,412,000)
Cash held for endowment	(1,581,000)
Investments held for endowment (includes quasi-endowments)	(58,530,000)
Investments in non-liquid assets	(39,000)
Unrestricted contributions designated by the Board	(86,775,000)
Plus amounts available to be used within one year:	
Purpose restrictions to be met in one year	1,110,000
Payout on endowment	2,682,000
Pledge receivable for capital projects	379,000
Approved releases of Board-designated funds	11,299,000
	(139,727,000)
Financial assets available to meet general expenditures over the next twelve months	$ 24,420,000

SFCM regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. SFCM has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and a line of credit. At June 30, 2024, SFCM had approximately $85,000 of quasi-endowments and $86,775,000 of Board-designated funds that, with the Board's approval, could be made available for operations.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, SFCM considers all expenditures related to its ongoing mission related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Note 4 - Contributions and Grants Receivable:

Contributions and grants receivable are expected to be collected as follows at June 30:

	2024	2023
Within one year	$ 6,181,000	$ 5,127,000
One to five years	664,000	1,627,000
Six to eight years	170,000	170,000
	7,015,000	6,924,000
Discount on multi-year contributions	(637,000)	(128,000)
Allowance for uncollectible contributions	(145,000)	(193,000)
Contributions and grants receivable, net	$ 6,233,000	$ 6,603,000

See Note 14 for related party contributions receivable.

Note 5 - Investments:

SFCM's investments consisted of the following at June 30:

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Cash and equivalents	$ 1,790,000	$ 1,790,000	$ 9,554,000	$ 9,554,000
Domestic equities and funds	62,228,000	51,834,000	47,439,000	42,555,000
International mutual and commingled trust funds	31,529,000	31,068,000	24,753,000	25,941,000
Domestic fixed income funds	43,642,000	45,818,000	40,040,000	42,872,000
International fixed income funds	5,899,000	6,072,000	4,764,000	5,121,000
Partnerships	39,000	11,000	21,000	11,000
	145,127,000	136,593,000	126,571,000	126,054,000
Other investments:				
Real estate - interest	245,000	245,000	245,000	245,000
	$ 145,372,000	$ 136,838,000	$ 126,816,000	$ 126,299,000

Total investment return for the year ended June 30, 2024 is comprised of net realized and unrealized gain of $8,824,000, dividends and interest income of $4,796,000, and investment fees of $405,000 which is reflected in operating and non-operating revenue in the consolidated statement of activities.

Note 6 - Fair Value Measurements:

The table below presents the assets and liabilities measured at fair value on a recurring basis at June 30, 2024.

	Level 1	Level 2	Level 3	NAV	Total
Assets:					
Investments:					
Cash and equivalents	$ 1,790,000				$ 1,790,000
Domestic equities and funds	62,202,000	$ 26,000			62,228,000
International funds	31,529,000				31,529,000
Domestic fixed income funds	43,642,000				43,642,000
International fixed income funds	5,899,000				5,899,000
Net Asset Value Funds (a)				$ 39,000	39,000
Other Assets:					
Trusts receivable		137,000			137,000
Total assets measured at fair value	$ 145,062,000	$ 163,000	$ -	$ 39,000	$ 145,264,000
Liabilities:					
Post-retirement medical benefit obligation (Note 11)			$ 3,219,000		3,219,000
Total liabilities measured at fair value	$ -	$ -	$ 3,219,000	$ -	$ 3,219,000

(a) In accordance with FASB ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

SFCM uses the net asset value to determine the fair value of all the underlying investments which do not have readily determinable fair value. The following table lists investments by major category as of June 30, 2024:

Strategies	# of Funds	Valuation	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Venture capital fund (a)	1	$ 33,000	None	None	N/A
Real estate mortgage fund (b)	1	6,000	None	None	N/A
	2	$ 39,000			

(a) The fund is a limited partnership that invests in a portfolio consisting primarily of securities of privately held technology companies. The term of the partnership was scheduled to terminate on December 31, 2014. Liquidity is expected in the form of distributions from the fund when the underlying assets are sold.

(b) The fund is a limited partnership which makes loans secured primarily by first and second deeds of trust on California real property. The partnership is scheduled to terminate in 2032, unless sooner terminated, as provided in the partnership agreement. There are substantial restrictions on transferability of units and accordingly an investment in the partnership is non-liquid. In March 2009, due to the distress in the financial markets, the partnership suspended capital liquidations and is not accepting new liquidation requests until further notice.

Note 7 - Property, Plant and Equipment:

Property, plant and equipment consisted of the following at June 30:

	2024	2023
Land	$ 23,253,000	$ 23,253,000
Building and improvements	233,890,000	233,574,000
Books, furnishings and equipment	18,992,000	18,493,000
Musical instruments, including collections	8,908,000	8,538,000
	285,043,000	283,858,000
Less accumulated depreciation and amortization	(47,064,000)	(41,721,000)
	237,979,000	242,137,000
Construction in progress	868,000	755,000
	$ 238,847,000	$ 242,892,000

Certain Land and Building assets are pledged as collateral for the credit agreement (see Note 9).

Note 8 - Goodwill:

During the year ended June 30, 2022, $2,968,000 was recorded with the acquisition of Opus 3 Artists, and $3,480,000 with the acquisition of Askonas Holt during the year ended June 30, 2023. Amortization expense was $645,000 for the year ended June 30, 2024.

Goodwill, as of June 30, 2024, was comprised of the following:

		Estimated Useful Life
Goodwill	$ 6,448,000	10 years
Accumulated amortization	(1,561,000)	
	$ 4,887,000	

Note 9 - Credit Agreement:

On June 28, 2018, SFCM entered into loan agreements with First Republic Bank, now JP Morgan Chase and the California Enterprise Development Authority (CEDA) which provide up to $113 million of tax exempt and taxable financing. The proceeds of the loans were used to finance the construction of SFCM's new student residence, educational and performance facility.

CEDA and JPMorgan Chase Tax Exempt Series A & B: The $100 million tax exempt financing is comprised of a 30-year $75 million permanent loan (Series A) and a 6-year $25 million bridge loan (Series B).

Series A loan bears an interest rate of 3.9% per annum, with monthly interest-only payments due through June 1, 2021. Monthly payments of principal and interest on the loan began July 1, 2021 and are due through June 1, 2048. As of June 30, 2024, $70,759,000 was outstanding on the loan.

Series B bore interest at the Secured Overnight Financing Rate Index plus 1.5% per annum with a minimum rate of 2.5%, payable monthly. It had a maturity date of June 1, 2024 and was paid in full.

Series C is a $10 million taxable bridge loan and bears interest at the Western Edition of the Wall Street Journal U.S. Prime Rate plus negative 35 hundredths percent (-0.35%), (8.15% as of June 30, 2024). The loan is a non-revolving commitment that SFCM may draw upon until December 31, 2021 at which time it becomes a term loan which matures on June 30, 2025. As of June 30, 2024, $2,647,000 was outstanding on the loan.

The Line of Credit is a $3 million revolving line of credit and is used for ongoing expenses and working capital needs. The line of credit bears interest at the Western Edition of the Wall Street Journal U.S. Prime Rate with a minimum interest rate of 5.00% (8.50% as of June 30, 2024). The maturity date is April 28, 2025. As of June 30, 2024, no amounts were outstanding on the loan.
Financing issuance costs are classified as a reduction to loans payable on the consolidated statement of financial position. The costs will be amortized over the term of the loans. The balance of financing issuance costs, net of amortization is $968,166 at June 30, 2024.

The Series A, and C and Line of Credit agreements contain certain restrictive covenants, including maintenance of certain financial ratios, restrictions on additional borrowings, level of lease commitments, sales of assets and certain asset levels. SFCM's property, land and unrestricted personal properties are pledged as collateral. The Line of Credit includes a clean down restriction. SFCM is required to reduce the outstanding principal balance of the Line of Credit to no greater than $0 for thirty (30) consecutive days during each 12-month period.

Askonas Holt received a £400,000 loan from Lloyds Bank under the United Kingdom Coronavirus Business Interruption Loan (CBIL) program. The loan bears interest at a fixed rate of 2.51% plus a floating interest rate (7.76% as of June 30, 2024). Principal and interest payments of approximately $8,000 are due monthly on the loan through May 2026. The balance as of June 30, 2024 is $166,000.

Future minimum principal payments on the outstanding Series A loan as of June 30, 2024 are as follows:

Year Ending June 30:	
2025	$ 1,658,000
2026	2,740,000
2027	1,933,000
2028	2,004,000
2029	2,091,000
Thereafter	60,333,000
	$ 70,759,000

Future minimum principal payments on the outstanding Series C loan as of June 30, 2024 are as follows:

Year ending June 30:	
2025	$ 2,647,000
	$ 2,647,000

Note 10 - Retirement Plans:

Employees of SFCM are covered under various defined-contribution plans. Contributions to all plans of approximately $1,176,000 were made by SFCM for the year ended June 30, 2024.

The Conservatory provides a 457(b) plan for certain management personnel. Deferrals are made at the discretion of the participants, subject to certain limitations. Related assets and liabilities total approximately $325,000 and are included in the consolidated financial statements for the year ended June 30, 2024.

With respect to certain employees, the Conservatory contributes to a multiemployer pension plan for very limited number of employees covered by a collective bargaining agreement. This plan is not administered by the Conservatory and contributions are determined in accordance with provisions of negotiated labor contracts. The Multiemployer Pension Plan Amendments Act of 1980 (The Act) significantly increased the pension responsibilities of participating employers. Under the provisions of The Act, if the plan terminates or the Conservatory withdraws, the Conservatory could be subject to a substantial "withdrawal liability." Management has no intention of undertaking any action which could subject the Conservatory to this obligation. The total pension expense related to these employees was approximately $167,000 for the year ended June 30, 2024.

Note 11 - Postretirement Health Benefit Plan:

The Conservatory adopted an unfunded noncontributory postretirement health benefit plan (the Plan) effective July 1, 1997. All qualifying employees will receive a fixed benefit of the cost of health insurance premiums for the individual at age 65 and beyond under the plan. Effective May 1, 2010, the Plan's service requirement for benefit eligibility was changed from 10 years to 20 years. The valuation of the accumulated benefit obligation and accrued benefit costs are as follows:

Accumulated benefit obligation at beginning of year	$ 3,124,000
Service cost	147,000
Interest cost	151,000
Actuarial gain	(125,000)
Benefits paid	(85,000)
Participant contribution	7,000
Accumulated benefit obligation at end of year	3,219,000
Unfunded status of the plan at end of year	$ 3,219,000

The benefits expected to be paid from the Conservatory's noncontributory postretirement health benefit plan in each of the next five years, and in aggregate for the five years thereafter are as follows:

Year Ending June 30:	
2025	$ 98,000
2026	111,000
2027	124,000
2028	134,000
2029	145,000
Thereafter	897,000
	$ 1,509,000

Weighted average rate assumptions as of June 30, 2024:

Discount Rate	5.34%

The Conservatory's projected medical cost trend rate related to its noncontributory postretirement health benefit plan for 2025 is 7.5%. The higher medical cost trend rate reflects health plans' modeling driven by inflationary pressure, prescription drug spending and behavioral health utilization.

Note 12 - Concentrations of Risk:

Financial instruments, which potentially subject SFCM to credit risk, consist primarily of cash, cash equivalents, and investments. SFCM maintains cash and cash equivalents with major financial institutions. Cash equivalents include investments in money market funds and short-term commercial paper. At times, such amounts may exceed FDIC limits.

To address concentration of market risk in the investment area, SFCM maintains a formal investment policy which sets out performance criteria, investment guidelines and requires review of the investment manager's performance. Investments are managed by two investment managers, who have the responsibility for investing the funds in various investment alternatives.

SFCM received 45% of its contributions for the year ended June 30, 2024 from one donor, with the full amount received during the fiscal year, and 74% of its pledges receivable as of June 30, 2024 were from another donor.

Note 13 - Net Assets:

Net assets consisted of the following at June 30:

	2024				
		With Donor Restrictions			
	Without Donor Restrictions	Purpose & Time Restrictions	Restrictions in Perpetuity	Total	2023 Total
Endowment:					
Quasi-endowment funds	$ 85,000			$ 85,000	$ 82,000
True endowment funds:					
General purpose		$ 119,000	$ 8,922,000	9,041,000	8,531,000
Scholarship		(911,000)	46,834,000	45,923,000	33,477,000
Faculty support		242,000	8,635,000	8,877,000	8,344,000
Other program support		77,000	978,000	1,055,000	992,000
Retirement of indebtedness		22,000	180,000	202,000	190,000
True endowment funds	-	(451,000)	65,549,000	65,098,000	51,534,000
Total endowment funds	85,000	(451,000)	65,549,000	65,183,000	51,616,000
Other	252,993,000	3,187,000		256,180,000	247,895,000
Total net assets	$ 253,078,000	$ 2,736,000	$ 65,549,000	$ 321,363,000	$ 299,511,000

At June 30, 2024, SFCM had Board-designated funds for special projects and other purposes of $86,775,000.

Net assets with donor restrictions for purpose and time, classified as other above, at June 30, 2024 were as follows:

Time restriction	$ 1,408,000
Other projects & programs	1,779,000
	$ 3,187,000

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the year ended June 30, 2024:

Utilized for scholarships	$ 2,038,000
Utilized for faculty salaries	387,000
Utilized for capital projects	1,471,000
Utilized for other project and program purposes	2,343,000
Expiration of time restrictions	147,000
Total released operating and non-operating	$ 6,386,000

Changes in endowment net assets for the year ended June 30, 2024:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose & Time Restrictions	Restrictions in Perpetuity	Total
Net assets, beginning of year	$ 82,000	$ (3,690,000)	$ 55,224,000	$ 51,616,000
Investment return:				
Investment income, net	4,000	1,818,000		1,822,000
Net realized and unrealized gain (loss) on investments and trusts	4,000	3,812,000	(5,000)	3,811,000
Total investment return	8,000	5,630,000	(5,000)	5,633,000
New contributions			10,330,000	10,330,000
Appropriation of endowment	(5,000)	(2,391,000)		(2,396,000)
Net assets, end of year	$ 85,000	$ (451,000)	$ 65,549,000	$ 65,183,000

Note 14 - Related Party Transactions:

In accordance with ASC 850, *Related Party Disclosures*, SFCM has identified the following relationships and transactions involving related parties during the fiscal year ended June 30, 2024. Related parties include Trustees, officers, and other key personnel, as well as entities or persons with significant influence over SFCM.

SFCM received contributions from related parties of approximately $2,219,000 for the fiscal year ended June 30, 2024. Contributions receivable related to current and prior years' contributions from related parties totaled approximately $80,000 at June 30, 2024.

Note 15 - Commitment and Contingencies:

Operating Leases

SFCM leases facilities, equipment, and parking under non-cancelable leases, which expire at various dates through 2030. Some leases have options to renew.

Lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of the remaining minimum lease payments over the lease term, with certain adjustments as described in Note 2. As SFCM's leases do not provide an implicit rate, SFCM elected to use a risk-free interest rate based on the information available at commencement date in determining the present value of lease payments.

As of June 30, 2024, SFCM had right-of-use assets of $5.7 million and lease liabilities related to its operating leases of $5.4 million. Right-of-use assets are included within other assets and lease liabilities are included within accrued expenses and other liabilities in the consolidated statement of financial position. As of June 30, 2024, the weighted-average remaining lease term was 3.93 years, and the weighted-average discount rate related to SFCM's operating leases was 4.05%. Operating lease expense was approximately $1,320,000 for the year ended June 30, 2024.

Maturities of the operating lease liabilities are as follows:

Year Ending June 30:	
2025	$ 1,782,000
2026	1,784,000
2027	968,000
2028	696,000
2029	577,000
Thereafter	13,000
Total lease payments	5,820,000
Lease discount to present value	(406,000)
Present value of lease liabilities	$ 5,414,000

Other

The Conservatory receives funds from and administers various federal government funded programs which are subject to audit by the cognizant governmental agencies. The Conservatory management believes that the outcome of any such audits will not have a significant effect on the consolidated financial position or results of activities of the Conservatory.

Askonas Holt received £400,000 of loans under the Coronavirus Business Interruption Loan of which $166,000 is still outstanding as of June 30, 2024. See Note 9 for additional information.