

**ALLENTOWN SYMPHONY ASSOCIATION, INC.**

**FINANCIAL REPORT**

**May 31, 2021**

**BUCKNO  
LISICKY**   
**& 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, 2021 and 2020, and the related statements of activities, functional expenses 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 opinion.

## 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, 2021 and 2020, 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.

*Buckno Lisicky & Co PC*

Allentown, Pennsylvania  
July 11, 2022

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Statements of Financial Position****May 31, 2021 and 2020**

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,155,884	\$ 533,996
Promises to give, net	25,710	66,748
Inventory	6,527	9,489
Prepaid expenses	35,957	44,556
<b>TOTAL CURRENT ASSETS</b>	<b>1,224,078</b>	<b>654,789</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	104,368	104,368
Building and improvements	12,448,667	12,442,369
Equipment	507,893	498,892
Furniture and fixtures	110,166	110,166
	13,171,094	13,155,795
Less: accumulated depreciation	5,790,468	5,454,667
<b>TOTAL PROPERTY AND EQUIPMENT, NET</b>	<b>7,380,626</b>	<b>7,701,128</b>
<b>OTHER ASSETS</b>		
Cash, restricted	3,618	6,452
Investments, restricted	39,304	29,775
Investments, unrestricted	57,592	59,147
Beneficial interest in perpetual trusts	6,805,415	5,583,714
Other assets	11,220	11,220
<b>TOTAL OTHER ASSETS</b>	<b>6,917,149</b>	<b>5,690,308</b>
<b>TOTAL ASSETS</b>	<b>\$ 15,521,853</b>	<b>\$ 14,046,225</b>

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Statements of Financial Position (cont'd)****May 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of notes payable	\$ 52,533	\$ -
Accounts payable	22,465	32,238
Accrued expenses	107,062	109,660
Deferred revenues	<u>237,638</u>	<u>291,791</u>
TOTAL CURRENT LIABILITIES	<u>419,698</u>	<u>433,689</u>
<b>NONCURRENT LIABILITIES</b>		
Notes payable	<u>921,939</u>	<u>809,375</u>
TOTAL NONCURRENT LIABILITIES	<u>921,939</u>	<u>809,375</u>
TOTAL LIABILITIES	<u>1,341,637</u>	<u>1,243,064</u>
<b>NET ASSETS</b>		
Without donor restrictions	7,286,879	7,173,220
With donor restrictions	<u>6,893,337</u>	<u>5,629,941</u>
TOTAL NET ASSETS	<u>14,180,216</u>	<u>12,803,161</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,521,853</u>	<u>\$ 14,046,225</u>

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Statements of Activities****Year Ended May 31, 2021**

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES AND SUPPORT</b>			
<b>REVENUES</b>			
Concert ticket sales	\$ 17,567	\$ -	\$ 17,567
Hall rental	11,481	-	11,481
Investment return	97,703	174,137	271,840
Change in value of beneficial interest in perpetual trusts	-	1,221,701	1,221,701
<b>TOTAL REVENUES</b>	<b>126,751</b>	<b>1,395,838</b>	<b>1,522,589</b>
<b>SUPPORT</b>			
Grants and contributions, program and operations	1,366,825	59,500	1,426,325
Grants and contributions, capital	-	80,000	80,000
Governmental grants	455,634	-	455,634
Fundraising income	-	-	-
	<b>1,822,459</b>	<b>139,500</b>	<b>1,961,959</b>
Net revenue from special events:			
Contributions	136,555	-	136,555
Contributions, in-kind	13,189	-	13,189
Special event revenue	24,165	-	24,165
Less: costs of direct benefits	(28,269)	-	(28,269)
	<b>145,640</b>	<b>-</b>	<b>145,640</b>
<b>TOTAL SUPPORT</b>	<b>1,968,099</b>	<b>139,500</b>	<b>2,107,599</b>
Net assets released from restrictions:			
Capital improvements	80,000	(80,000)	-
Educational programs	27,434	(27,434)	-
Schadt trust	164,508	(164,508)	-
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>271,942</b>	<b>(271,942)</b>	<b>-</b>
<b>TOTAL REVENUE AND SUPPORT</b>	<b>2,366,792</b>	<b>1,263,396</b>	<b>3,630,188</b>

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Statements of Activities****Year Ended May 31, 2021**

	<b>2021</b>		
	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>EXPENSES</b>			
Program services, orchestra, and concerts	1,553,503	-	1,553,503
Administrative and general	480,793	-	480,793
Fund raising	218,837	-	218,837
<b>TOTAL EXPENSES</b>	<b><u>2,253,133</u></b>	<b><u>-</u></b>	<b><u>2,253,133</u></b>
<b>CHANGE IN NET ASSETS</b>	113,659	1,263,396	1,377,055
<b>NET ASSETS, beginning</b>	<b><u>7,173,220</u></b>	<b><u>5,629,941</u></b>	<b><u>12,803,161</u></b>
<b>NET ASSETS, ending</b>	<b><u>\$ 7,286,879</u></b>	<b><u>\$ 6,893,337</u></b>	<b><u>\$ 14,180,216</u></b>



**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Statements of Activities****Year Ended May 31, 2020**

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUES AND SUPPORT</b>			
<b>REVENUES</b>			
Concert ticket sales	\$ 526,829	\$ -	\$ 526,829
Net concession sales	53,575	-	53,575
Hall rental	116,123	-	116,123
Unit rental	17,527	-	17,527
Investment return	105,972	180,130	286,102
Change in value of beneficial interest in perpetual trusts	-	(34,607)	(34,607)
Miscellaneous revenue	2,967	-	2,967
<b>TOTAL REVENUES</b>	<b>822,993</b>	<b>145,523</b>	<b>968,516</b>
<b>SUPPORT</b>			
Grants and contributions, program and operations	1,208,533	234,028	1,442,561
Grants and contributions, capital	-	310,070	310,070
Contributions, in-kind	94,955	-	94,955
Governmental grants	563,308	-	563,308
Fundraising income	6,800	-	6,800
	<b>1,873,596</b>	<b>544,098</b>	<b>2,417,694</b>
Net revenue from special events:			
Contributions	155,983	-	155,983
Contributions, in-kind	32,334	-	32,334
Special event revenue	27,580	-	27,580
Less: costs of direct benefits	(85,208)	-	(85,208)
	<b>130,689</b>	<b>-</b>	<b>130,689</b>
<b>TOTAL SUPPORT</b>	<b>2,004,285</b>	<b>544,098</b>	<b>2,548,383</b>
Net assets released from restrictions:			
Capital improvements	310,070	(310,070)	-
Educational programs	219,028	(219,028)	-
Schadt trust	178,038	(178,038)	-
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>707,136</b>	<b>(707,136)</b>	<b>-</b>
<b>TOTAL REVENUE AND SUPPORT</b>	<b>3,534,414</b>	<b>(17,515)</b>	<b>3,516,899</b>

See Notes to Financial Statements.

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Statements of Activities****Year Ended May 31, 2020**

	<b>2020</b>		
	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>EXPENSES</b>			
Program services, orchestra, and concerts	2,480,988	-	2,480,988
Administrative and general	542,731	-	542,731
Fund raising	224,107	-	224,107
<b>TOTAL EXPENSES</b>	<b><u>3,247,826</u></b>	<b><u>-</u></b>	<b><u>3,247,826</u></b>
<b>CHANGE IN NET ASSETS</b>	286,588	(17,515)	269,073
<b>NET ASSETS, beginning</b>	<b><u>6,886,632</u></b>	<b><u>5,647,456</u></b>	<b><u>12,534,088</u></b>
<b>NET ASSETS, ending</b>	<b><u>\$ 7,173,220</u></b>	<b><u>\$ 5,629,941</u></b>	<b><u>\$ 12,803,161</u></b>

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Statements of Cash Flows****Years Ended May 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,377,055	\$ 269,073
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	335,801	340,405
Realized and unrealized gains on investments	(7,974)	(9,046)
Change in value of beneficial interest in perpetual trusts	(1,221,701)	34,607
(Increase) decrease in assets:		
Promises to give, net	41,038	(32,300)
Inventory	2,962	3,407
Prepaid expenses	8,599	(11,986)
Decrease in liabilities:		
Accounts payable	(9,773)	(54,742)
Accrued expenses	(2,598)	(4,977)
Deferred revenues	(54,153)	(79,135)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>469,256</u>	<u>455,306</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(15,299)</u>	<u>(27,680)</u>
<b>NET CASH USED IN INVESTING     ACTIVITIES</b>	<u>(15,299)</u>	<u>(27,680)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds on short term note payable	215,539	9,093
Payments on loan payable	<u>(50,442)</u>	<u>(148,679)</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING     ACTIVITIES</b>	<u>165,097</u>	<u>(139,586)</u>
 NET INCREASE IN CASH	619,054	288,040
 <b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Beginning	<u>540,448</u>	<u>252,408</u>
<b>Ending</b>	<u><b>\$ 1,159,502</b></u>	<u><b>\$ 540,448</b></u>
 Cash and cash equivalents	\$ 1,155,884	\$ 533,996
Cash, restricted	<u>3,618</u>	<u>6,452</u>
<b>TOTAL CASH, CASH EQUIVALENTS     AND RESTRICTED CASH</b>	<u><b>\$ 1,159,502</b></u>	<u><b>\$ 540,448</b></u>
 <b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for:		
Interest	<u>\$ 23,530</u>	<u>\$ 39,272</u>

See Notes to Financial Statements.

# ALLENTOWN SYMPHONY ASSOCIATION, INC.

## Statement of Functional Expenses

Year Ended May 31, 2021

2021

	Program Services	Administrative and General	Fund Raising	Total
PERSONNEL				
Administrative personnel	\$ 367,080	\$ 232,520	\$ 173,871	\$ 773,471
Fringe benefits	58,097	14,755	19,366	92,218
Hall personnel	84,575	-	-	84,575
Musicians	248,507	-	-	248,507
Outside performers	15,222	-	-	15,222
Payroll taxes	63,368	21,055	15,744	100,167
Payroll services	6,010	-	-	6,010
Training and meetings	2,750	-	-	2,750
Travel	19,607	-	-	19,607
TOTAL PERSONNEL	<u>865,216</u>	<u>268,330</u>	<u>208,981</u>	<u>1,342,527</u>
OTHER				
Advertising	22,337	-	-	22,337
Bank charges	11,508	2,031	-	13,539
Cleaning and maintenance	91,794	16,199	-	107,993
Depreciation	285,431	50,370	-	335,801
Dinners and receptions	3,195	-	6,851	10,046
Dues and subscriptions	7,215	-	-	7,215
Event set-up and supplies	-	-	-	-
Insurance	58,051	10,244	-	68,295
Interest expense	-	23,530	-	23,530
Licenses	17,804	-	-	17,804
Miscellaneous	5,015	-	-	5,015
Music rental	15,150	-	-	15,150
Musical equipment	42,310	-	-	42,310
Office supplies	14,155	-	-	14,155
Parking	-	406	-	406
Photography	-	-	-	-
Postage	4,979	720	-	5,699
Printing	-	1,021	-	1,021
Professional services	-	95,333	-	95,333
Promotion printing	5,506	-	695	6,201
Promotional design	2,915	-	-	2,915
Publicity	43,896	-	2,310	46,206
Recording	6,750	-	-	6,750
Repairs	2,428	607	-	3,035
Scholarships and awards	600	-	-	600
Security	411	-	-	411
Telephone	-	3,737	-	3,737
Utilities	46,837	8,265	-	55,102
TOTAL OTHER	<u>688,287</u>	<u>212,463</u>	<u>9,856</u>	<u>910,606</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,553,503</u>	<u>\$ 480,793</u>	<u>\$ 218,837</u>	<u>\$ 2,253,133</u>

See Notes to Financial Statements.

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# ALLENTOWN SYMPHONY ASSOCIATION, INC.

## Statement of Functional Expenses

Year Ended May 31, 2020

2020

	Program Services	Administrative and General	Fund Raising	Total
PERSONNEL				
Administrative personnel	\$ 503,064	\$ 233,939	\$ 146,533	\$ 883,536
Fringe benefits	76,147	34,734	22,711	133,592
Hall personnel	102,582	-	-	102,582
Musicians	485,135	-	-	485,135
Outside performers	139,690	-	-	139,690
Payroll taxes	82,257	17,365	10,877	110,499
Payroll services	1,677	6,551	-	8,228
Training and meetings	1,100	649	-	1,749
Travel	69,851	4,095	-	73,946
TOTAL PERSONNEL	<u>1,461,503</u>	<u>297,333</u>	<u>180,121</u>	<u>1,938,957</u>
OTHER				
Advertising	89,815	-	-	89,815
Bank charges	38,366	6,770	-	45,136
Cleaning and maintenance	100,988	17,822	-	118,810
Depreciation	289,344	51,061	-	340,405
Dinners and receptions	18,248	-	39,136	57,384
Dues and subscriptions	6,250	3,110	-	9,360
Event set-up and supplies	59,211	-	-	59,211
Insurance	53,293	9,405	-	62,698
Interest expense	-	39,272	-	39,272
Licenses	14,308	15,577	-	29,885
Miscellaneous	2,646	5,549	-	8,195
Music rental	14,720	-	-	14,720
Musical equipment	49,626	-	-	49,626
Office supplies	2,813	9,158	-	11,971
Parking	-	3,925	-	3,925
Photography	1,175	-	-	1,175
Postage	37,296	7,626	-	44,922
Printing	-	414	-	414
Professional services	-	60,252	-	60,252
Promotion printing	29,155	-	-	29,155
Promotional design	10,634	-	-	10,634
Publicity	92,157	-	4,850	97,007
Recording	2,950	-	-	2,950
Repairs	8,625	2,156	-	10,781
Scholarships and awards	16,100	-	-	16,100
Security	15,905	-	-	15,905
Telephone	-	1,679	-	1,679
Utilities	65,860	11,622	-	77,482
TOTAL OTHER	<u>1,019,485</u>	<u>245,398</u>	<u>43,986</u>	<u>1,308,869</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,480,988</u>	<u>\$ 542,731</u>	<u>\$ 224,107</u>	<u>\$ 3,247,826</u>

See Notes to Financial Statements.

## **ALLENTOWN SYMPHONY ASSOCIATION, INC.**

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### **Notes to the Financial Statements**

**May 31, 2021 and 2020**

#### **NOTE 1. NATURE OF THE ASSOCIATION 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 has a number of robust education and community engagement programs such as El Sistema Lehigh Valley (in partnership with the Allentown School District), scholarships for student musicians, and music competitions, among others.

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 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:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board can designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor or 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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. Detail of net assets with donor restrictions is included in Note 8.

##### **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.

# ALLENTOWN SYMPHONY ASSOCIATION, INC.

## Notes to the Financial Statements May 31, 2021 and 2020

### 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.

### Revenue Recognition

Revenue is recognized when earned. Program income and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

A portion of the Association's revenue is derived from cost-reimbursable state and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. As of May 31, 2021 and 2020, the Association has no refundable advances.

Revenue under the grant contracts for the years ended May 31, 2021 and 2020 was \$455,634 and \$563,308, respectively. Receivables related to grant contracts of the Association as of May 31, 2021, 2020 and 2019 are \$0, \$0 and \$0, respectively.

The Association also recognizes performance revenue when the event occurs. Revenues recognized from contracts with customers transferred at a point in time are \$17,567 and \$526,829 for the years ended May 31, 2021 and 2020, respectively. The beginning and ending contract related liabilities were as follows:

	May 31,		
	2021	2020	2019
Deferred revenues	\$ 237,638	\$ 291,791	\$ 370,926

### Promises to Give

Promises to give from donors and grantors are recorded at their estimated realizable value. All promises to give are expected to be received within one year.

### 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, 2021 and 2020 was \$0 and \$94,955, respectively.

## **ALLENTOWN SYMPHONY ASSOCIATION, INC.**

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### **Notes to the Financial Statements**

**May 31, 2021 and 2020**

#### **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 were no accounts receivable or allowance for doubtful accounts as of May 31, 2021 and 2020, 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 \$335,801 and \$340,405 for the years ended May 31, 2021 and 2020, 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.

#### **Beneficial Interest in Perpetual Trusts**

The Association is the beneficiary of perpetual trust agreements which are held by a third party. The beneficial interest is recorded at the Association's percentage of the fair value of the assets in the trusts using level 3 valuation inputs. The Association receives distributions of income from the trustee during the year. The Association's beneficial interest in these trust agreements is shown as net assets with donor restrictions in the financial statements and its impact on the statements of activities is reflected in change in value of beneficial interest in perpetual trusts.

#### **Advertising**

The Association expenses the costs of advertising the first time the advertising takes place and records donated advertising as support. Advertising expense is \$22,337 and \$89,815 for the years ended May 31, 2021 and 2020, respectively.

#### **Income Taxes**

The Association is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association adopted the provisions of FASB ASC 740-10. The Association continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings in determining any



## ALLENTOWN SYMPHONY ASSOCIATION, INC.

### Notes to the Financial Statements

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uncertain tax positions. The Association would recognize accrued interest and penalties associated with any uncertain tax positions as part of the income tax provision.

The Association files a Return of Association Exempt from Income Tax annually. The Association's returns for 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

#### Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

#### Date of Management's Review

The Association has evaluated subsequent events through July 11, 2022, the date which the financial statements were available to be issued.

### NOTE 3. LIQUIDITY AND AVAILABILITY

Management and the Board of Directors regularly monitor the liquidity needed to meet the Association's operating needs and other contractual commitments. The Association regularly manages cash resources to minimize the cost of borrowing. It also has various sources of liquidity at its disposal, including cash and cash equivalents, a line of credit and contractually obligated short-term receivables.

For the purposes of analyzing short-term liquidity needs, the Association strives to maintain sufficient liquid financial assets to cover two to three months of operating expenses. In addition to the financial assets available, the Association budgets to operate with a balanced budget. Any budgeted shortfalls are managed with short term borrowings on the available credit line.

The breakdown of financial resources as of May 31, 2021 and 2020 available to meet general expenditures within one year of the balance sheet date are listed below:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,155,884	\$ 533,996
Promises to give, net	25,710	66,748
Less: Contractual or donor imposed restriction making financial assets unavailable for general expenditure	<u>(87,922)</u>	<u>(46,227)</u>
	<u>\$ 1,181,594</u>	<u>\$ 600,744</u>

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Notes to the Financial Statements  
May 31, 2021 and 2020****NOTE 4. INVESTMENTS**

Investments are stated at fair value and consist of the following as of May 31, 2021:

	<u>Cost</u>	<u>Fair Value</u>
<u>Without Donor Restrictions</u>		
UST Trust	\$ 57,592	\$ 57,592
<u>With Donor Restrictions</u>		
Mutual funds:		
Growth funds	<u>20,785</u>	<u>39,304</u>
	<u>20,785</u>	<u>39,304</u>
	<u>\$ 78,377</u>	<u>\$ 96,896</u>

Investments consist of the following as of May 31, 2020:

	<u>Cost</u>	<u>Fair Value</u>
<u>Without Donor Restrictions</u>		
UST Trust	\$ 59,147	\$ 59,147
<u>With Donor Restrictions</u>		
Mutual funds:		
Growth funds	<u>19,640</u>	<u>29,775</u>
	<u>19,640</u>	<u>29,775</u>
	<u>\$ 78,787</u>	<u>\$ 88,922</u>

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

**NOTE 5. PENSION PLAN**

The Association has a 403(b) defined contribution pension plan for its employees. For the years ended May 31, 2021 and 2020, the Association made no contributions to the plan.

**NOTE 6. EMPLOYMENT CONTRACTS**

The Association has employment contracts with the Music Director, Executive Director, Associate Conductor, and Orchestra Librarian. The terms of the Music Director's contract expired on May 31, 2021. Subsequently, the Music Director's contract was renewed with terms through May 31, 2025. The Executive Director's term expires in September 2021. Subsequently, the Executive Director's contract was renewed through September 2022. The Associate Conductor's contract expired during 2020 and the current contract expires in July, 2023. The Orchestra Librarian's contractual terms expire in May, 2022.

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Notes to the Financial Statements****May 31, 2021 and 2020****NOTE 7. NOTES PAYABLE**

As of May 31, 2021 and 2020 the Association had the following notes outstanding:

	<u>2021</u>	<u>2020</u>
Note payable - Univest Bank, variable rate at Univest Prime Rate,. Interest only payments until maturity when all principal, and accrued interest is due. Note matures on June 30, 2022.	\$ 499,067	\$ 495,000
Note payable - Univest Bank, variable rate at 5.00% with a floor of 3.25%. Monthly payments of \$13,117 including principal and interest. All remaining principal due May, 2022.	52,533	102,975
Notes payable to bank Paycheck Protection Act loan. Payment deferral for the ten months following the Covered Period which ended October, 2020. If the loan is not forgiven, payments including principal and interest at 1% begin August, 2021 with remaining principal and accrued interest due in April, 2022.	211,400	211,400
Notes payable to bank Paycheck Protection Act loan. Payment deferral for the ten months following the Covered Period which ended June, 2021. If the loan is not forgiven, payments including principal and interest at 1% begin April, 2022 with remaining principal and accrued interest due in December, 2022.	<u>211,472</u>	<u>-</u>
	974,472	809,375
Less: current maturities	<u>52,533</u>	<u>-</u>
	<u>\$ 921,939</u>	<u>\$ 809,375</u>

As discussed in Note 14, the Paycheck Protection Act loans have been fully forgiven and will result in grant funding for the Association that will offset the additional expenses incurred for the years ended May 31, 2020 and 2021.

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Notes to the Financial Statements  
May 31, 2021 and 2020**

The schedule of maturities of long-term debt at May 31, 2021 is as follows:

Year ending <u>May 31,</u>	
2022	\$ 52,533
2023	<u>921,939</u>
	<u>\$ 974,472</u>

Interest expense on the notes is \$23,530 and \$39,272 for the years ended May 31, 2021 and 2020, respectively.

The Association also has an unused line of credit in the amount of \$250,000 with an interest rate equal to the Univest Prime Interest Rate. The line of credit expires in May of 2023.

**NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS**

The financial statements for the years ended May 31, 2021 and 2020 reflect net assets with donor restrictions for the following purposes:

	<u>2021</u>	<u>2020</u>
<i>Subject to expenditure for specific purpose:</i>		
Composer in residence	\$ 35,000	\$ 10,000
2021-2022 operating expenses	10,000	-
Music scholarship	39,304	29,775
Music competition	<u>3,618</u>	<u>6,452</u>
	<u>87,922</u>	<u>46,227</u>

*Perpetual endowments subject to spending policy or appropriation:*

Schadt	6,357,711	5,213,399
Reninger	<u>447,704</u>	<u>370,315</u>
	<u>6,805,415</u>	<u>5,583,714</u>
	<u>\$ 6,893,337</u>	<u>\$ 5,629,941</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended May 31, 2021 and 2020:

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Notes to the Financial Statements****May 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<i>Satisfaction of purpose restrictions:</i>		
Lyric room construction	\$ 80,000	\$ 310,070
Music competition and programs	27,434	219,028
General operations	<u>164,508</u>	<u>178,038</u>
	<u>\$ 271,942</u>	<u>\$ 707,136</u>

**NOTE 9. DONOR ADVISED FUNDS AT COMMUNITY FOUNDATION**

During 2021, the Association was named the recipient of an annual grant from the Allentown Symphony Association Endowment Fund, a designated fund of the Lehigh Valley Community Foundation. The Fund was established by the Century Fund with a \$5,000,000 gift and will result in an annual contribution to the Association with donor restrictions for musician salaries, education and outreach, recording and marketing and maintenance expenses. The distribution from the Fund can be up to 5% of the Fund's value (based on a rolling quarterly average) as long as the assets are equal to or greater than \$5,000,000.

As of May 31, 2021 the value of the Century Fund endowment is \$5,705,588 and for the year ended May 31, 2021 no donor restricted contribution has been received from the Fund.

**NOTE 10. QUASI ENDOWMENT FUND**

In May 2021 the Board of Directors established the Board Restricted Quasi Endowment Fund. The Fund is established to support the long term viability of the Association and is intended to provide a predictable source of income. As of May 31, 2021, the Fund has no assets.

**NOTE 11. FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, interest, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated on the basis of estimates of time and effort.

**NOTE 12. 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,

## **ALLENTOWN SYMPHONY ASSOCIATION, INC.**

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### **Notes to the Financial Statements**

**May 31, 2021 and 2020**

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.

#### **NOTE 13. CONTINGENCY**

The Association's operations have been affected by the ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Association in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Association's financial position, operations, and cash flows. The effects include, but are not limited to, disruption to the Association's revenue sources, its workforce and its ability to hold performances and provide services. The future effects of these issues are unknown.

The Association is a party to a litigation that began in April 2022. Management believes that, at this time, the ultimate resolution of these matters will not have a material impact on the financial position, results of activities or cash flows of the Association.

#### **NOTE 14. FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The Association estimates of the fair value of investments in marketable equity securities are based on quoted market prices.

Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**ALLENTOWN SYMPHONY ASSOCIATION, INC.****Notes to the Financial Statements****May 31, 2021 and 2020**

Level 3 – Inputs are unobservable and significant to the fair value measurement.

A summary of investments by input level as of May 31, 2021 and 2020 is as follows:

	2021 <u>Fair Value</u>	2020 <u>Fair Value</u>
<u>Recurring Fair Value Measurements</u>		
<u>Level 1</u>		
Mutual funds - Growth funds	\$ 39,304	\$ 29,775
 <u>Level 3</u>		
Unemployment trust fund	\$ 57,592	\$ 59,147
Beneficial interest in perpetual trusts	6,805,415	5,583,714
	<u>\$ 6,863,007</u>	<u>\$ 5,642,861</u>

The change in the Association's financial instruments with Level 3 valuations measured on a recurring basis as of May 31, 2021 and 2020 is as follows:

	Balance <u>May 31, 2020</u>	Unrealized <u>Gain (Loss)</u>	<u>Additions</u>	Balance <u>May 31, 2021</u>
Unemployment Trust Fund	\$ 59,147	\$ (11,040)	\$ 9,485	\$ 57,592
Beneficial interest in perpetual trusts	5,583,714	1,221,701	-	6,805,415
	<u>\$ 5,642,861</u>	<u>\$ 1,210,661</u>	<u>\$ 9,485</u>	<u>\$ 6,863,007</u>

	Balance <u>May 31, 2019</u>	Unrealized <u>Gain (Loss)</u>	<u>Additions</u>	Balance <u>May 31, 2020</u>
Unemployment Trust Fund	\$ 52,091	\$ (2,392)	\$ 9,448	\$ 59,147
Beneficial interest in perpetual trusts	5,618,321	(34,607)	-	5,583,714
	<u>\$ 5,670,412</u>	<u>\$ (36,999)</u>	<u>\$ 9,448</u>	<u>\$ 5,642,861</u>

**NOTE 15. SUBSEQUENT EVENTS**

In December 2021, the Association received \$225,000 to create a donor restricted endowment fund designed to provide support for performances on an annual basis. The Fund has been established by the Association with the Lehigh Valley Community

**ALLENTOWN SYMPHONY ASSOCIATION, INC.**

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**Notes to the Financial Statements**

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Foundation. Annual distributions from the Fund will be made in accordance with the Lehigh Valley Community Foundation's spending policy.

The Association has extended the maturity terms on their outstanding debt in May 2022. The loan maturity for the note payable of \$499,067 has been extended from June 30, 2022 to June 30, 2023.

Effective July 26, 2021 and November 17, 2021, the Small Business Administration has fully forgiven the Association's Paycheck Protection Program loans for the full principal amounts of \$211,400 and \$211,472, respectively.