

ALLENTOWN SYMPHONY ASSOCIATION, INC.

FINANCIAL REPORT

May 31, 2018

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& COMPANY

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A Professional Corporation

Certified Public Accountants | Business Consultants

ALLENTOWN SYMPHONY ASSOCIATION, INC.

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Certified Public Accountants | Business Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Allentown Symphony Association, Inc.
Allentown, Pennsylvania

We have audited the accompanying financial statements of Allentown Symphony Association, Inc. (a nonprofit organization) which comprise the statements of financial position as of May 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allentown Symphony Association, Inc. as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 22 and 23 are 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.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
September 18, 2018

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Financial Position****May 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 872,743	\$ 162,830
Accounts receivable, net	17,493	22,179
Inventory	9,537	5,311
Prepaid expenses	12,365	21,772
TOTAL CURRENT ASSETS	<u>912,138</u>	<u>212,092</u>
PROPERTY AND EQUIPMENT		
Land	104,368	104,368
Building and improvements	11,169,866	11,169,866
Equipment	452,994	450,344
Furniture and fixtures	81,697	81,697
Construction work in progress	60,938	19,640
	<u>11,869,863</u>	<u>11,825,915</u>
Less: accumulated depreciation	<u>4,788,096</u>	<u>4,482,488</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>7,081,767</u>	<u>7,343,427</u>
OTHER ASSETS		
Cash, temporarily restricted	1,346	791
Cash, permanently restricted	123,006	101,607
Investments, unrestricted	38,976	26,526
Investments, permanently restricted	5,818,416	5,701,546
Other assets	11,220	11,220
TOTAL OTHER ASSETS	<u>5,992,964</u>	<u>5,841,690</u>
TOTAL ASSETS	<u>\$ 13,986,869</u>	<u>\$ 13,397,209</u>

See Notes to Financial Statements.

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Financial Position (cont'd)****May 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable	\$ 631,705	\$ 796,194
Accounts payable	183,579	112,128
Accrued expenses	46,477	40,365
Deferred revenues	<u>304,768</u>	<u>330,475</u>
TOTAL CURRENT LIABILITIES	<u>1,166,529</u>	<u>1,279,162</u>
NONCURRENT LIABILITIES		
Notes payable	<u>275,000</u>	-
TOTAL NONCURRENT LIABILITIES	<u>275,000</u>	-
TOTAL LIABILITIES	<u>1,441,529</u>	<u>1,279,162</u>
NET ASSETS		
Unrestricted net assets	6,308,510	6,314,103
Temporarily restricted net assets	295,408	791
Permanently restricted net assets	<u>5,941,422</u>	<u>5,803,153</u>
TOTAL NET ASSETS	<u>12,545,340</u>	<u>12,118,047</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,986,869</u>	<u>\$ 13,397,209</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Statements of Activities

Years Ended May 31, 2018 and 2017

	2018			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
REVENUES AND SUPPORT				
REVENUES				
Concert ticket sales	\$ 610,092	\$ -	\$ -	\$ 610,092
Net concession sales	66,131	-	-	66,131
Hall rental	314,077	-	-	314,077
Unit rental	51,067	-	-	51,067
Investment return designated for current operations	84,000	136,000	-	220,000
Miscellaneous revenue	2,684	-	-	2,684
TOTAL REVENUES	<u>1,128,051</u>	<u>136,000</u>	<u>-</u>	<u>1,264,051</u>
SUPPORT				
Grants and contributions, program and operations	1,207,938	197,801	-	1,405,739
Grants and contributions, capital	-	355,000	-	355,000
Contributions, in-kind	259,022	-	-	259,022
Governmental grants	525,408	-	-	525,408
Fundraising income	1,019	-	-	1,019
	<u>1,993,387</u>	<u>552,801</u>	<u>-</u>	<u>2,546,188</u>
Net revenue from special events:				
Contributions	116,235	-	-	116,235
Contributions, in-kind	60,067	-	-	60,067
Special event revenue	32,670	-	-	32,670
Less: costs of direct benefits	(112,124)	-	-	(112,124)
	<u>96,848</u>	<u>-</u>	<u>-</u>	<u>96,848</u>
TOTAL SUPPORT	<u>2,090,235</u>	<u>552,801</u>	<u>-</u>	<u>2,643,036</u>
Net assets released from restrictions:				
Capital improvements	60,938	(60,938)	-	-
Educational programs	197,246	(197,246)	-	-
Schadt trust	136,000	(136,000)	-	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>394,184</u>	<u>(394,184)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>3,612,470</u>	<u>294,617</u>	<u>-</u>	<u>3,907,087</u>

See Notes to Financial Statements.

2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 597,529	\$ -	\$ -	\$ 597,529
50,061	-	-	50,061
341,057	-	-	341,057
60,093	-	-	60,093
84,000	136,000	-	220,000
2,261	-	-	2,261
<u>1,135,001</u>	<u>136,000</u>	<u>-</u>	<u>1,271,001</u>
1,272,351	229,879	-	1,502,230
-	5,000	-	5,000
273,748	-	-	273,748
29,739	-	-	29,739
15,055	-	-	15,055
<u>1,590,893</u>	<u>234,879</u>	<u>-</u>	<u>1,825,772</u>
141,555	-	-	141,555
50,266	-	-	50,266
31,775	-	-	31,775
(100,860)	-	-	(100,860)
<u>122,736</u>	<u>-</u>	<u>-</u>	<u>122,736</u>
<u>1,713,629</u>	<u>234,879</u>	<u>-</u>	<u>1,948,508</u>
8,617	(8,617)	-	-
229,879	(229,879)	-	-
<u>136,000</u>	<u>(136,000)</u>	<u>-</u>	<u>-</u>
<u>374,496</u>	<u>(374,496)</u>	<u>-</u>	<u>-</u>
<u>3,223,126</u>	<u>(3,617)</u>	<u>-</u>	<u>3,219,509</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Activities (cont'd)**

Years Ended May 31, 2018 and 2017

	2018			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXPENSES				
Program services, orchestra, and concerts	2,925,487	-	-	2,925,487
Administrative and general	468,087	-	-	468,087
Fund raising, special events	226,296	-	-	226,296
TOTAL EXPENSES	<u>3,619,870</u>	<u>-</u>	<u>-</u>	<u>3,619,870</u>
OTHER CHANGES				
Investment return in excess of amounts designated for current operations	1,807	-	138,269	140,076
CHANGE IN NET ASSETS	(5,593)	294,617	138,269	427,293
NET ASSETS, beginning	<u>6,314,103</u>	<u>791</u>	<u>5,803,153</u>	<u>12,118,047</u>
NET ASSETS, ending	<u>\$ 6,308,510</u>	<u>\$ 295,408</u>	<u>\$ 5,941,422</u>	<u>\$ 12,545,340</u>

See Notes to Financial Statements.

2017

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2,803,230	-	-	2,803,230
451,790	-	-	451,790
207,313	-	-	207,313
<u>3,462,333</u>	<u>-</u>	<u>-</u>	<u>3,462,333</u>
3,704	-	332,135	335,839
(235,503)	(3,617)	332,135	93,015
<u>6,549,606</u>	<u>4,408</u>	<u>5,471,018</u>	<u>12,025,032</u>
<u>\$ 6,314,103</u>	<u>\$ 791</u>	<u>\$ 5,803,153</u>	<u>\$ 12,118,047</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Cash Flows****Years Ended May 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 427,293	\$ 93,015
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	305,608	312,140
Realized and unrealized (gains) losses on investments	331,767	430,933
(Increase) decrease in assets:		
Accounts receivable	4,686	4,828
Inventory	(4,226)	3,163
Prepaid expenses	9,407	(9,130)
Increase (decrease) in liabilities:		
Accounts payable	71,451	(77,326)
Accrued expenses	6,112	(21,389)
Deferred revenues	(25,707)	(134,816)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,126,391</u>	<u>601,418</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(43,948)	(145,648)
Purchase of investments	(1,730,263)	(2,471,661)
Proceeds from sales and maturities of investments	<u>1,269,176</u>	<u>1,613,522</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(505,035)</u>	<u>(1,003,787)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Promises receivable	-	3,800
Proceeds (payments) on short term note payable	525,000	125,975
Payments on loan payable	<u>(414,489)</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>110,511</u>	<u>129,775</u>
NET INCREASE (DECREASE) IN CASH	731,867	(272,594)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning	<u>265,228</u>	<u>537,822</u>
Ending	<u>\$ 997,095</u>	<u>\$ 265,228</u>
Cash and cash equivalents	\$ 872,743	\$ 162,830
Temporarily restricted cash	1,346	791
Permanently restricted cash	<u>123,006</u>	<u>101,607</u>
TOTAL CASH, CASH EQUIVALENTS AND RESTRICTED CASH	<u>\$ 997,095</u>	<u>\$ 265,228</u>

See Notes to Financial Statements.

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Statements of Cash Flows (cont'd)

Years Ended May 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 33,744</u>	<u>\$ 30,630</u>

See Notes to Financial Statements.

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements

May 31, 2018 and 2017

NOTE 1. NATURE OF THE ORGANIZATION AND BUSINESS ACTIVITY

The Allentown Symphony Association, Inc. (the "Association") is a nonprofit organization that operates the Allentown Symphony Orchestra and owns and maintains the Miller Symphony Hall. The Association's programs and activities benefit the City of Allentown and the surrounding Lehigh Valley as a whole. The Association also promotes the arts by conducting musical competitions and providing scholarships to deserving candidates.

The Association's activities are funded primarily by contributions, including grants, from individuals, corporations and governmental entities, ticket sales and event revenues.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association has adopted the provisions of FASB ASC 958-360-25-3, "Accounting for Contributions Received and Contributions Made," and "Financial Statements of Not-for-Profit Organizations," of the FASB. FASB ASC 958-360-25-3 establishes accounting standards for the treatment of contributions and pledges. FASB ASC 958-210-45-8 requires uniform financial statement classification by not-for-profit organizations of donor-imposed restrictions into permanently restricted, temporarily restricted, or unrestricted net assets.

Basis of Accounting

The accompanying 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 assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor imposed stipulations are classified as unrestricted net assets. The Board of Directors can designate a portion of the unrestricted net assets as to its use in current operations. The designated net assets are primarily used for long-term investment purposes.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time are classified as temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. Contributions for which the restriction expires in the year the funds are received are immediately released from restriction. The Association's temporarily restricted net assets are related to the Schadt Scholarship Trust to be expended to run the annual competition and award

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements

May 31, 2018 and 2017

prizes to its winners and to capital contributions from donors to be expended for improvements to Miller Symphony Hall and reduction of debt related to the Hall.

Permanently Restricted Net Assets

Net assets, subject to permanent donor-imposed stipulations, that are maintained by the Association or a designated third party are classified as permanently restricted. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes. As of May 31, 2018 and 2017, the Association has \$5,941,422 and \$5,803,153, respectively, of permanently restricted net assets restricted as to income for the use in string competitions and scholarships.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all investments, not restricted for the purchase of noncurrent assets, with a maturity of three months or less to be cash equivalents. Restricted cash includes amounts restricted from the Schadt Scholarship Trust and is used to award annual scholarships.

Contributions

Contributions, including unconditional promises to give are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Donor restricted contributions are released to unrestricted net assets when the restriction has been satisfied.

Promises to Give

Promises to give from donors and grantors are recorded at their estimated realizable value.

Donated Services

Donated services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services for the years ended May 31, 2018 and 2017 was \$259,022 and \$273,748, respectively.

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements May 31, 2018 and 2017

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Association provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There was no allowance for doubtful accounts as of May 31, 2018 and 2017, respectively.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and improvements over \$1,000 that materially prolong the useful lives of assets are capitalized. 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 the assets' useful lives which range from 3 to 40 years. Depreciation expense was \$305,609 and \$312,140 for the years ended May 31, 2018 and 2017, respectively.

Repairs and maintenance are charged to expense as incurred.

Inventories

Inventories of food and beverage are carried at the lower of cost or market.

Revenue Recognition

The Association defers revenue from the sales of subscriptions, single tickets, facility rentals, and advertising for the upcoming season until the performance of the related concerts.

Advertising

The Association expenses the costs of advertising the first time the advertising takes place and records donated advertising as support. Advertising expense is \$162,877 and \$91,989 for the years ended May 31, 2018 and 2017, respectively.

Functional Allocation of Expenses

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

Income Taxes

The Association is exempt from Federal income taxes under Section 501(c)(3) of the

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements

May 31, 2018 and 2017

Internal Revenue Code. The Organization adopted the provisions of FASB ASC 740-10. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings in determining any uncertain tax positions. The Organization would recognize accrued interest and penalties associated with any uncertain tax positions as part of the income tax provision.

The Organization files a Return of Organization Exempt from Income Tax annually. The Organization's returns for 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Date of Management's Review

The Association has evaluated subsequent events through September 18, 2018, the date which the financial statements were available to be issued.

NOTE 3. PROMISES RECEIVABLE

Unconditional Promises Receivable

The balance of unconditional promises to give from donors is comprised of the following as of May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Gross unconditional promises, beginning	\$ -	\$ 3,900
New unconditional pledges	-	-
Funds received on unconditional promises	<u>-</u>	<u>(1,500)</u>
Gross unconditional promises, ending	-	2,400
Less: Allowance for uncollectible pledges	<u>-</u>	<u>2,400</u>
Net unconditional promises, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements****May 31, 2018 and 2017****NOTE 4. INVESTMENTS**

Investments are stated at fair value and consist of the following as of May 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>
<u>UNRESTRICTED</u>		
UST Trust	\$ 38,976	\$ 38,976
<u>PERMANENTLY RESTRICTED</u>		
<u>MUTUAL FUNDS</u>		
Fixed income funds	1,042,034	1,016,978
Growth funds	469,936	630,446
Value funds	784,362	744,263
Balanced funds	247,600	404,591
Other funds	1,564,446	1,712,660
TOTAL MUTUAL FUNDS	<u>4,108,378</u>	<u>4,508,938</u>
<u>COMMON STOCK</u>		
Consumer Discretionary	89,790	207,820
Consumer Staples	39,863	62,148
Energy	44,594	51,719
Financials	130,780	216,548
Health Care	117,253	211,987
Industrials	73,611	151,325
Information Technology	150,363	356,755
Materials	22,554	38,019
Telecommunications Services	1,055	4,386
International Equities	6,738	8,771
TOTAL COMMON STOCK	<u>676,601</u>	<u>1,309,478</u>
TOTAL PERMANENTLY RESTRICTED	<u>4,784,979</u>	<u>5,818,416</u>
TOTAL INVESTMENTS	<u>\$ 4,823,955</u>	<u>\$ 5,857,392</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements****May 31, 2018 and 2017**

Investments consist of the following as of May 31, 2017:

	<u>Cost</u>	<u>Fair Value</u>
<u>UNRESTRICTED</u>		
UST Trust	\$ 26,526	\$ 26,526
<u>PERMANENTLY RESTRICTED</u>		
MUTUAL FUNDS		
Fixed income funds	1,215,321	1,238,520
Growth funds	602,144	733,818
Value funds	1,318,803	1,366,299
Balanced funds	249,412	370,090
Other funds	584,734	682,446
TOTAL MUTUAL FUNDS	<u>3,970,414</u>	<u>4,391,173</u>
COMMON STOCK		
Consumer Discretionary	107,275	206,569
Consumer Staples	45,573	79,942
Energy	46,824	47,240
Financials	157,788	211,277
Health Care	144,692	225,730
Industrials	89,282	157,743
Information Technology	181,018	332,239
Materials	26,453	39,247
Telecommunications Services	1,055	4,291
International Equities	5,445	6,095
TOTAL COMMON STOCK	<u>805,405</u>	<u>1,310,373</u>
TOTAL PERMANENTLY RESTRICTED	4,775,819	5,701,546
TOTAL INVESTMENTS	<u>\$ 4,802,345</u>	<u>\$ 5,728,072</u>

Expenses related to investment revenues, including custodial and investment advisory fees, are netted against investment return.

The permanently restricted investments include endowments held by Wells Fargo. The endowments have no restriction as to investment policy. The endowments are net income trusts and the trustee distributes the greater of net income or the distributable amount as calculated under IRS guidelines.

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements****May 31, 2018 and 2017**

The following schedule summarizes the investment return and classification in the statement of activities for the year ended May 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 2,671	\$ -	\$ 25,530	\$ 28,201
Net realized gain (loss)	1,746	136,000	1,766	139,512
Net unrealized gain	<u>81,282</u>	<u>-</u>	<u>110,973</u>	<u>192,255</u>
Return on long-term investments	85,699	136,000	138,269	359,968
Interest on short-term investments	<u>108</u>	<u>-</u>	<u>-</u>	<u>108</u>
Total return on investments	85,807	136,000	138,269	360,076
Investment return designated for current operations	<u>(84,000)</u>	<u>(136,000)</u>	<u>-</u>	<u>(220,000)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 1,807</u>	<u>\$ -</u>	<u>\$ 138,269</u>	<u>\$ 140,076</u>

The following schedule summarizes the investment return and classification in the statement of activities for the year ended May 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividends	\$ 9,668	\$ -	\$ 115,232	124,900
Net realized gain (loss)	4,419	136,000	(75,493)	64,926
Net unrealized gain (loss)	<u>73,611</u>	<u>-</u>	<u>292,396</u>	<u>366,007</u>
Return on long-term investments	87,698	136,000	332,135	555,833
Interest on short-term investments	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>
Total return on investments	87,704	136,000	332,135	555,839
Investment return designated for current operations	<u>(84,000)</u>	<u>(136,000)</u>	<u>-</u>	<u>(220,000)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 3,704</u>	<u>\$ -</u>	<u>\$ 332,135</u>	<u>\$ 335,839</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements

May 31, 2018 and 2017

Investment return for operating purposes is limited to amounts released from the permanently restricted endowment funds on an annual basis. Nonoperating investment return relates to any investment return held within the permanently restricted endowment funds.

NOTE 5. PENSION PLAN

The Association has a 403(b) defined contribution pension plan for its employees. For the years ended May 31, 2018 and 2017 the Association made no contributions to the plan.

NOTE 6. LEASING ACTIVITIES

The Association leases office space to tenants under noncancelable operating leases with terms of one to three years. The following is a schedule of future minimum rentals receivable under the leases as of May 31, 2018:

Year ending May 31,	
2019	\$ 86,633
	<u>\$ 86,633</u>

Rental income under the leases for the years ended May 31, 2018 and 2017 was \$51,067 and \$60,093, respectively.

NOTE 7. EMPLOYMENT CONTRACTS

The Association has employment contracts with the Conductor, and Associate Conductor. Under the terms of the contracts the Association may terminate the contracts with six months' notice.

NOTE 8. NOTES PAYABLE

The Association has the short term notes payable carry interest at a variable rate, equal to the Bank's Prime Rate with a floor of 4%. As of May 31, 2018 and 2017 the Association had the following notes outstanding:

	<u>2018</u>	<u>2017</u>
Note payable - Univest Bank, variable rate at 5.0% due October 2018.	\$ 261,005	\$ 425,494
Note payable - Univest Bank, variable rate at 5.0% due November 2018.	120,700	120,700

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements****May 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Note payable - Univest Bank, variable rate, paid off May 2018.	\$ -	\$ 250,000
Note payable - Univest Bank, variable rate at 5.0% due August 2019.	275,000	-
Note payable - Univest Bank, variable rate at 5.0% due May 2019.	<u>250,000</u>	<u>-</u>
	906,705	796,194
Less: current maturities	<u>631,705</u>	<u>796,194</u>
	<u>\$ 275,000</u>	<u>\$ -</u>

The schedule of maturities of long-term debt is as follows:

Year ending <u>June 30,</u>	
2018	\$ 631,705
Thereafter	<u>275,000</u>
	<u>\$ 906,705</u>

Interest expense on the notes is \$32,609 and \$30,630 for the years ended May 31, 2018 and 2017, respectively.

NOTE 9. RESTRICTIONS AND LIMITATIONS ON NET ASSETS

Permanently restricted net assets relate to the Schadt Scholarship Fund and are held in a separate investment account. Temporarily restricted net assets represents income from this fund to be used for scholarships awarded by the Association on an annual basis and capital funds for projects not yet completed.

NOTE 10. RELATED PARTY

During the year ended May 31, 2018 the Association received short term financing from a related party in the amount of \$60,000. The loan was repaid during the period.

NOTE 11. CONCENTRATION OF CREDIT RISK

The Association maintains cash balances with several financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, cash deposited in financial institutions may exceed the insured limits. The Association also maintains money market accounts that carry no federal depository insurance. No losses have been experienced as a result of uninsured cash balances. The Line of Credit terms require that the Association maintain a depository account with the lender.

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements****May 31, 2018 and 2017****NOTE 12. FAIR VALUE MEASUREMENTS**

The Association estimates of the fair value of investments in marketable equity securities are based on quoted market prices.

Level 1 valuation for both periods is based on quoted market prices for identical assets in active markets.

A summary of investments by input level as of May 31, 2018 and 2017 is as follows:

	<u>Total</u>	<u>Level 1</u>
<u>Recurring Fair Value Measurements:</u>		
<u>May 31, 2018</u>		
MUTUAL FUNDS		
Fixed income funds	1,016,978	1,016,978
Growth funds	630,446	630,446
Value funds	744,263	744,263
Balanced funds	404,591	404,591
Other funds	<u>1,751,636</u>	<u>1,751,636</u>
TOTAL MUTUAL FUNDS	<u>4,547,914</u>	<u>4,547,914</u>
COMMON STOCK		
Consumer Discretionary	207,820	207,820
Consumer Staples	62,148	62,148
Energy	51,719	51,719
Financials	216,548	216,548
Health Care	211,987	211,987
Industrials	151,325	151,325
Information Technology	356,755	356,755
Materials	38,019	38,019
Telecommunications Services	4,386	4,386
International Equities	<u>8,771</u>	<u>8,771</u>
TOTAL COMMON STOCK	<u>1,309,478</u>	<u>1,309,478</u>
TOTAL INVESTMENTS	<u>\$ 5,857,392</u>	<u>\$ 5,857,392</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements****May 31, 2018 and 2017**

	<u>Total</u>	<u>Level 1</u>
<u>Recurring Fair Value Measurements:</u>		
<u>May 31, 2017</u>		
MUTUAL FUNDS		
Fixed income funds	1,238,520	1,238,520
Growth funds	733,818	733,818
Value funds	1,366,299	1,366,299
Balanced funds	370,090	370,090
Other funds	<u>708,972</u>	<u>708,972</u>
TOTAL MUTUAL FUNDS	<u>4,417,699</u>	<u>4,417,699</u>
COMMON STOCK		
Consumer Discretionary	206,569	206,569
Consumer Staples	79,942	79,942
Energy	47,240	47,240
Financials	211,277	211,277
Health Care	225,730	225,730
Industrials	157,743	157,743
Information Technology	332,239	332,239
Materials	39,247	39,247
Telecommunications Services	4,291	4,291
International Equities	<u>6,095</u>	<u>6,095</u>
TOTAL COMMON STOCK	<u>1,310,373</u>	<u>1,310,373</u>
TOTAL INVESTMENTS	<u>\$ 5,728,072</u>	<u>\$ 5,728,072</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Schedules of Functional Expenses Years Ended May 31, 2018 and 2017

2018

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund Raising</u>	<u>Total</u>
PERSONNEL				
Administrative personnel	\$ 516,867	\$ 258,434	\$ 181,861	\$ 957,162
Fringe benefits	87,747	9,971	1,994	99,712
Hall personnel	90,795	-	-	90,795
Musicians	490,021	-	4,950	494,971
Outside performers	228,517	-	-	228,517
Payroll taxes	94,110	16,678	8,338	119,126
Payroll services	2,267	5,047	-	7,314
Training and meetings	-	-	-	-
Travel	80,033	9,892	-	89,925
TOTAL PERSONNEL	<u>1,590,357</u>	<u>300,022</u>	<u>197,143</u>	<u>2,087,522</u>
OTHER				
Advertising	162,877	-	-	162,877
Bad debt	-	3,353	-	3,353
Bank charges	42,871	10,718	-	53,589
Cleaning and maintenance	122,050	16,643	-	138,693
Depreciation	290,329	15,280	-	305,609
Dinners and receptions	41,931	-	4,659	46,590
Dues and subscriptions	8,618	594	694	9,906
Event set-up and supplies	120,186	-	-	120,186
Insurance	46,732	5,192	-	51,924
Interest expense	-	33,744	-	33,744
Licenses	33,348	-	-	33,348
Miscellaneous	735	7,433	-	8,168
Music rental	25,340	-	-	25,340
Musical equipment	47,653	-	-	47,653
Office supplies	2,482	9,803	124	12,409
Parking	-	8,082	-	8,082
Photography	3,090	-	-	3,090
Postage	22,389	2,834	3,117	28,340
Printing	5,137	544	363	6,044
Professional services	4,857	41,280	2,428	48,565
Promotion printing	31,733	-	13,600	45,333
Promotional design	14,776	-	4,168	18,944
Publicity	163,504	-	-	163,504
Real estate taxes	4,466	-	-	4,466
Recording	3,486	-	-	3,486
Repairs	4,799	-	-	4,799
Scholarships and awards	11,300	-	-	11,300
Security	21,440	-	-	21,440
Telephone	176	1,584	-	1,760
Utilities	98,825	10,981	-	109,806
TOTAL OTHER	<u>1,335,130</u>	<u>168,065</u>	<u>29,153</u>	<u>1,532,348</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,925,487</u>	<u>\$ 468,087</u>	<u>\$ 226,296</u>	<u>\$ 3,619,870</u>

2017

<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund Raising</u>	<u>Total</u>
\$ 469,383	\$ 234,691	\$ 165,153	\$ 869,227
98,041	11,141	2,228	111,410
105,700	-	-	105,700
488,231	-	4,932	493,163
193,057	-	-	193,057
89,224	15,812	7,906	112,942
2,310	5,141	-	7,451
4,952	-	1,087	6,039
89,022	11,003	-	100,025
<u>1,539,920</u>	<u>277,788</u>	<u>181,306</u>	<u>1,999,014</u>
91,989	-	-	91,989
-	2,300	-	2,300
39,862	9,966	-	49,828
116,917	15,943	-	132,860
296,533	15,607	-	312,140
39,876	-	4,431	44,307
8,317	574	669	9,560
131,262	-	-	131,262
54,460	6,051	-	60,511
-	30,630	-	30,630
22,927	-	-	22,927
560	5,664	-	6,224
8,674	-	-	8,674
29,060	-	-	29,060
2,664	10,524	134	13,322
-	12,144	-	12,144
2,500	-	-	2,500
33,173	4,199	4,619	41,991
4,450	471	314	5,235
5,574	47,377	2,787	55,738
16,578	-	7,105	23,683
21,088	-	5,948	27,036
192,998	-	-	192,998
4,270	-	-	4,270
4,478	-	-	4,478
7,834	-	-	7,834
13,350	-	-	13,350
16,303	-	-	16,303
192	1,727	-	1,919
97,421	10,825	-	108,246
<u>1,263,310</u>	<u>174,002</u>	<u>26,007</u>	<u>1,463,319</u>
<u>\$ 2,803,230</u>	<u>\$ 451,790</u>	<u>\$ 207,313</u>	<u>\$ 3,462,333</u>