

ALLENTOWN BAND, INC

FINANCIAL REPORT
(Reviewed)

December 31, 2019

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& COMPANY

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A Professional Corporation

Certified Public Accountants Business Consultants

ALLENTOWN BAND, INC

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
The Allentown Band, Inc.
Allentown, Pennsylvania

We have reviewed the accompanying financial statements of The Allentown Band, Inc. (a nonprofit corporation), which comprise the statements of assets, liabilities and net assets - income tax basis of as of December 31, 2019 and 2018, and the related statements of support, revenue, expenses and changes in net assets - income tax basis, functional expenses – income tax basis and cash flows - income tax basis for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the Organization uses for income tax purposes; this includes determining that the basis of accounting the Organization uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the basis of accounting the Organization uses for income tax purposes. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting the Organization uses for income tax purposes.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting the Organization uses

for income tax purposes , which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Buckno Lisicky & Co PC

Allentown, Pennsylvania
August 14, 2020

ALLENTOWN BAND, INC**Statements of Assets, Liabilities and Net Assets - Income Tax Basis**

December 31, 2019 and 2018

See Independent Accountants' Review Report

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 350,831	\$ 409,468
Investment	5,557	5,557
Beneficial interest in assets held by community foundation	79,500	-
TOTAL CURRENT ASSETS	<u>435,888</u>	<u>415,025</u>
PROPERTY AND EQUIPMENT		
Land	10,000	10,000
Building	43,955	43,955
Building improvements	122,053	122,053
Music library and concert equipment	108,066	106,924
Vehicles	9,460	9,460
Furniture and other equipment	39,965	39,965
	333,499	332,357
Less accumulated depreciation	265,393	255,546
PROPERTY AND EQUIPMENT, NET	<u>68,106</u>	<u>76,811</u>
TOTAL ASSETS	<u>\$ 503,994</u>	<u>\$ 491,836</u>
LIABILITIES AND NET ASSETS		
NET ASSETS		
With donor restrictions	\$ 15,153	\$ 24,600
Without donor restrictions	488,841	467,236
TOTAL NET ASSETS	<u>503,994</u>	<u>491,836</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 503,994</u>	<u>\$ 491,836</u>

See Notes to Financial Statements.

ALLENTOWN BAND, INC**Statements of Support, Revenue, Expenses and Changes in Net Assets****- Income Tax Basis****Year Ended December 31, 2019****See Independent Accountants' Review Report**

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT			
Concert revenue	\$ 65,085	\$ -	\$ 65,085
Investment return	1,691	-	1,691
Contributions and grants	120,733	9,181	129,914
Special event revenue, net of direct costs of \$7,996	10,775	-	10,775
Other income	1,197	-	1,197
Net assets released from restrictions	<u>18,628</u>	<u>(18,628)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>218,109</u>	<u>(9,447)</u>	<u>208,662</u>
EXPENSES			
Program services	158,905	-	158,905
Supporting services:			
Management and general	30,126	-	30,126
Fund raising	<u>7,473</u>	<u>-</u>	<u>7,473</u>
TOTAL EXPENSES	<u>196,504</u>	<u>-</u>	<u>196,504</u>
CHANGE IN NET ASSETS	21,605	(9,447)	12,158
NET ASSETS, January 1	<u>467,236</u>	<u>24,600</u>	<u>491,836</u>
NET ASSETS, December 31	<u>\$ 488,841</u>	<u>\$ 15,153</u>	<u>\$ 503,994</u>

See Notes to Financial Statements.

ALLENTOWN BAND, INC**Statements of Support, Revenue, Expenses and Changes in Net Assets****- Income Tax Basis****Year Ended December 31, 2018****See Independent Accountants' Review Report**

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT			
Concert revenue	\$ 69,296	\$ -	\$ 69,296
Investment return	1,456	-	1,456
Contributions and grants	228,466	42,333	270,799
Special event revenue, net of direct costs of \$7,729	7,301	-	7,301
Net assets released from restrictions	62,134	(62,134)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>368,653</u>	<u>(19,801)</u>	<u>348,852</u>
EXPENSES			
Program services	140,848	-	140,848
Supporting services:			
Management and general	27,610	-	27,610
Fund raising	8,504	-	8,504
TOTAL EXPENSES	<u>176,962</u>	<u>-</u>	<u>176,962</u>
CHANGE IN NET ASSETS	191,691	(19,801)	171,890
NET ASSETS, January 1	275,545	44,401	319,946
NET ASSETS, December 31	<u>\$ 467,236</u>	<u>\$ 24,600</u>	<u>\$ 491,836</u>

See Notes to Financial Statements.

ALLENTOWN BAND, INC**Statements of Cash Flows - Income Tax Basis
Years Ended December 31, 2019 and 2018
See Independent Accountants' Review Report**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,158	\$ 171,890
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	<u>9,847</u>	<u>10,173</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>22,005</u>	<u>182,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of assets at community foundation	(79,500)	-
Purchase of property and equipment	<u>(1,142)</u>	<u>(1,692)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(80,642)</u>	<u>(1,692)</u>
NET INCREASE (DECREASE) IN CASH	(58,637)	180,371
CASH		
Beginning	<u>409,468</u>	<u>229,097</u>
Ending	<u>\$ 350,831</u>	<u>\$ 409,468</u>

ALLENTOWN BAND, INC

Statement of Functional Expenses - Income Tax Basis

Year Ended December 31, 2019

See Independent Accountants' Review Report

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund raising</u>	
Directors and officers	\$ -	\$ 10,723	\$ 1,892	\$ 12,615
Band personnel	85,303	-	-	85,303
	<u>85,303</u>	<u>10,723</u>	<u>1,892</u>	<u>97,918</u>
Advertising	-	959	-	959
Building repairs	606	202	-	808
Cleaning	-	900	-	900
Clothing	80	-	-	80
Concert costs	37,630	-	-	37,630
Depreciation	8,257	1,590	-	9,847
Dues	2,659	-	-	2,659
Gifts	-	954	-	954
Grant writing	-	-	1,550	1,550
Insurance	11,584	1,456	257	13,297
Licenses	-	180	-	180
Miscellaneous	-	2,959	-	2,959
Music purchase and restoration	2,909	-	-	2,909
Office expense	-	2,683	-	2,683
Postage	1,713	-	588	2,301
Printing	2,785	-	928	3,713
Professional fees	-	4,207	-	4,207
Recording costs	564	-	2,258	2,822
Taxes - other	-	387	-	387
Telephone	-	1,338	-	1,338
Travel	3,072	-	-	3,072
Utilities	1,743	581	-	2,324
Website	-	1,007	-	1,007
	<u>\$ 158,905</u>	<u>\$ 30,126</u>	<u>\$ 7,473</u>	<u>\$ 196,504</u>

ALLENTOWN BAND, INC**Statement of Functional Expenses - Income Tax Basis**

Year Ended December 31, 2018

See Independent Accountants' Review Report

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund raising</u>	
Directors and officers	\$ -	\$ 11,003	\$ 1,942	\$ 12,945
Band personnel	86,021	-	-	86,021
	<u>86,021</u>	<u>11,003</u>	<u>1,942</u>	<u>98,966</u>
Advertising	-	1,938	-	1,938
Bank charges	-	50	-	50
Building repairs	980	327	-	1,307
Cleaning	-	900	-	900
Clothing	251	-	-	251
Concert costs	12,899	-	-	12,899
Depreciation	8,535	1,638	-	10,173
Dues	650	-	-	650
Gifts	-	522	-	522
Grant writing	-	-	1,780	1,780
Insurance	6,155	787	139	7,081
Miscellaneous	-	31	-	31
Music purchase and restoration	14,328	-	-	14,328
Office expense	-	3,234	-	3,234
Postage	1,556	-	534	2,090
Printing	4,306	-	1,435	5,741
Professional fees	-	4,100	-	4,100
Recording costs	668	-	2,674	3,342
Taxes - other	-	150	-	150
Telephone	-	1,246	-	1,246
Travel	2,348	-	-	2,348
Utilities	2,151	717	-	2,868
Website	-	967	-	967
	<u>\$ 140,848</u>	<u>\$ 27,610</u>	<u>\$ 8,504</u>	<u>\$ 176,962</u>

See Notes to Financial Statements.

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Notes to the Financial Statements

December 31, 2019 and 2018

See Independent Accountants' Review Report

NOTE 1. NATURE OF THE ORGANIZATION AND BUSINESS ACTIVITY

Organization and Purpose

The Allentown Band, Inc. is a nonprofit corporation that operates the oldest civilian concert band in the United States. The Organization was formed in 1828 and incorporated in 1908. The Organization's mission is to continue the cultural heritage and musical traditions of the American concert band.

The Organization's activities are funded through service fees, contributions and grant income.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the income tax basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in United States of America. Income tax basis includes modifications to the cash basis of accounting, which include recording fixed assets and the related depreciation on these assets. 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 Allentown Band, Inc. 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. There are no board designated net assets as of December 31, 2019 and 2018.

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.

Basis of Presentation

The Organization has adopted the provisions of FASB ASC 958-360-25-3 "Accounting for Contributions Received and Contributions Made," and FASB ASC 958-210-45-8 ,

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Financial Statements of Not-for-Profit Organizations, of the FASB. FASB ASC 958-360-25-3 establishes accounting standards for the treatment of contributions and pledges. FASB ASC 958-210-45-8 requires uniform financial statement classification by not-for-profit organizations of donor-imposed restrictions into net asset with or without donor restrictions.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 was \$959 and \$1,938, respectively.

Cash

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. As of December 31, 2019 and 2018, cash consisted of:

	<u>2019</u>	<u>2018</u>
<u>Without donor restriction:</u>		
Cash, checking accounts	\$ 16,577	\$ 41,892
Cash, savings account	<u>334,254</u>	<u>367,576</u>
	<u>\$ 350,831</u>	<u>\$ 409,468</u>

Contributions

Contributions are recorded as revenue at their fair value in the period received. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as revenue with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are shown as released from restrictions. Restricted contributions for which donor restrictions are met in the same fiscal period are reported as revenue without donor restrictions.

Program Services

Program services include the performance of concerts and music for the general public. The fee collected for this service is recognized upon receipt of payment for the event.

Use of Estimates

The preparation of financial statements in conformity with the income tax basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual amounts could differ from those estimates.

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Notes to the Financial Statements

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See Independent Accountants' Review Report

Property and Equipment

Purchased property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciable lives of building and improvements are 30 years, equipment is 10-20 years and vehicles are 5 years. Depreciation expense for the years ended December 31, 2019 and 2018 is \$9,847 and \$10,173, respectively.

Income Taxes

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

The Organization has adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (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.

Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation form. These reclassifications had no effect on net income.

Date of Management's Review

The Organization has evaluated subsequent events through August 14, 2020, the date which the financial statements were available to be issued.

NOTE 3. ORGANIZATIONAL COMPOSITION

The Allentown Band, Inc. utilizes the specialized skills of its members at compensation levels below fair market value. The services these band members and administrators provide are integral to the programs conducted and sponsored by the Organization. Replacement of these valuable individuals at fair market value would be financially impractical.

NOTE 4. CONCENTRATION OF CREDIT RISK

The Organization maintains money market accounts that carry no federal depository insurance. No losses have been experienced as a result of uninsured cash balances.

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Notes to the Financial Statements

December 31, 2019 and 2018

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NOTE 5. INVESTMENT

The Allentown Band, Inc. made an investment in the stock of another company. The investment is recorded at cost. The Organization follows the income tax basis of accounting. As a result, a fair value adjustment is only required to be recorded when the stock is sold. As of the years ended December 31, 2019 and 2018, the Organization did not sell any of its purchased stock.

Investment return as of December 31, 2019 and 2018 is composed entirely of interest and dividend income.

NOTE 6. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization has transferred assets to the Lehigh Valley Community Foundation (the "Foundation") which is holding them as an endowed component fund ("Fund") for the benefit of the Organization. The Organization has granted the Foundation variance power which gives the Foundation's Board of Governors the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation's investment and spending policies. The Organization can also request larger distributions for capital purposes or an unexpected financial need.

The Organization reports the cost basis of the Fund as Beneficial Interest in Assets Held by Community Foundation in the Statements of Assets, Liabilities and Net Assets – Income Tax Basis. Investments into the Fund for the years ended December 31, 2019 and 2018 are \$79,500 and \$0, respectively. The change in the Fund's fair value for the years ended December 31, 2019 and 2018, which will only be used for Fund liquidation, is as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of the year	\$ -	\$ -
Amounts invested in the fund	79,500	-
Share of appreciation of fund	3,940	-
Distributions received	-	-
Balance, end of the year	<u>\$ 83,440</u>	<u>\$ -</u>

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NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2019 and 2018, the activity in net assets with donor restrictions is as follows:

	Music	Performances	Uniforms	Vehicle	Total
BALANCE, January 1, 2018	\$ 1,131	\$ 36,305	\$ 1,384	\$ 5,581	\$ 44,401
Revenue	-	42,333	-	-	42,333
Released from restrictions	1,131	58,375	151	2,477	62,134
BALANCE, December 31, 2018	-	20,263	1,233	3,104	24,600
Revenue	-	9,181	-	-	9,181
Released from restrictions	-	15,981	80	2,567	18,628
BALANCE, December 31, 2019	<u>\$ -</u>	<u>\$ 13,463</u>	<u>\$ 1,153</u>	<u>\$ 537</u>	<u>\$ 15,153</u>

NOTE 8. LIQUIDITY AND AVAILABILITY

The Board of Directors regularly monitors liquidity needed to meet the Organization's operating needs and other contractual commitments. The Organization regularly manages cash resources and has various sources of liquidity at its disposal, including cash and investments.

For the purposes of analyzing short-term liquidity needs, the Organization strives to maintain sufficient liquid financial assets to cover annual operating expenses. The Organization considers all donor restricted funds to be due within the current period. The breakdown of financial resources as of December 31, 2019 and 2018, available to meet general expenditures within one year of the balance sheet date are listed below:

	2019	2018
Cash	\$ 350,831	\$ 409,468
Investments	5,557	5,557
Less: Donor-imposed restrictions on financial assets making them unavailable for general expenditure.	(15,153)	(24,600)
	<u>\$ 341,235</u>	<u>\$ 390,425</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 administrative and occupancy costs. Administrative costs are allocated primarily on the basis of estimated time and effort and occupancy expenses are allocated on a square

THE ALLENTOWN BAND

Notes to the Financial Statements

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See Independent Accountants' Review Report

footage basis. All other expenses that are split between program and supporting functions are directly charged.

NOTE 10. SUBSEQUENT EVENT

The Organization'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 Organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's revenue sources, inability to perform concerts due to site and labor restrictions, and a decline in value of assets held by the Organization, including property and equipment, and marketable securities.