

**PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)**

**Financial Statements and
Independent Accountant's Review Report**

May 31, 2021

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PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Pennsylvania Sinfonia Orchestra
Allentown, PA 18102

We have reviewed the accompanying financial statements of Pennsylvania Sinfonia Orchestra (a not-for-profit corporation), which comprise the statement of financial position as of May 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statement for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

January 10, 2022

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PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
Reviewed

	<u>May 31,</u> <u>2021</u>
Assets:	
Cash and Cash Equivalents	\$ 66,319
Insurance Company Annuity Contracts (Note 2)	76,094
Prepaid Expenses	482
Property and Equipment, Net (Note 3)	<u>-</u>
Total Assets	<u><u>\$ 142,895</u></u>
 Liabilities and Net Assets:	
Liabilities:	
Accounts Payable	\$ 249
Accrued Payroll	1,660
Payroll Taxes Payable	633
Deferred Revenue	<u>2,236</u>
Total Liabilities	<u>4,778</u>
Net Assets:	
Without Donor Restrictions	<u>138,117</u>
Total Net Assets	<u>138,117</u>
Total Liabilities and Net Assets	<u><u>\$ 142,895</u></u>

See independent accountant's review report and notes to financial statements.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES
Reviewed

	<u>Year Ended May 31, 2021</u>
Change in Net Assets Without Donor Restrictions:	
Public Support:	
Government Grants	\$ 10,795
Contributions:	
Foundations	21,098
Corporate	2,862
Board of Directors	16,250
Individuals	25,404
In-Kind	4,240
Fundraising Events (Note 6)	<u>8,234</u>
Total Public Support	<u>88,883</u>
Program Revenue:	
Concert Ticket Sales	-
Contracted Performances	-
Other Income	671
Interest	<u>1,097</u>
Total Program Revenue	<u>1,768</u>
Total Public Support and Program Revenue	<u>90,651</u>
Expenses	
Program Expenses	54,254
General and Administrative	17,215
Fundraising	<u>12,609</u>
Total Expenses	<u>84,078</u>
Change in Net Assets Without Donor Restrictions	6,574
NET ASSETS, Beginning of Year	<u>131,543</u>
NET ASSETS, End of Year	<u><u>\$ 138,117</u></u>

See independent accountant's review report and notes to financial statements.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2021
Reviewed

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Year Ended May 31, 2021 Total</u>
Salaries - Administration	\$ 24,500	\$ 6,250	\$ 6,250	\$ 37,000
Payroll Taxes	1,919	489	489	2,897
Total Salaries and Related Expenses	26,419	6,739	6,739	39,897
Plant Sale	-	-	4,043	4,043
Professional Fees	-	6,240	-	6,240
Contractual Artists Fees	14,160	-	-	14,160
Guest Artists Fees	500	-	-	500
Marketing and Promotion	2,407	-	-	2,407
Communications	755	378	377	1,510
Rent	2,900	1,450	1,450	5,800
Performance Venue Rental	3,025	-	-	3,025
Insurance	1,609	1,609	-	3,218
Office Expenses	203	203	-	406
Postage	307	307	-	614
Licenses and Fees	576	-	-	576
Miscellaneous	243	289	-	532
Depreciation	1,150	-	-	1,150
Total	\$ 54,254	\$ 17,215	\$ 12,609	\$ 84,078

See independent accountant's review report and notes to financial statements.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
STATEMENT OF CASH FLOWS
Reviewed

	<u>Year Ended May 31, 2021</u>
<i><u>Cash Flows from Operating Activities:</u></i>	
Change in Net Assets	\$ 6,574
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	1,150
Decrease in Prepaid Expenses	728
Increase in Accounts Payable	193
Decrease in Payroll Taxes Payable	<u>(26)</u>
Net Cash Provided by Operating Activities	<u>8,619</u>
<i><u>Cash Flows from Investing Activities:</u></i>	
Investment in Insurance Company Annuity Contracts	<u>(76,094)</u>
Net Decrease in Cash and Cash Equivalents	(67,476)
Cash and Cash Equivalents, at Beginning of Year	<u>133,794</u>
Cash and Cash Equivalents, at Year End	<u><u>\$ 66,319</u></u>
<i><u>Supplemental Information:</u></i>	
Non-Cash In-Kind Contributions	<u><u>\$ 4,240</u></u>
Interest Paid	<u><u>\$ -</u></u>

See independent accountant's review report and notes to financial statements.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Pennsylvania Sinfonia Orchestra (“Organization”) is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of providing a meaningful experience of music to a broad spectrum of audiences, through performances of the highest professional quality. The Pennsylvania Sinfonia Orchestra’s special purpose is to fulfill the role of the smaller orchestra, through original and imaginative programming, at times in collaboration with choral and operatic groups. Understanding the experience of music as a process of discovery, the Pennsylvania Sinfonia Orchestra seeks to share that process with its audience, both in concert and through educational outreach.

Tax Status

The Organization is exempt from federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more-likely-than-not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of May 31, 2021, there was no uncertain position taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Organization files Federal Form 990, *Return of Organization Exempt from Income Tax*, with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Asset Classifications

Net assets are classified based on the existence or absence of donor-imposed restrictions.

Net assets are defined as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Net Asset Classifications (Continued)

Net Assets With Donor Restrictions

Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Materials and Services

The Organization has recorded in-kind contributions of \$4,240 for the year ended May 31, 2021, for the volunteer services of the bookkeeper. Also, donated materials are reflected as contributions at their estimated values at date of receipt.

The Organization also receives donated services from a variety of unpaid volunteers. No amounts have been reflected in the statements for contributed services inasmuch as no objective basis is available to measure the value of such services.

Use of Estimates

The preparation of the 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 and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

The Organization capitalizes property and equipment over \$250. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives ranging from five to thirty years.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization's checking and money market accounts are considered cash.

Fair Value Measurements

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value for certain financial assets and liabilities. The three levels of the fair value hierarchy are as follows:

- | | |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 | Quoted prices in markets that are not active, quoted prices for similar securities, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability. |
| Level 3 | Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity). |

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

See Note 2 for the fair value measurements by level within the fair value hierarchy.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred and were \$2,407 during the year ended May 31, 2021.

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

2. Fair Value Measurements

Following is a description of the valuation method used for assets measured at fair value:

Insurance company annuity investment contracts: Reported at contract value which provides an approximation of fair value.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at the fair value as of May 31, 2021:

	Assests at Fair Value as of May 31, 2021		
	Level 1	Level 2	Level 3
Annuity Contract	\$ -	\$ -	\$ 76,094
Total Assets at Fair Value	\$ -	\$ -	\$ 76,094

The Organization's Level 3 investment consists of two insurance company annuity accounts with original deposits of \$25,000 and \$50,000, respectively. The contracts are each for three-year terms with a guaranteed interest rate of 1.75%. Annual penalty free withdrawals may be made up to 10% of the beginning-of-year contract value each year, after the first contract year. Additional withdrawals are subject to withdrawal charges, not to exceed 8% of the account balance. The annuity is backed by the claims-paying ability of the insurance company and is not insured by the FDIC or U.S. government. The contract value of the annuity equals the accumulated cash contributions, interest credited, and transfers, if any, less withdrawals, and transfers, if any. The annuity is not available for sale or transfer on any securities exchange. While transactions involving purchases and sales of contracts are not observable in a public marketplace, contract value provides an approximation of fair value.

The following summarizes the activity within the Organization's Level 3 investment for the year ended May 31, 2021:

Purchases:	
Contributions	\$ 75,000
Interest Credited	1,094
Withdrawals	-
Transfers	-
	\$ 76,094

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

3. Property and Equipment

Property and Equipment is comprised of the following at May 31:

	2021
Office Equipment	\$ 3,187
Marionettes, Right of Use	11,500
Total	14,687
Less: Accumulated Depreciation	(14,687)
Property and Equipment, Net	\$ -

Depreciation charged to expense was \$1,150 in 2021.

4. Line of Credit

The Organization has a \$30,000 unsecured working capital line of credit with a bank. Interest on outstanding borrowings was payable monthly at the bank's variable prime rate, 5.50% at May 31, 2021. The line expires July 31, 2022.

Interest paid and expensed was \$-0- in 2021.

5. Operating Lease

The Pennsylvania Sinfonia Orchestra leases office space under a month-to-month lease at \$400 per month, which increased to \$600 per month effective January 1, 2021. Rent expense was \$5,800 for the year ended May 31, 2021.

6. Fundraising Events

The Organization's fundraising events are summarized as follows:

	Art Auction	Plant Sale	Total
<u>2021</u>			
Gross Revenue	\$ -	\$ 8,234	\$ 8,234
Direct Expenses	-	(4,043)	(4,043)
	\$ -	\$ 4,191	\$ 4,191

PENNSYLVANIA SINFONIA ORCHESTRA
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
May 31, 2021

7. Liquidity and Availability

The following table reflects the Organization's financial assets as of May 31, 2021 that are available to meet general expenditures within one year of the statement of financial position date.

Financial assets at year-end:

Cash and Cash Equivalents	\$	66,319
Insurance Company Annuity Contracts		76,094
Less: Withdrawal Charges		<u>(6,105)</u>
	\$	<u><u>136,308</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization manages resources to operate with a balanced budget and anticipates collecting sufficient program and contribution revenue to cover general expenditures not covered by donor-restricted resources. The Organization also has a line of credit with a bank (see Note 4) in the event of short-term cash needs.

8. Subsequent Events

Subsequent events have been evaluated through January 10, 2022 the date the financial statements were available to be issued.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact parts of its 2022 fiscal year operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.