

ALLENTOWN SYMPHONY ASSOCIATION, INC.

FINANCIAL REPORT

May 31, 2019

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Certified Public Accountants • Business Consultants

ALLENTOWN SYMPHONY ASSOCIATION, INC.

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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, 2019 and 2018, 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 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, 2019 and 2018, 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
December 18, 2019

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Financial Position****May 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 251,059	\$ 872,743
Accounts receivable, net	34,449	17,493
Inventory	12,896	9,537
Prepaid expenses	32,570	12,365
TOTAL CURRENT ASSETS	<u>330,974</u>	<u>912,138</u>
PROPERTY AND EQUIPMENT		
Land	104,368	104,368
Building and improvements	12,421,158	11,169,866
Equipment	492,423	452,994
Furniture and fixtures	110,166	81,697
Construction work in progress	-	60,938
	<u>13,128,115</u>	<u>11,869,863</u>
Less: accumulated depreciation	<u>5,114,263</u>	<u>4,788,096</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>8,013,852</u>	<u>7,081,767</u>
OTHER ASSETS		
Cash, temporarily restricted	1,349	1,346
Investments, restricted	27,785	24,604
Investments, unrestricted	52,091	38,976
Beneficial interest in perpetual trusts	5,618,321	5,916,818
Other assets	11,220	11,220
TOTAL OTHER ASSETS	<u>5,710,766</u>	<u>5,992,964</u>
TOTAL ASSETS	<u>\$ 14,055,592</u>	<u>\$ 13,986,869</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Financial Position (cont'd)****May 31, 2019 and 2018**

LIABILITIES AND NET ASSETS		
	2019	2018
CURRENT LIABILITIES		
Notes payable	\$ 148,679	\$ 631,705
Accounts payable	86,980	183,579
Accrued expenses	114,637	46,477
Deferred revenues	370,926	304,768
TOTAL CURRENT LIABILITIES	<u>721,222</u>	<u>1,166,529</u>
NONCURRENT LIABILITIES		
Notes payable	<u>800,282</u>	<u>275,000</u>
TOTAL NONCURRENT LIABILITIES	<u>800,282</u>	<u>275,000</u>
TOTAL LIABILITIES	<u>1,521,504</u>	<u>1,441,529</u>
NET ASSETS		
Without donor restrictions	6,886,632	6,308,510
With donor restrictions	<u>5,647,456</u>	<u>6,236,830</u>
TOTAL NET ASSETS	<u>12,534,088</u>	<u>12,545,340</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,055,592</u>	<u>\$ 13,986,869</u>

See Notes to Financial Statements.

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Activities****Year Ended May 31, 2019**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
REVENUES			
Concert ticket sales	\$ 643,409	\$ -	\$ 643,409
Net concession sales	74,194	-	74,194
Hall rental	310,611	-	310,611
Unit rental	9,667	-	9,667
Investment return	91,198	152,643	243,841
Change in value of beneficial interest in perpetual trusts	-	(298,496)	(298,496)
Miscellaneous revenue	1,832	-	1,832
TOTAL REVENUES	1,130,911	(145,853)	985,058
SUPPORT			
Grants and contributions, program and operations	1,248,358	221,696	1,470,054
Grants and contributions, capital	-	143,250	143,250
Contributions, in-kind	251,662	-	251,662
Governmental grants	535,828	-	535,828
Fundraising income	14,917	-	14,917
	2,050,765	364,946	2,415,711
Net revenue from special events:			
Contributions	98,868	-	98,868
Contributions, in-kind	40,768	-	40,768
Special event revenue	34,610	-	34,610
Less: costs of direct benefits	(91,505)	-	(91,505)
	82,741	-	82,741
TOTAL SUPPORT	2,133,506	364,946	2,498,452
Net assets released from restrictions:			
Capital improvements	437,312	(437,312)	-
Educational programs	222,625	(222,625)	-
Schadt trust	148,530	(148,530)	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	808,467	(808,467)	-
TOTAL REVENUE AND SUPPORT	4,072,884	(589,374)	3,483,510

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Activities****Year Ended May 31, 2019**

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
EXPENSES			
Program services, orchestra, and concerts	2,740,024	-	2,740,024
Administrative and general	554,518	-	554,518
Fund raising, special events	200,220	-	200,220
TOTAL EXPENSES	<u>3,494,762</u>	<u>-</u>	<u>3,494,762</u>
 CHANGE IN NET ASSETS	 578,122	 (589,374)	 (11,252)
 NET ASSETS, beginning	 <u>6,308,510</u>	 <u>6,236,830</u>	 <u>12,545,340</u>
NET ASSETS, ending	<u>\$ 6,886,632</u>	<u>\$ 5,647,456</u>	<u>\$ 12,534,088</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Activities
Year Ended May 31, 2018**

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
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	85,807	35,162	120,969
Change in value of beneficial interest in perpetual trusts	-	239,107	239,107
Miscellaneous revenue	2,684	-	2,684
TOTAL REVENUES	1,129,858	274,269	1,404,127
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
	1,993,387	552,801	2,546,188
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)
	96,848	-	96,848
TOTAL SUPPORT	2,090,235	552,801	2,643,036
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	394,184	(394,184)	-
TOTAL REVENUE AND SUPPORT	3,614,277	432,886	4,047,163

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Activities****Year Ended May 31, 2018**

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
EXPENSES			
Program services, orchestra, and concerts	2,833,129	-	2,833,129
Administrative and general	563,886	-	563,886
Fund raising, special events	222,855	-	222,855
TOTAL EXPENSES	<u>3,619,870</u>	<u>-</u>	<u>3,619,870</u>
 CHANGE IN NET ASSETS	 (5,593)	 432,886	 427,293
 NET ASSETS, beginning	 <u>6,314,103</u>	 <u>5,803,944</u>	 <u>12,118,047</u>
NET ASSETS, ending	<u>\$ 6,308,510</u>	<u>\$ 6,236,830</u>	<u>\$ 12,545,340</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Cash Flows****Year Ended May 31, 2019**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (11,252)	\$ 427,293
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	326,166	305,609
Realized and unrealized (gains) losses on investments	(16,294)	(13,220)
Change in value of beneficial interest in perpetual trusts	298,496	(239,107)
(Increase) decrease in assets:		
Accounts receivable	(16,956)	4,686
Inventory	(3,359)	(4,226)
Prepaid expenses	(20,205)	9,407
Increase (decrease) in liabilities:		
Accounts payable	(96,599)	71,451
Accrued expenses	68,160	6,112
Deferred revenues	66,158	(25,707)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>594,315</u>	<u>542,298</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(1,258,252)</u>	<u>(43,948)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,258,252)</u>	<u>(43,948)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on short term note payable	733,772	525,000
Payments on loan payable	<u>(691,516)</u>	<u>(414,489)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>42,256</u>	<u>110,511</u>
NET INCREASE (DECREASE) IN CASH	(621,681)	608,861
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning	874,089	265,228
Ending	<u>\$ 252,408</u>	<u>\$ 874,089</u>
Cash and cash equivalents	\$ 251,059	\$ 872,743
Restricted cash	<u>1,349</u>	<u>1,346</u>
TOTAL CASH, CASH EQUIVALENTS AND RESTRICTED CASH	<u>\$ 252,408</u>	<u>\$ 874,089</u>

SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

Cash payments for:

Interest

\$ 53,164\$ 33,744

See Notes to Financial Statements.

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statement of Functional Expenses****Year Ended May 31, 2019**

	2019			
	Program Services	Administrative and General	Fund Raising	Total
PERSONNEL				
Administrative personnel	\$ 452,742	\$ 266,995	\$ 142,590	\$ 862,327
Fringe benefits	95,678	10,873	2,174	108,725
Hall personnel	118,696	-	-	118,696
Musicians	532,888	-	-	532,888
Outside performers	173,885	-	-	173,885
Payroll taxes	81,982	19,819	10,584	112,385
Payroll services	1,771	5,474	-	7,245
Training and meetings	255	651	-	906
Travel	84,830	13,272	32	98,134
TOTAL PERSONNEL	1,542,727	317,084	155,380	2,015,191
OTHER				
Advertising	108,130	-	-	108,130
Bad debt	-	-	-	-
Bank charges	47,023	8,298	-	55,321
Cleaning and maintenance	120,720	21,303	-	142,023
Depreciation	277,241	48,925	-	326,166
Dinners and receptions	16,652	-	35,713	52,365
Dues and subscriptions	6,299	2,436	-	8,735
Event set-up and supplies	116,537	-	-	116,537
Insurance	61,540	10,860	-	72,400
Interest expense	-	53,164	-	53,164
Licenses	21,857	13,016	-	34,873
Miscellaneous	1,223	3,201	-	4,424
Music rental	18,197	-	-	18,197
Musical equipment	51,967	-	-	51,967
Office supplies	2,161	10,137	399	12,697
Parking	-	3,531	-	3,531
Photography	2,400	-	-	2,400
Postage	27,835	6,778	182	34,795
Printing	-	2,973	-	2,973
Professional services	-	35,603	-	35,603
Promotion printing	23,076	-	-	23,076
Promotional design	14,666	-	-	14,666
Publicity	162,369	-	8,546	170,915
Real estate taxes	-	-	-	-
Recording	5,728	-	-	5,728
Repairs	3,537	884	-	4,421
Scholarships and awards	2,100	-	-	2,100
Security	23,046	-	-	23,046
Telephone	-	1,679	-	1,679
Utilities	82,993	14,646	-	97,639
TOTAL OTHER	1,197,297	237,434	44,840	1,479,571
TOTAL FUNCTIONAL EXPENSES	\$ 2,740,024	\$ 554,518	\$ 200,220	\$ 3,494,762

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statement of Functional Expenses****Year Ended May 31, 2018**

	2018			
	Program Services	Administrative and General	Fund Raising	Total
PERSONNEL				
Administrative personnel	\$ 509,611	\$ 292,422	\$ 155,129	\$ 957,162
Fringe benefits	87,747	9,971	1,994	99,712
Hall personnel	90,795	-	-	90,795
Musicians	494,971	-	-	494,971
Outside performers	228,517	-	-	228,517
Payroll taxes	84,623	22,702	11,801	119,126
Payroll services	2,173	5,141	-	7,314
Training and meetings	-	-	-	-
Travel	85,150	4,775	-	89,925
TOTAL PERSONNEL	1,583,587	335,011	168,924	2,087,522
OTHER				
Advertising	162,877	-	-	162,877
Bad debt	-	3,353	-	3,353
Bank charges	45,551	8,038	-	53,589
Cleaning and maintenance	117,889	20,804	-	138,693
Depreciation	259,768	45,841	-	305,609
Dinners and receptions	14,816	-	31,774	46,590
Dues and subscriptions	7,263	2,643	-	9,906
Event set-up and supplies	120,186	-	-	120,186
Insurance	44,135	7,789	-	51,924
Interest expense	-	33,744	-	33,744
Licenses	21,728	11,620	-	33,348
Miscellaneous	897	7,271	-	8,168
Music rental	25,340	-	-	25,340
Musical equipment	47,653	-	-	47,653
Office supplies	2,960	8,974	475	12,409
Parking	6,870	1,212	-	8,082
Photography	3,090	-	-	3,090
Postage	19,213	7,174	1,953	28,340
Printing	38	2,656	3,350	6,044
Professional services	-	48,565	-	48,565
Promotion printing	37,129	-	8,204	45,333
Promotional design	18,944	-	-	18,944
Publicity	155,329	-	8,175	163,504
Real estate taxes	4,466	-	-	4,466
Recording	3,486	-	-	3,486
Repairs	3,839	960	-	4,799
Scholarships and awards	11,300	-	-	11,300
Security	21,440	-	-	21,440
Telephone	-	1,760	-	1,760
Utilities	93,335	16,471	-	109,806
TOTAL OTHER	1,249,542	228,875	53,931	1,532,348
TOTAL FUNCTIONAL EXPENSES	\$ 2,833,129	\$ 563,886	\$ 222,855	\$ 3,619,870

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements May 31, 2019 and 2018

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 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.

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

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements May 31, 2019 and 2018

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 net assets without donor restriction 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, 2019 and 2018 was \$251,662 and \$259,022, respectively.

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, 2019 and 2018, 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 \$326,166 and \$305,609 for the years ended May 31, 2019 and 2018, respectively.

Repairs and maintenance are charged to expense as incurred.

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements May 31, 2019 and 2018

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 \$108,130 and \$162,877 for the years ended May 31, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. 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 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 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements
May 31, 2019 and 2018**

The reclassifications associated with the adoption of ASU 2016-14 have had the following effect on net assets at May 31, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 6,308,510	\$ -
Temporarily restricted net assets	295,408	-
Permanently restricted net assets	5,941,422	-
Net assets without donor restrictions	-	6,308,510
Net assets with donor restrictions	-	6,236,830
	<u>\$ 12,243,979</u>	<u>\$ 12,243,979</u>

Reclassifications

Certain reclassifications have been made to the 2018 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 December 18, 2019, the date which the financial statements were available to be issued.

NOTE 3. LIQUIDITY AND AVAILABILITY

Management and Board of Directors regularly monitors liquidity needed to meet the Organization'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, lines 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 Organization budgets to operate with a balanced budget. Any budgeted shortfalls are managed with short term borrowings.

The breakdown of financial resources as of May 31, 2019, available to meet general expenditures within one year of the balance sheet date are listed below:

	<u>2019</u>
Cash and cash equivalents	\$ 251,059
Accounts receivable, net	34,449
	<u>\$ 285,508</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements
May 31, 2019 and 2018****NOTE 4. INVESTMENTS**

Investments are stated at fair value and consist of the following as of May 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>
<u>Without Donor Restrictions</u>		
UST Trust	\$ 52,091	\$ 52,091
<u>With Donor Restrictions</u>		
Mutual Funds		
Growth funds	18,243	27,785
	<u>18,243</u>	<u>27,785</u>
Total Investments	<u>\$ 70,334</u>	<u>\$ 79,876</u>

Investments consist of the following as of May 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>
<u>Without Donor Restrictions</u>		
UST Trust	\$ 38,976	\$ 38,976
<u>With Donor Restrictions</u>		
Mutual Funds		
Growth funds	16,486	24,604
	<u>16,486</u>	<u>24,604</u>
Total Investments	<u>\$ 55,462</u>	<u>\$ 63,580</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, 2019 and 2018 the Association made no contributions to the plan.

NOTE 6. 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. The Association also has an employment contract with the Executive Director with a three year term that expires September 2021.

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements
May 31, 2019 and 2018****NOTE 7. 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, 2019 and 2018 the Association had the following notes outstanding:

	<u>2019</u>	<u>2018</u>
Note payable - Univest Bank, variable rate at 5.0% due October 2018.	\$ -	\$ 261,005
Note payable - Univest Bank, variable rate at 5.0% due November 2018.	-	120,700
Note payable - Univest Bank, variable rate at 5.0% due August 2019.	710,000	275,000
Note payable - Univest Bank, variable rate at 5.0% monthly payments of \$13,117 including principal and interest. Due December, 2020.	238,961	-
Note payable - Univest Bank, variable rate at 5.0% due May 2019.	-	250,000
	948,961	906,705
Less: current maturities	148,679	631,705
	<u>\$ 800,282</u>	<u>\$ 275,000</u>

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

Year ending <u>May 31,</u>	
2020	\$ 148,679
2021	800,282
	<u>\$ 948,961</u>

Interest expense on the notes is \$53,164 and \$33,744 for the years ended May 31, 2019 and 2018, respectively.

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements
May 31, 2019 and 2018****NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS**

The financial statements for the years ended May 31, 2019 and 2018 reflect net assets with donor restrictions for the following purposes:

	2019	2018
<i>Subject to expenditure for specific purpose:</i>		
Lyric room construction	\$ -	\$ 294,062
Music scholarship	27,785	24,604
Music competition	1,350	1,346
	<u>29,135</u>	<u>320,012</u>

Perpetual endowments subject to spending policy or appropriation:

Schadt	5,237,741	5,524,653
Renninger	380,580	392,165
	<u>5,618,321</u>	<u>5,916,818</u>
	<u>\$ 5,647,456</u>	<u>\$ 6,236,830</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, 2019 and 2018:

	2019	2018
<i>Satisfaction of purpose restrictions:</i>		
Lyric room construction	\$ 437,312	\$ 60,938
Music competition and programs	222,625	197,246
General operations	148,530	136,000
	<u>\$ 808,467</u>	<u>\$ 394,184</u>

NOTE 9. 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.

Notes to the Financial Statements
May 31, 2019 and 2018

NOTE 10. 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.

NOTE 11. 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.

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

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements
May 31, 2019 and 2018**

A summary of investments by input level as of May 31, 2019 and 2018 is as follows:

	2019 Fair Value	2018 Fair Value
<u>Recurring Fair Value Measurements</u>		
<u>Level 1</u>		
Mutal funds - Growth funds	\$ <u>27,785</u>	\$ <u>24,604</u>
<u>Level 3</u>		
Unemployment trust fund	\$ <u>52,091</u>	\$ <u>38,976</u>

The change in the Association's financial instruments measured on a recurring basis as of May 31, 2019 and 2018 is as follows:

	Balance May 31, 2018	Unrealized Gain (Loss)	Additions	Balance May 31, 2019
Unemployment Trust Fund	\$ <u>38,976</u>	\$ <u>4,038</u>	\$ <u>9,077</u>	\$ <u>52,091</u>
	Balance May 31, 2017	Unrealized Gain (Loss)	Additions	Balance May 31, 2018
Unemployment Trust Fund	\$ <u>26,526</u>	\$ <u>1,755</u>	\$ <u>10,695</u>	\$ <u>38,976</u>

NOTE 12. SUBSEQUENT EVENT

On August 27, 2019, the Association entered into a revised debt agreement for the Univest note that came due. The new terms extended the maturity date of the \$710,000 principal to August 27, 2020 with interest due monthly at a new floor rate of 5.0%.