

ALLENTOWN SYMPHONY ASSOCIATION, INC.

FINANCIAL REPORT

May 31, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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
April 13, 2021

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Financial Position****May 31, 2020 and 2019****ASSETS**

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 533,996	\$ 251,059
Accounts receivable, net	66,748	34,449
Inventory	9,489	12,896
Prepaid expenses	44,556	32,570
TOTAL CURRENT ASSETS	<u>654,789</u>	<u>330,974</u>
PROPERTY AND EQUIPMENT		
Land	104,368	104,368
Building and improvements	12,442,369	12,421,158
Equipment	498,892	492,423
Furniture and fixtures	110,166	110,166
	<u>13,155,795</u>	<u>13,128,115</u>
Less: accumulated depreciation	<u>5,454,667</u>	<u>5,114,263</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>7,701,128</u>	<u>8,013,852</u>
OTHER ASSETS		
Cash, temporarily restricted	6,452	1,349
Investments, restricted	29,775	27,785
Investments, unrestricted	59,147	52,091
Beneficial interest in perpetual trusts	5,583,714	5,618,321
Other assets	<u>11,220</u>	<u>11,220</u>
TOTAL OTHER ASSETS	<u>5,690,308</u>	<u>5,710,766</u>
TOTAL ASSETS	<u>\$ 14,046,225</u>	<u>\$ 14,055,592</u>

See Notes to Financial Statements.

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Statements of Financial Position (cont'd)****May 31, 2020 and 2019**

LIABILITIES AND NET ASSETS		2020	2019
CURRENT LIABILITIES			
Current maturities of notes payable	\$	-	\$ 148,679
Accounts payable		32,238	86,980
Accrued expenses		109,660	114,637
Deferred revenues		291,791	370,926
TOTAL CURRENT LIABILITIES		<u>433,689</u>	<u>721,222</u>
NONCURRENT LIABILITIES			
Notes payable		<u>809,375</u>	<u>800,282</u>
TOTAL NONCURRENT LIABILITIES		<u>809,375</u>	<u>800,282</u>
TOTAL LIABILITIES		<u>1,243,064</u>	<u>1,521,504</u>
NET ASSETS			
Without donor restrictions		7,173,220	6,886,632
With donor restrictions		<u>5,629,941</u>	<u>5,647,456</u>
TOTAL NET ASSETS		<u>12,803,161</u>	<u>12,534,088</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>14,046,225</u>	<u>14,055,592</u>

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
REVENUES			
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
TOTAL REVENUES	822,993	145,523	968,516
SUPPORT			
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
	1,873,596	544,098	2,417,694
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)
	130,689	-	130,689
TOTAL SUPPORT	2,004,285	544,098	2,548,383
Net assets released from restrictions:			
Capital improvements	310,070	(310,070)	-
Educational programs	219,028	(219,028)	-
Schadt trust	178,038	(178,038)	-
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	707,136	(707,136)	-
TOTAL REVENUE AND SUPPORT	3,534,414	(17,515)	3,516,899

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

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
EXPENSES			
Program services, orchestra, and concerts	2,490,663	-	2,490,663
Administrative and general	536,881	-	536,881
Fund raising, special events	220,282	-	220,282
TOTAL EXPENSES	<u>3,247,826</u>	<u>-</u>	<u>3,247,826</u>
 CHANGE IN NET ASSETS	 286,588	 (17,515)	 269,073
 NET ASSETS, beginning	 <u>6,886,632</u>	 <u>5,647,456</u>	 <u>12,534,088</u>
NET ASSETS, ending	<u>\$ 7,173,220</u>	<u>\$ 5,629,941</u>	<u>\$ 12,803,161</u>

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	(92,005)	-	(92,005)
	82,241	-	82,241
TOTAL SUPPORT	2,133,006	364,946	2,497,952
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	4,072,384	(589,374)	3,483,010

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	2,739,524	-	2,739,524
Administrative and general	554,518	-	554,518
Fund raising, special events	200,220	-	200,220
TOTAL EXPENSES	<u>3,494,262</u>	<u>-</u>	<u>3,494,262</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 Cash Flows****Year Ended May 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 269,073	\$ (11,252)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	340,405	326,166
Realized and unrealized (gains) losses on investments	(9,046)	(16,294)
Change in value of beneficial interest in perpetual trusts	34,607	298,496
(Increase) decrease in assets:		
Accounts receivable	(32,300)	(16,956)
Inventory	3,407	(3,359)
Prepaid expenses	(11,986)	(20,205)
Increase (decrease) in liabilities:		
Accounts payable	(54,742)	(96,599)
Accrued expenses	(4,977)	68,160
Deferred revenues	(79,135)	66,158
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>455,306</u>	<u>594,315</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(27,680)</u>	<u>(1,258,252)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(27,680)</u>	<u>(1,258,252)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on short term note payable	(148,679)	733,772
Payments on loan payable	<u>9,093</u>	<u>(691,516)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(139,586)</u>	<u>42,256</u>
NET INCREASE (DECREASE) IN CASH	288,040	(621,681)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning	252,408	874,089
Ending	<u>\$ 540,448</u>	<u>\$ 252,408</u>
Cash and cash equivalents	\$ 533,996	\$ 251,059
Restricted cash	<u>6,452</u>	<u>1,349</u>
TOTAL CASH, CASH EQUIVALENTS AND RESTRICTED CASH	<u>\$ 540,448</u>	<u>\$ 252,408</u>
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 39,272</u>	<u>\$ 53,164</u>

See Notes to Financial Statements.

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	63,322	28,884	18,886	111,092
Hall personnel	102,582	-	-	102,582
Musicians	507,635	-	-	507,635
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	1,471,178	291,483	176,296	1,938,957
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	1,019,485	245,398	43,986	1,308,869
TOTAL FUNCTIONAL EXPENSES	\$ 2,490,663	\$ 536,881	\$ 220,282	\$ 3,247,826

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	532,388	-	-	532,388
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	1,542,227	317,084	155,380	2,014,691
OTHER				
Advertising	108,130	-	-	108,130
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
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	\$ 2,739,524	\$ 554,518	\$ 200,220	\$ 3,494,262

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements May 31, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019, the Association has no refundable advances.

Revenue under the grant contracts for the years ended May 31, 2020 and 2019 was \$563,308 and \$535,828, respectively. Receivables related to grant contracts of the Association as of May 31, 2020, 2019 and 2018 are \$0, \$0 and \$0, respectively.

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, 2020 and 2019 was \$94,955 and \$251,662, 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, 2020 and 2019, respectively.

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements May 31, 2020 and 2019

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 \$340,405 and \$326,166 for the years ended May 31, 2020 and 2019, 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.

Advertising

The Association expenses the costs of advertising the first time the advertising takes place and records donated advertising as support. Advertising expense is \$89,815 and \$108,130 for the years ended May 31, 2020 and 2019, respectively.

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 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Change in Accounting Principle

The Association has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Association's financial reporting.

The Organization has determined that the implementation of the accounting standard change did not significantly impact the financial statements and therefore, there were no changes to prior reported amounts.

ALLENTOWN SYMPHONY ASSOCIATION, INC.

Notes to the Financial Statements

May 31, 2020 and 2019

Reclassifications

Certain reclassifications have been made to the 2019 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 April 13, 2021, 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, 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 Association 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, 2020 and 2019 and, available to meet general expenditures within one year of the balance sheet date are listed below:

	2020	2019
Cash and cash equivalents	\$ 533,996	\$ 251,059
Accounts receivable, net	66,748	34,449
	<u>\$ 600,744</u>	<u>\$ 285,508</u>

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements
May 31, 2020 and 2019****NOTE 4. INVESTMENTS**

Investments are stated at fair value and 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	19,640	29,775
	<u>19,640</u>	<u>29,775</u>
	<u>\$ 78,787</u>	<u>\$ 88,922</u>

Investments 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>
	<u>\$ 70,334</u>	<u>\$ 79,876</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, 2020 and 2019 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, 2020 and 2019****NOTE 7. NOTES PAYABLE**

As of May 31, 2020 and 2019 the Association had the following notes outstanding:

	<u>2020</u>	<u>2019</u>
Note payable - Univest Bank, variable rate at 5.0% due April, 2022.	\$ 495,000	\$ 710,000
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.	102,975	238,961
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 on April, 2022.	<u>211,400</u>	<u>-</u>
	809,375	948,961
Less: current maturities	<u>-</u>	<u>148,679</u>
	<u>\$ 809,375</u>	<u>\$ 800,282</u>

The Paycheck Protection Act loan for \$211,400 is anticipated to be forgiven and will result in grant funding for the Association that will offset the additional expenses incurred for the year ended May 31, 2020.

The schedule of maturities of long-term debt at May 31, 2020 is as follows:

<u>Year ending May 31,</u>	
2021	\$ -
2022	<u>809,375</u>
	<u>\$ 809,375</u>

Interest expense on the notes is \$39,272 and \$53,164 for the years ended May 31, 2020 and 2019, respectively.

ALLENTOWN SYMPHONY ASSOCIATION, INC.**Notes to the Financial Statements
May 31, 2020 and 2019****NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS**

The financial statements for the years ended May 31, 2020 and 2019 reflect net assets with donor restrictions for the following purposes:

	2020	2019
<i>Subject to expenditure for specific purpose:</i>		
Performances	\$ 10,000	\$ -
Music scholarship	29,775	27,785
Music competition	6,452	1,350
	<u>46,227</u>	<u>29,135</u>

Perpetual endowments subject to spending policy or appropriation:

Schadt	5,213,399	5,237,741
Reninger	370,315	380,580
	<u>5,583,714</u>	<u>5,618,321</u>
	<u>\$ 5,629,941</u>	<u>\$ 5,647,456</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, 2020 and 2019:

Satisfaction of purpose restrictions:

Lyric room construction	\$ 310,070	\$ 437,312
Music competition and programs	219,028	222,625
General operations	178,038	148,530
	<u>\$ 707,136</u>	<u>\$ 808,467</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.

ALLENTOWN SYMPHONY ASSOCIATION, INC.

**Notes to the Financial Statements
May 31, 2020 and 2019**

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. CONTINGENCY

The Association's operations have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization 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 Organization's revenue sources, its workforce and its ability to hold performances and provide services. The future effects of these issues are unknown.

NOTE 12. 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, 2020 and 2019**

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

A summary of investments by input level as of May 31, 2020 and 2019 is as follows:

	2020 <u>Fair Value</u>	2019 <u>Fair Value</u>
<u>Recurring Fair Value Measurements</u>		
<u>Level 1</u>		
Mutual funds - Growth funds	\$ 29,775	\$ 27,785
<u>Level 3</u>		
Unemployment trust fund	\$ 59,147	\$ 52,091

The change in the Association's financial instruments measured on a recurring basis as of May 31, 2020 and 2019 is as follows:

	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

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

NOTE 13. SUBSEQUENT EVENT

The Association has extended the maturity terms on their outstanding debt in March 2021. The loan maturity for the note payable of \$495,000 at May 31, 2020 has been extended from February 2021 to June 2021. Additionally, the note payable of \$102,975 at May 31, 2020 has been extended from May 2021 to May 2022.